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1974 Accounting Trends & Techniques

AICPA

Twenty-Eighth Edition **1974**

Accounting Trends & Techniques

Annual Survey of Accounting Practices Followed in 600 Stockholders' Reports

AICPA
American Institute of Certified Public Accountants

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American Institute of Certified Public Accountants

Twenty-Eighth Edition 1974

Accounting Trends & Techniques

Twenty-Eighth 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, 1974.

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PREFACE

Accounting Trends & Techniques—1974, Twenty Eighth Edition, is a compilation of data obtained by a survey of 600 annual reports to stockholders undertaken for the purpose of analyzing the accounting information disclosed in such reports. The annual reports surveyed were those of selected industrial and merchandising companies for fiscal periods ending between February 28, 1973 and February 1, 1974.

Significant accounting trends, as revealed by a comparison of current survey findings with those of prior years, are highlighted in numerous comparative tabulations throughout this publication. These tables show trends in such diverse accounting matters as financial statement format and terminology and the accounting treatment of transactions and events reflected in the financial statements.

Accounting techniques are illustrated by excerpts from the annual reports of the survey companies and the annual reports of companies not included in the survey which presented items of particular interest or of an unusual nature. References (in the form of a listing of company identification numbers—see the following paragraph) to additional illustrations of an accounting technique may be requested from the American Institute of Certified Public Accountants.

Each of the 600 survey companies included in this edition has been assigned an identification number which is used for reference throughout the text in the discussion of pertinent information. 454 of the companies were listed in the twenty-first (1967) edition and each retained the number assigned in that edition. The other 146 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 770 have been assigned to their replacements. The 600 companies in the current edition are listed in the Company Appendix Section both alphabetically and by their identification number.

The Technical Research Division of the American Institute of Certified Public Accountants also produces *Financial Report Surveys*, a series of publications expanding on some of the data included in *Accounting Trends & Techniques*. These publications present illustrations of special aspects of financial statement presentation which are of current interest.

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 Annette K. Young, CPA for their assistance in the analysis of the financial reports and preparation of the manuscript.

William Bruschi, Vice President, Research & Review
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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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	1973	1972	1971	1970
Less than $100,000,000	124	128	137	136
Between $100,000,000 and $500,000,000	194	199	206	221
Between $500,000,000 and $1,000,000,000	95	107	108	102
Between $1,000,000,000 and $2,000,000,000	97	98	89	86
More than $2,000,000,000	90	68	60	55
Total Companies	**600**	**600**	**600**	**600**

TABLE 1-1: INDUSTRIAL GROUPS REPRESENTED

	1973	1972	1971	1970
Foods:				
Meat products	11	13	12	10
Dairy products	5	5	5	5
Canning, etc.	9	4	7	6
Packaged and bulk	22	21	17	18
Baking	5	5	5	4
Sugar, confections, etc.	7	7	7	8
Beverages	7	9	8	8
Tobacco products	8	8	8	8
Textiles	29	29	29	28
Paper products	16	16	16	18
Printing, publishing	7	6	6	5
Chemicals	25	26	30	29
Drugs, cosmetics, etc.	19	18	20	20
Petroleum	25	25	26	24
Rubber products, etc.	10	12	11	12
Shoes, - manufacturing, merchandising, etc.	8	8	8	8
Building:				
Cement	5	7	7	7
Roofing, wallboard	12	11	9	9
Heating, plumbing	7	7	6	6
Other	17	14	15	18
Steel and iron	22	23	20	21
Metal - nonferrous	18	16	14	15
Metal fabricating	12	15	13	14
Machinery, equipment and supplies	39	41	33	36
Electrical equipment, appliances	17	12	14	11
Electrical, electronic equipment	37	33	38	39
Business equipment and supplies	14	11	12	12
Containers - metal, glass, etc.	8	9	9	8
Autos and trucks (including parts, accessories)	21	22	23	21
Aircraft and equipment, aerospace	16	20	19	18
Railway equipment, shipbuilding, etc.	7	10	8	8
Controls, instruments, medical equipment, watches and clocks, etc.	13	13	11	7
Merchandising:				
Department stores	12	9	11	13
Mail order stores, variety stores	4	9	6	7
Grocery stores	17	20	19	20
Other	10	11	10	14
Motion pictures, broadcasting	6	5	6	5
Widely diversified, or not otherwise classified	73	70	82	80
Total Companies	**600**	**600**	**600**	**600**

TABLE 1-3: WHERE STOCKS ARE TRADED

	1973	1972	1971	1970
New York Stock Exchange	468	472	475	478
American Stock Exchange	77	75	78	75
Over-the-Counter Market	47	46	38	38
Regional Stock Exchange only	8	7	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

	1973	1972	1971	1970
January	23	24	24	23
February	16	12	13	12
March	20	18	18	18
April	5	5	6	6
May	10	12	11	11
June	39	35	36	37
July	14	12	14	17
August	17	18	19	18
September	39	38	33	34
October	31	33	32	35
November	13	13	13	12
Subtotal	**227**	**220**	**219**	**223**
December	373	380	381	377
Total Companies	**600**	**600**	**600**	**600**

A total of 373 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 1973, nine companies changed the date of their fiscal year ending. Explanations and disclosures made by such companies follow.

ADAMS-MILLIS CORPORATION

Statement of Consolidated Financial Position

December 30 1973	December 31 1972

Statement of Consolidated Earnings and Earnings Retained

Years Ended

December 30 1973	December 31 1972

Statement of Changes in Consolidated Financial Position

Years Ended

December 30 1973	December 31 1972

Note A (in part): Summary of Accounting Policies

Fiscal Year Change— Beginning in 1973 the Company changed its year end from a calendar year to a 52-53 week fiscal year. In future periods the year will end on the Sunday nearest December 31st. This change did not have a significant effect on the comparability of the financial statements.

ALLIED MILLS, INC.

Consolidated Balance Sheet

March 31 1973	June 30 1972

Consolidated Statement of Earnings and Retained Earnings

Nine Months Ended March 31 1973	Year Ended June 30 1972

Consolidated Statement of Changes in Financial Position

Nine Months Ended March 31 1973	Year Ended June 30 1972

Statement of Accounting Policies

Basis of presentation and reporting period— The consolidated financial statements include the accounts of the Company and its subsidiaries. During the period ended March 31, 1973, the Company changed its fiscal year from June 30 to March 31. Accordingly, the accompanying consolidated financial statements for fiscal 1973 cover the nine month period ended March 31, 1973 while those for fiscal 1972 cover a full year. Majority ownership of the Company's stock is held by Continental Grain Company ("Continental"). During fiscal 1973 and 1972, transactions between the Company and Continental occurred in the ordinary course of business on bases that approximated those which would have prevailed in transactions with independent parties.

AMERICAN ELECTRONIC LABORATORIES, INC.

Consolidated Balance Sheet

	February 23 1973 (Note 2)	November 30 1971

Consolidated Statement of Operations

	Years Ended	
	February 23 1973 (Note 2)	November 30 1971

Consolidated Statement of Shareholders' Equity

	Years Ended	
	February 23 1973	November 30 1971

Consolidated Statement of Changes in Financial Position

	Years Ended	
	February 23 1973 (Note 2)	November 30 1971

Note 2: Change of Fiscal Year— By action of the Board of Directors on October 18, 1972, the Company changed its financial reporting period from a year ending November 30 to a 52 or 53 week period ending on the last Friday of February.

The results of operations for the transition period, December 1, 1971 to February 25, 1972 (which are not indicative of results of a complete fiscal year), were as follows:

Sales	$5,947,069
Retained earnings, December 1, 1971	**$1,244,970**
Net loss— ($.04 per share)	(59,904)
Retained earnings, February 25, 1972	**$1,185,066**

In order to facilitate the change in the Company's year-end, the net loss for the transition period does not include amounts related to the Company's equity in the respective net income of AEL Israel and Butler. These companies have not changed their fiscal years. See Note 3 as to fiscal periods of the affiliates included in the accompanying financial statements.

INTERCO INCORPORATED

Consolidated Balance Sheet

	February 28 1973	November 30 1972

Consolidated Statement of Earnings

	Three Months Ended		Twelve Months Ended	
	February 28 1973	February 29 1972	February 28 1973	February 29 1972 (Unaudited)

Consolidated Statement of Changes in Financial Position

	Three Months Ended		Twelve Months Ended	
	February 28 1973	February 29 1972	February 28 1973	February 29 1972 (Unaudited)

Consolidated Statement of Stockholders' Equity

Three Months Ended February 28, 1973

Notes to Consolidated Financial Statements

Note 1 (in part): Fiscal Year— On December 11, 1972, the Board of Directors approved the change in the company's fiscal year from November 30 to the last day in February. In this report, fiscal 1973 refers to the twelve months ended February 28, 1973, and fiscal 1972 refers to the twelve months ended February 29, 1972. Amounts shown for the twelve months ended February 29, 1972 are unaudited.

INTERLAKE, INC.

Consolidated Balance Sheet

December 30 1973	December 31 1972

Statement of Consolidated Income and Retained Earnings

Years Ended	
December 30 1973	December 31 1972

Statement of Changes in Consolidated Financial Position

Years Ended	
December 30 1973	December 31 1972

Notes to Consolidated Financial Statements

Note 9: Fiscal Year— Effective January 1, 1973 the Company adopted a 52-53 week fiscal year.

THE UNITED STATES SHOE CORPORATION

Consolidated Balance Sheet

July 31 1973	July 31 1972

Consolidated Statements of Earnings and Retained Earnings

	Years Ended	
	July 31 1973	July 31 1972
RETAINED EARNINGS		
Balance as previously reported at October 31, 1971		$ 69,705,737
Less— duplicated earnings and dividends included below due to change in fiscal year-end		(1,135,524)
Balance at Beginning of Year	**$ 74,230,259**	**$ 68,570,213**
Add (Deduct):		
Net earnings for the year	11,514,369	11,595,157
Dividends paid on common shares ($.93¼ in 1973 and $.88 in 1972)	(6,375,146)	(5,935,111)
Balance at End of Year	**$ 79,369,482**	**$ 74,230,259**

Consolidated Statements of Changes in Financial Position

Years Ended	
July 31 1973	July 31 1972

Notes to Consolidated Financial Statements

Note 1 (in part): Statement of Major Accounting Policies— Principles of Consolidation— The consolidated financial statements include the accounts of all subsidiaries; all significant intercompany transactions have been eliminated. For details concerning the change from an October 31 to a July 31 year-end see page 1.

Company Changes Fiscal Year (page 1)— Our shareholders and the financial community at large have previously been informed of our intention to change the ending date of the company's fiscal year from October 31 to July 31. This change has now been made effective as planned.

The October 31 date goes back many years to a time when the company was engaged exclusively in the manufacture of shoes. The change to July 31 has been made desirable by the recent relative growth in the company's sales mix of retailing, and particularly specialty apparel retailing.

Annual reports, until now, have incorporated retailing results with a three month time lag— that is, they have combined retailing results for the 12-month period ending July 31 with manufacturing/wholesaling results for the 12-month period ending the following October 31.

With this change in fiscal year-end:

All divisions conform to a uniform year-end reporting date of July 31.

Interim statements will be issued as of October 31, January 31 and April 30 which correspond to previous quarterly periods.

The annual shareholders' meeting will be held in November rather than February— this year on November 27.

The schedule for declaration and payment of dividends remains unaltered.

Thus, the information in our annual reports will be more timely, which will facilitate more precise assessment of the company's year-to-year progress. We regard this change as another step forward in our continuing program of informed investor relationships.

The following annual report is, of course, our first since the change of our fiscal year-end to July 31. It therefore represents a transition from our reports over the past 11 years which were based on a fiscal year ending on October 31. The present report covers a full 12 months ended July 31, 1973, including the three months ended October 31, 1972. Unless otherwise indicated, comparisons with the prior year are for the 12 months ended July 31, 1972.

F. W. WOOLWORTH CO.

Consolidated Balance Sheet

January 31 1974 (Note 2)	December 31 1972

Consolidated Statement of Income

Fiscal Years Ended	
January 31 1974	December 31 1972 (Note 2)

Consolidated Statement of Retained Earnings

Fiscal Years Ended	
January 31 1974	December 31 1972 (Note 2)

Consolidated Statement of Changes in Financial Position

Fiscal Years Ended	
January 31 1974	December 31 1972 (Note 2)

Note 2: Change in Fiscal Year— In 1973 the Company changed its fiscal year from December 31 to January 31. The results of operations for the month of January 1973, which have been charged directly to retained earnings, and other changes in retained earnings for the month of January 1973 are summarized below:

Sales	$194,214,000
Loss before taxes of consolidated companies	$(24,993,000)
Provision (credit) for income taxes	(10,756,000)
Loss of consolidated companies	**(14,237,000)**
Equity in net income of F. W. Woolworth and Co., Limited, England	1,118,000
Loss for the month of January 1973 ($4.49 per share)	(13,119,000)
Cash dividends declared in January 1973:	
Preferred stock— $.55 per share	(957,000)
Common stock— $.30 per share	(8,588,000)
	(9,545,000)
	(22,664,000)
Retained earnings at December 31, 1972	810,282,000
Retained earnings at January 31, 1973	**$787,618,000**

The major portion of the provision (credit) for income taxes shown above, which arises as a result of the operating loss incurred for the month, is expected to be realized over the next ten years in equal annual amounts. The non-current portion of the unrecovered estimated future tax benefits is included in deferred charges in the accompanying consolidated balance sheet.

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

Weekday	1973	1972	1971	1970
Saturday (*147,339,587)	81	82	80	83
Sunday (*118,498,749)	27	24	22	22
Friday (*321,648,701)	3	3	3	2
Wednesday (*285,331)	2	2	2	2
Monday (*20)	1	1	--	--
Total Companies	**114**	**112**	**107**	**109**
Basis of Determination				
Saturday or Sunday nearest end of month	67	66	55	61
Last Saturday or Sunday in month	36	37	33	34
Other or not determinable	11	9	19	14
Total Companies	**114**	**112**	**107**	**109**

*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.

ACME MARKETS, INC. (MAR)

Notes to Financial Statements

Note 1 (in part): Definition of Fiscal Year— The company's fiscal year ends on the Saturday nearest to March 31. Fiscal year 1973 ended March 31, 1973; fiscal year 1972 ended April 1, 1972. Both of these years comprised 52 weeks.

ASSOCIATED DRY GOODS CORPORATION

Summary of Accounting Policies

Fiscal Year— The fiscal year used by Associated Dry Goods Corporation in accordance with its usual accounting and financial reporting procedures is based on a 4-5-4 calendar year (having 2 four week months and one five week month in each quarter) and ends in each year on the Saturday nearest to January 31 and begins on the next succeeding day.

BROWN GROUP, INC.

Notes to Consolidated Financial Statements

Note A (In Part): Accounting Period— The Corporation's fiscal year is a 52 to 53 week period ending the Saturday nearest to October 31.

S.S. KRESGE COMPANY

Notes to Consolidated Financial Statements

Note A (in part): Summary of Significant Accounting Policies Fiscal Year— The company's fiscal year ends on the last Wednesday in January. Fiscal year 1973 ended on January 30, 1974 and comprised 52 weeks; fiscal year 1972 ended on January 31, 1973 and comprised 53 weeks.

SEARS INDUSTRIES INC. (DEC)

Notes to Financial Statements

Note 1 (in part): Definition of Fiscal Year— The Corporation's fiscal year ends on the last business day of the last full week in December. The fiscal years ended December 29, 1973 and December 30, 1972 each comprised 52 weeks.

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

Summary of Accounting Policies

Definition of Fiscal Year— The Company's fiscal year ends on the last Saturday in January. Fiscal year 1973 ended January 26, 1974; fiscal year 1972 ended January 27, 1973. Each year comprised 52 weeks.

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

SAFEWAY STORES, INCORPORATED (DEC)

Financial Review

Summary of Accounting Policies (in part): Fiscal Year— The fiscal year for the Company's U.S. and Canadian operations ends on the Saturday nearest to December 31. Normally, each fiscal year consists of 52 weeks but every 5 or 6 years the fiscal year consists of 53 weeks in order to maintain the year-end on the Saturday nearest to December 31. Fiscal years of overseas subsidiaries follow a similar pattern but generally end on the Saturday nearest September 30.

FINANCIAL STATEMENTS

COMPARATIVE STATEMENTS

Chapter 2, Section A of *ARB No. 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 1963 51 companies did not present comparative figures and an additional 72 companies presented comparative figures for some but not all of the financial statements included in their annual report. During 1971 and 1970 there were noticeable increases in the number of survey company reports presenting all financial statements on a comparative basis. Such increases coincided with an SEC requirement that form 10K's covering fiscal periods ending after December 30, 1970 include comparative financial statements.

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."*

TABLE 1-6: COMPARATIVE STATEMENTS

	1973	1972	1971	1970
All statements comparative	593	593	589	543
Statement of Changes in Financial Position not comparative	--	--	2	33
Statements showing stockholder equity accounts not comparative	6	7	9	24
All statements not comparative	1	--	--	--
Total Companies	**600**	**600**	**600**	**600**

TABLE 1-7: ROUNDING OF AMOUNTS

	1973	1972	1971	1970
To nearest dollar	294	310	333	352
To nearest thousand dollars:				
Presenting 000 (*13,177,311)	158	155	159	159
Omitting 000 (*420,447,456)	137	125	100	83
To nearest million dollars (*127,247,312)	11	10	8	5
Showing cents	--	--	--	1
Total Companies	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

NOTES TO FINANCIAL STATEMENTS

SEC Regulation S-X and Sections 430 and 545 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

Descriptions 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	**1973**	**1972**	**1971**	**1970**
General and Direct references	337	346	372	378
General reference only	224	207	184	164
Direct reference only	36	42	39	52
No reference to notes	3	5	5	6
No notes presented	--	--	--	--
Total Companies	**600**	**600**	**600**	**600**
Referral to Financial Review Section				
Note information only in financial review section	29	35	34	
Note information in financial review and designated note sections	4	8	28	
Total Companies	**33**	**43**	**62**	
Prior Year Information				
Extraordinary charge or credit	104	94	74	
Business Combination	98	76	61	
Accounting Change	24	25	12	
Other	34	21	22	

*Refer to Company Appendix Section.

General References To Notes

ALUMINUM COMPANY OF AMERICA

The appended summary of significant accounting policies and notes to financial statements are an integral part of this statement.

CONAGRA, INC.

The above financial statements should be read in conjunction with pages 12 through 15 of this report.

CORNING GLASS WORKS

See Statement of Accounting Policies on page 19 and related Notes to Consolidated Financial Statements on page 21.

DEERE & COMPANY

The summary of significant accounting policies on page 27 and the financial review on pages 19 through 22 are an integral part cf this statement.

GENERAL ELECTRIC COMPANY

The 1973 Financial Summary beginning on page 30 and ending on page 41 is an integral part of this statement.

NEW ENGLAND NUCLEAR CORPORATION

See accompanying Summary of Accounting Policies and Notes to Financial Statements.

PALL CORPORATION

The comments contained in the accompanying Notes to Consolidated Financial Statements are an integral part of these statements and should be read in conjunction herewith.

Prior Year's Information

ALBERTSON'S INC. (JAN)

Notes to Consolidated Financial Statements

Change of Fiscal Year— The Company changed its fiscal year in 1972 to end on the Saturday nearest to January 31 rather than the Saturday nearest to March 31. Because of this change in 1972, certain prior year's comparisons refer to the 44 weeks ended February 3, 1973. 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

BURROUGHS CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 11: Litigation— In 1972, the Company settled litigation with Trans World Airlines, Inc. which arose out of a contract for the sale of an electronic data processing system and related equipment. Earnings for 1972 were reduced by $4,813,000 net of taxes ($.26 per share) as a result of this settlement.

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, 1972, 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 the year 1972.

THE FEDERAL COMPANY (MAY)

Notes to Financial Statements

Note 1 (in part): Business Combinations— Two companies in the flour and bakery supplies product line were acquired in January and April 1972, for a combined cash purchase price of approximately $7,500,000. Operating results of these companies have been included in the consolidated statements of income from the respective dates of acquisition.

The excess of cost over the recorded net worth of the companies acquired is shown as goodwill in the consolidated balance sheets and is being amortized on a straight-line basis over periods not exceeding 40 years. Amortization charged to income in fiscal 1973 and 1972 amounted to $70,000 and $12,355 respectively.

Had these acquisitions been made at the beginning of fiscal 1972, consolidated results of operations for that year on a pro forma basis would have been:

Total revenues	$285,700,000
Net income	6,270,000
Earnings per share	$2.98

PUROLATOR, INC. (DEC)

Notes to Consolidated Financial Statements

Note 1: Business Combinations— Business combinations effected during 1973 were not significant. During 1972, the Company issued 170,364 shares of its previously unissued common stock in exchange for all the stock of four companies. Such transactions have been accounted for as poolings of interest.

The following is a reconciliation of total revenues and net earnings before and after the pooling transactions in 1972:

	Total revenues	Net earnings
Excluding companies pooled during 1972	$208,189,450	11,416,701
1972 poolings:		
Before date of combination	3,533,806	64,535
After date of combination	7,987,660	37,902
Total	**$219,710,916**	**11,519,138**

GENERAL RESOURCES CORPORATION (OCT)

Notes to Consolidated Financial Statements

Note J (in part): Capital Stock— On July 20, 1972, the stockholders approved the merger of the Company into a wholly-owned subsidiary. The effect of the merger was to change the state of incorporation to Delaware, and increase the authorized capital structure to the following:

Common stock, $.50 par value, 10,000 shares

Preferred stock, $.05 par value, issuable in series, 1,000,000 shares.

Upon the conversion of certain notes payable, the Company issued 80,000 shares of its $.05 par value, $5 stated value, Series A, 7% cumulative convertible preferred stock. In January, 1973, the Company issued

100,000 shares of its Series B, 7% cumulative convertible preferred stock (stated value $1.625 per share) to the Company president for cash.

Pursuant to authorization by the Board of Directors on March 25, 1972 and approval by the stockholders, the Company has issued to the president and one officer options to purchase 80,000 shares of common stock at $1.53 per share. The options are exercisable through February 1, 1977.

On June 26, 1972, the shareholders approved a Restricted Stock Option Plan adopted on March 25, 1972 by the Board of Directors authorizing the granting, to officers and employees of the Company, of options to purchase 150,000 shares of common stock at not less than 110% of the fair market value of such stock at the date the option is granted. The options become exercisable six months from date of grant and expire not more than ten years from the date of grant.

THE HOOVER COMPANY (DEC)

Notes to Consolidated Financial Statements

Note G: 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.

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.

MONSANTO COMPANY (DEC)

Notes to Financial Statements

(Dollars in millions, except per share)

Depreciation, Obsolescence and Depletion

Charges against income were:	**1973**	**1972**
Depreciation and amortization	$153.1	$168.4
Obsolescence	13.5	21.7
Depletion	3.7	3.8
	$170.3	$193.9

To conform with prevailing industry practice, 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 most domestic assets placed in service on or after that date. The change resulted in reduced depreciation charges of $12.7 and $5.0 and increases in net income of $6.6 and $2.6, or 20 and 8 cents per share for 1973 and 1972, respectively.

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 $6.3 in 1973 and $13.0 in 1972.

STANDARD PRESSED STEEL CO. (DEC)

Summary of Significant Accounting Policies

Investment in Affiliates— In accordance with Opinion No. 18 of the Accounting Principles Board, as of January 1, 1972 the company changed its method of accounting for investments in affiliates, owned more than 20% but not in excess of 50%, from the cost to the equity method. Under the equity method of accounting, investments are recorded at cost increased by the company's share of unremitted earnings since date of acquisition. Prior to 1972, investments in affiliates which were 50%-owned were carried on the equity method, but investments less than 50%-owned were carried at cost. The effect of the change was to increase earnings before extraordinary item for 1972 by $190,000 (4c. per share).

UNITED MERCHANTS AND MANUFACTURERS, INC. (JUN)

Notes to Consolidated Financial Statements

Note A (in part): International Operations— During the year ended June 30, 1972, subsidiaries operating in Argentina and Brazil changed the method of translating their financial statements to United States dollars with respect to merchandise and spare parts inventories from the use of approximate free market rates of exchange at the close of the year to the use of historical rates in effect at the date of purchase of manufacturer. This method of translation was adopted so as not to distort the dollar equivalent of cost of sales which the Company believes would have occured as a result of substantial devaluations experienced in such countries. This change had the effect of increasing net income (by reducing cost of sales) for the year ended June 30, 1972 by approximately $2,763,000 ($.45 per share). In addition, such subsidiaries changed their methods of accounting for spare parts from a write-off over an estimated period (one or two years) without regard to actual consumption to a method of expensing such items as used, in order to more accurately assign the cost of these items to the period benefitted. This change had the effect of increasing net income for the year ended June 30, 1972 by approximately $400,000 ($.07 per share).

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 158, 214, 249, 406, and 531.

Examples Of Titles Used For Historical Summaries

ASG INDUSTRIES, INC.

Comparative Financial Statistics

ABBOTT LABORATORIES

Ten Year Summary of Selected Financial Data

AMERICAN AIR FILTER COMPANY, INC.

Ten Years at a Glance

BROCKWAY GLASS COMPANY, INC.

Five Years Pattern of Progress

CARNATION COMPANY

Record of Growth Since 1969

HON INDUSTRIES INC.

Progress Report—10 Years in Review

LEAR SIEGLER, INC.

10-Year Comparative Highlights

J. RAY McDERMOTT & CO., INC.

Ten Year Summary of Operations

MALONE & HYDE, INC.

Ten Year Record of Growth

RALSTON PURINA COMPANY

Ten Year Financial History

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

Frequently Used Significant Words in Title of Historical Summary	1973	1972	1971	1970
Summary	286	278	267	260
Financial	241	247	239	226
Review (or record)	121	123	120	115
Comparative (or comparison)	65	71	66	79
Statistics (or statistical)	59	60	56	58
Operations	42	41	45	45
Highlights	43	42	42	39
Data	27	31	N/C	N/C
History (or historical)	23	20	24	21
Period Covered by Summary				
More than 10 years	28	24	25	24
10 years	314	318	314	326
5 years or more but less than 10	205	197	196	173
No historical summary presented	53	61	65	77
Total Companies	**600**	**600**	**600**	**600**
Information Furnished				
Balance sheet and operating data	492	487	495	487
Operating data only	55	52	40	36
No historical summary presented	53	61	65	77
Total Companies	**600**	**600**	**600**	**600**
Highlights of Operations— Title Used*				
Financial Highlights (*110,224,547)	294	259	251	232
Highlights (*79,367,519)	90	93	95	101
Other titles using term "Highlights" (*31,74,175,385,607)	69	75	77	87
The year in brief, results in brief, in brief, etc. (*44, 101, 328, 375, 522)	42	43	48	46
Other (*118, 263, 316, 481)	50	67	62	62
No presentation of highlights	55	63	67	72
Total Companies	**600**	**600**	**600**	**600**

N/C— Not compiled.

*Refer to Company Appendix Section.

Examples Of Titles Used For Financial Highlights

ASHLAND OIL, INC.

Two Years in Brief

BEECH AIRCRAFT CORPORATION

Fiscal Year Highlights

GENERAL FOODS CORPORATION

Fiscal 1973 at a Glance

J. RAY McDERMOTT & CO., INC.

The Results at a Glance

TRANS UNION CORPORATION

82nd Year Highlights

ACCOUNTING POLICIES

DISCLOSURE OF ACCOUNTING POLICIES

In *APB Opinion No. 22* 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.*

The number of survey companies presenting a designated section discussing accounting policies has increased from 26 in 1970 to 107 in 1971. 503 in 1972, and 590 in 1973. Of the 590 companies, 396 used the title *Summary of Significant Accounting Policies* or one similar to it and 502 presented such a summary either as a separate section immediately preceeding the notes to financial statements (70) or as the initial note (432). Table 1-10 shows the nature of information frequently disclosed in summaries of accounting policies.

TABLE 1-10: DISCLOSURE OF ACCOUNTING POLICIES

	Number of Companies	
Policy	**1973**	**1972**
Depreciation Methods	585	482
Consolidation Basis	578	486
Interperiod Tax Allocation	568	458
Inventory Pricing	556	426
Research and Development Cost	458	304
Property	452	314
Translation of Foreign Currencies	408	323
Employee Benefits	402	281
Amortization of Intangibles	288	259
Earnings Per Share Calculation	276	182
Revenue Recognition	138	121
Number of Companies		
Presenting a Summary of Significant Accounting Policies	590	503
Not Presenting Such a Summary	10	97
Total	**600**	**600**

ALPHA PORTLAND INDUSTRIES, INC. (DEC)

Summary of Significant Accounting Policies

Basis of Consolidation— The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Slattery Associates, Inc. (Slattery) and H. Sand & Co. Inc. (Sand), and its 80.5%-owned subsidiaries, Grow Tunneling Corp. (Grow) and, commencing in 1973, Underpinning & Foundation Associates, Inc. (Underpinning). Certain 1972 amounts have been reclassified to conform with the 1973 presentation.

Construction Accounts— Earnings on long-term construction contracts are recorded on each contract in the ratio that costs incurred bear to total estimated costs, except that provision is made for losses in the period in which they are first determinable.

Revenues and costs and expenses relating to construction contracts include the companies' proportionate share of such items applicable to joint ventures. The investment in joint ventures is stated at cost plus the equity in unremitted earnings of the various joint ventures.

In accordance with industry practice, the Company includes in current assets and liabilities amounts realizable and payable under long-term construction contracts. Consistent with this practice, equity in joint ventures has been classified as current.

Excess Cost of Net Assets Acquired— The excess resulting from the 1971 acquisition of Sand is being amortized, using the straight-line method, over a period of forty years. The excess ($7,087,000) with respect to the 1968 acquisition of Slattery is not being amortized.

Property— Land, plant, and equipment are stated at cost. Major renewals and improvements 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.

At the time properties are retired or otherwise disposed of, the property and related accumulated depreciation accounts are relieved of the applicable amounts. Gain or loss from abnormal retirements or sales is credited or charged to income, and gain or loss from normal retirements and sales is credited or charged to accumulated depreciation.

Depreciation— Depreciation is computed principally by use of the straight-line method based on the estimated useful lives of the cement plants and equipment (principally 20 years) and construction equipment (principally 8 years).

Employee Benefits— The companies have pension plans covering substantially all of their employees. Generally, costs are accrued based on actuarial estimates, with prior service costs being amortized over periods of ten through twenty-five years (thirty years in 1972), except that as to construction employees costs are accrued according to contributions specified in union contracts.

Income Taxes— The Company computes and records taxes currently payable based upon determination of taxable income which is different from pre-tax financial statement income. Such differences arise from the reporting of financial statement amounts in different periods for tax purposes. The tax effect on such "timing" differences is provided for as deferred taxes.

Investment credits recognized, including those utilized in computing deferred income taxes for timing differences, are reflected as a reduction of income tax expense over the productive life of the related acquired property.

AMERICAN AIR FILTER COMPANY, INC. (OCT)

Notes to Consolidated Financial Statements

Summary of Significant Accounting Policies— The accounting policies described below have been followed on a basis consistent with the preceding year.

Principles of Consolidation— Consolidated financial statements include the accounts of all the wholly and majority-owned subsidiaries after elimination of all significant inter-company accounts and transactions.

Accounts of subsidiaries outside of the United States have been translated into U.S. dollar equivalents at year-end exchange rates for assets and liabilities, other than property, plant and equipment and related depreciation. Property, plant and equipment and shareholders' equity have been translated generally at historical rates. As a result of the U.S. dollar devaluations, the amount of liability for some term loans denominated in foreign currencies has contingently increased. The unrealized portion of this increase has been deferred and is being amortized over the life of the loans. The net unrealized translation gain has been netted against the deferred contingent liability attributable to the term loans in the balance sheet.

Investments in common stock of less than 50%-owned associated companies, all outside of the United States, are recorded at cost, adjusted for the Company's share of undistributed earnings or losses since acquisition and amortization of the difference between the cost of the investments made after October 31, 1970, and the amount of underlying net assets. Amortization is computed on the straight-line method over a period of 40 years.

Operations of companies organized or acquired during the year are included in the financial statements since dates of organization or acquisition.

Inventories— Inventories are valued at cost or market, whichever is lower, with cost determined by methods approximating first-in, first-out. Revenue and expenses on long-term contracts are generally recorded by the percentage-of-completion method of accounting.

Property, Plant, Equipment and Depreciation— The cost of property, plant and equipment is depreciated on the straight-line method over the estimated useful lives of assets. For income tax purposes, certain assets are depreciated using accelerated methods. When property, plant, or equipment is sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts and the resulting gain or loss is reflected in earnings. Expenditures for maintenance, repairs, renewals and improvements which do not materially extend the useful lives of the assets are charged to earnings.

Intangibles Resulting from Purchase of Going Businesses— Intangible assets subject to amortization include costs of certain purchased patents and drawings which are being amortized on the straight-line method over their estimated useful lives.

The remaining intangibles attributable to businesses purchased prior to November 1, 1970, are considered to have a continuing value over an indefinite period and are not amortized.

Income Taxes— Provisions for deferred income taxes in the accompanying financial statements reflect the results of timing differences in computing income for financial reporting and income tax purposes.

Investment credits are treated as a direct reduction of income taxes in the year the credits arise.

Recognition of Income and Expense— Research and development expenditures related to present and future products are expensed in the year incurred. Start-up costs related to new companies and major facilities are generally deferred and amortized over the early years of their operation. Gains on forward currency contracts are recognized at the time the contracts are closed.

Earnings Per Share— Primary earnings per share are based on the weighted average number of shares of common stock and common stock equivalents (stock options) outstanding during the year. Fully-diluted earnings per share assumes conversion of convertible subordinated debentures at the beginning of the period. For the computation of fully-diluted earnings per share, earnings are adjusted for the interest and nondiscretionary adjustments, net of the tax effect thereon.

Pension, Profit Sharing and Deferred Compensation Plans— The Company and certain of its subsidiaries have several pension plans covering substantially all employees. Also, the Company has a deferred profit sharing plan for all salaried United States employees and has executed deferred compensation agreements with certain executives. The Company's policy is to fund pension and profit sharing costs accrued, which costs, as to certain of the pension plans, include provisions for funding of prior service costs over a 40-year period.

AMPEX CORPORATION (APR)

Summary of Accounting Policies

Accounting policies of the Company and its subsidiaries are summarized below:

Principles of Consolidation— The Consolidated Financial Statements include the accounts of Ampex Corporation and all of its subsidiaries. Intercompany balances and transactions have been eliminated. Foreign operations are included in the financial statements based upon fiscal years ended March 31.

Translation of Foreign Currencies— Current assets and liabilities are translated into United States dollars at fiscal year end rates of exchange. Property, plant and equipment and rental equipment and related accumulated depreciation are translated at rates existing at acquisition dates. Operating accounts, except for depreciation, are translated at average rates of exchange during the year. Gains and losses resulting from translations and exchange realignments are credited or charged to income.

Computation of Earnings Per Common Share— Net earnings per common share are based upon the weighted average number of common shares outstanding during the year. Shares issuable upon conversion of the 5½% Convertible Subordinated Debentures and exercise of stock options are not dilutive.

Notes and Accounts Receivable— Notes and accounts receivable are reduced by allowances for doubtful accounts and merchandise returns and allowances.

Inventories— Inventories are stated at the lower of average cost or net realizable market value. Inventory items not required or in excess of projected usage are reduced in value by the establishment of appropriate allowances.

Royalty Accounting— Guaranteed minimum royalties are amortized over the life of each contract. If unit royalties, based on net tape sales, exceed guaranteed minimum royalties, the additional royalty obligation is charged to cost of sales. Guaranteed minimum royalties not expected to be covered by future sales are charged to current operations.

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

Lease Accounting— The operating method is used for computer peripheral equipment leases in which the present value of lease rentals does not equal normal selling price (rentals are recorded monthly as income). When the present value of lease rentals exceeds the normal selling price, the finance method is used (present value of total rentals is recorded as a sale). The cost of computer peripheral equipment on operating leases is fully depreciated over three and four years by the straight-line method.

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 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 over the estimated economic lives of the assets.

Income Taxes— Income tax expense includes the tax effects of all revenue and expense transactions included in the determination of pretax accounting income, recognizing timing differences as they affect amounts currently payable and amounts attributable to other periods. Investment tax credits resulting from acquisitions of eligible assets are recognized by reduction of income tax expense in the periods in which such credits are allowable for income tax purposes. Taxes which are anticipated to be incurred upon repatriation of the earnings of foreign subsidiaries are recognized in the year in which such earnings occur, except that no such taxes are recognized relative to earnings for which there are specific plans for reinvestment for an indefinite period.

DOYLE DANE BERNBACH INC. (OCT)

Notes to Consolidated Financial Statements

Note A: Statement of Significant Accounting Policies: Principles Of Consolidation- The consolidated financial statements include the accounts of Doyle Dane Bernbach Inc. and all subsidiares. In consolidation, all significant intercompany transactions have been eliminated.

Translation of Foreign Currencies- Accounts of foreign subsidiaries are translated into U.S. dollar amounts as follow: (a) current assets and liabilities at rates prevailing on balance sheet date, (b) all other assets and liabilities including property and related depreciation at historical cost, (c) income and expense items (except depreciation) at year-end exchange rates. This method approximates the results which would have been obtained by translating foreign operations at average rates of exchange in effect during the periods; gains or losses on conversion are credited or charged to operations.

Recognition Of Advertising Commissions And Fees— advertising commissions and fees represent the principal source of income derived from advertising placed with various forms of media. In general, income is recognized when billed based on public presentation date for media advertising. Income is not recognized on expenditures billable to clients until actually billed. In accordance with prevailing industry practice, payroll costs are expensed as incurred and gross billings reflect the "gross up" of service fee income (computed by multiplying income from service fees by 6.67).

Merchandise Inventory— Inventories are stated at the lower of cost or market on a first-in, first-out basis for the Company's manufacturing subsidiary, and the retail inventory method for its retailing subsidiary. (See Note C)

Fixed Assets— Depreciation of fixed assets is provided by charges to income using the straight-line, sum-of-the-years-digits and declining balance methods over the estimated life of the respective assets ranging generally from 3 to 30 years. Amortization of leasehold improvements is provided over the terms of the related leases or the estimated useful lives, whichever is less.

Maintenance and repairs are charged to expense as incurred and major renewals or betterments are capitalized. The net gain or loss on items of property retired or otherwise disposed of is credited or charged to operations, and the cost and accumulated depreciation are removed from the accounts.

Goodwill— The excess of purchase price over net assets acquired is being amortized by the straight-line method over 40 years from the dates of acquisition.

Income Taxes— The Company has not provided for future income taxes on $1,437,000 of undistributed earnings of foreign subsidiaries included in consolidated retained earnings at October 31, 1973. If these amounts were to be distributed for reasons not presently contemplated, foreign tax credits would substantially reduce the taxes otherwise payable.

Deferred taxes result from the recognition of the income tax effect of timing differences in reporting transactions for financial and tax purposes.

The Company has recorded the investment tax credit, which is not significant, as a reduction of the provision for taxes.

Pension Cost— The cost of pension benefits has been determined by the entry age normal basis method. Past service costs are amortized over a thirty-year period.

FAIRCHILD CAMERA AND INSTRUMENT CORPORATION (DEC)

Summary of Accounting Policies

Accounting policies of the Company and its subsidiaries conform with 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. To conform with 1973 presentation, minor reclassifications have been made to the previously reported 1972 financial statements.

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. Exchange adjustments, including those resulting from performed and unperformed forward exchange contracts, are included in the results of operations for the year.

Inventories— Inventories are stated at the lower of cost of 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 needs for varying periods which never exceed twelve months. In the determination of market value, the Company generally uses the lower of current replacement cost 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 removed 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 methods is used for the remaining items. Depreciation is computed using various estimated economic lives ranging from 20 to 50 years (principally 40 years) for buildings and from 3 to 15 years (principally 6 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— Revenue on fixed price contracts is recorded at the time deliveries or acceptances are made and the Company has the contractual right to bill. Revenue 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 estimated 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 that payments are scheduled to be received.

Research, Development and Engineering— The Company is actively engaged in basic technology and applied research and development programs which are designed to develop new products and applications. In addition, substantial ongoing product and process improvement engineering and support programs relating to existing products and applications are conducted within production engineering departments. The costs of these programs totaled approximately $38,000,000 and $29,000,000 (including reimbursements of approximately $4,000,000 and $6,500,000) in 1973 and 1972, respectively. These costs are charged to operations as incurred and are included in cost of sales in the consolidated statement of income.

Research and development expenditures, shown separately in the prior year's consolidated statement of income, included only those programs designed to develop new products and applications. As previously reported, such expenditures, net of reimbursements, were $10,213,000 during 1972.

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 that 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.

Audit Committee of the Board of Directors— The Company has an Audit Committee of the Board of Directors whose members are not officers of the Compa-

ny. This committee meets with the Company's financial management and its independent accountants at least two times a year and reviews internal control conditions; internal and external audit plans and results, and financial reporting procedures.

FIRST NATIONAL STORES INC. (MAR)

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies— The accounting and reporting policies of First National Stores Inc. conform to generally accepted accounting principles. The following describes the more significant of those policies.

Consolidation Policy— All subsidiaries of First National Stores Inc. are included in the consolidated financial statements. Significant intercompany transactions and balances are eliminated. See Note 6 for treatment of discontinued operations.

Inventories— Inventories are stated at cost of market, whichever is lower, cost being determined substantially by the last-in, first-out method of inventory valuation. Inventories stated under the LIFO method were $16,698,000 less than current average costs at March 31, 1973.

Depreciation and Amortization— For financial statement purposes, depreciation and amortization are computed by the straight-line method except for assets acquired during the period March 1954 to March 1966. For assets acquired during this period, depreciation is computed primarily by the sum-of-the-years digits method. For tax purposes accelerated depreciation methods are generally used. Estimated useful lives are as follows:

	Years
Buildings owned	20-50
Store fixtures and equipment	10
Leasehold improvements	15-25
Other machinery and equipment	3-8

Maintenance and Repairs— Expenditures for maintenance, repairs and minor renewals are expensed in the year in which incurred.

Closed Store Expenses— All expenses incurred in connection with the closing of stores, including the unamortized value of leasehold improvements and the book value of store equipment, are expensed in the year in which the stores are closed. A special accrual was established for future rental obligations and other expenses relating to a certain group of stores closed during 1966 and 1967. The continuing rental obligations and other costs of other closed stores are expensed as incurred.

Pre-opening Expenses— All expenses incurred in connection with the opening of stores are charged to income as incurred.

Income Taxes— The provision for income taxes in the financial statements relates to the items of income and expense included in such statements. To the extent that items of income or expense are recognized in a different period for tax purposes, deferred income taxes are provided to give effect to these timing differences. The investment tax credit arising from the purchase and lease of qualifying property additions is recognized under the "flow-through" method; see Note 5.

Net Income Per Share— The weighted average number of shares used to compute net income per share includes the shares allotted but not yet issued under the deferred compensation plan and, if the effect is dilutive, the shares issuable under the stock option plan.

Pensions— The Company maintains a trusteed noncontributory pension plan for employees who are not covered by union pension plans. Actuarial gains, resulting principally from the transfer of employees to various union plans and unrealized appreciation in the fund, are being amortized over ten-year periods from the dates of occurrence; see Note 8.

PPG INDUSTRIES, INC. (DEC)

Summary of Accounting Policies

The following accounting principles and practices of PPG Industries, Inc., and its consolidated subsidiaries are set forth to facilitate the understanding of data presented in the financial statements.

Principles of Consolidation— The consolidated financial statements include the accounts of the Corporation and all significant subsidiaries, domestic and foreign, in which PPG owns more than 50 per cent of the voting stock. The investments in all companies in which PPG owns 20 to 50 per cent of the voting stock are carried at equity, and PPG's share of the earnings or losses of such equity affiliates is included in the statement of consolidated earnings. Transactions between PPG, its subsidiaries, and its equity affiliates are eliminated from the consolidated financial statements.

Translation of Foreign Currencies— The accounts of foreign subsidiaries and equity affiliates are translated to U. S. dollars based on the official or free rates of exchange applicable in the circumstances. Current assets, current liabililities and long-term debt are translated at the rates of exchange in effect at the end of the year. All other assets and capital shares are translated at the exchange rates prevailing when the assets were acquired or the capital stocks issued. Income and expense accounts are translated at average exchange rates for each year, except that depreciation is translated at historical rates.

Gains and losses relating to the translation of long-term debt are deferred and amortized over the life of the debt. All other translation gains and losses resulting from normal exchange rate fluctuations are reflected in current earnings. The corporation maintains a reserve for gains and losses arising from major exchange rate fluctuations.

Inventories— Inventories are stated generally at the lower of cost or market. Cost is determined using either average or standard factory costs, which approximate actual costs, excluding certain fixed expenses such as depreciation, property taxes and rentals.

Property and Depreciation— Property includes the cost of land, buildings, equipment, and significant improvements which add to productive capacity or extend

the life of the assets. When units of property are abandoned or disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is credited or charged to earnings.

Depreciation, for financial reporting purposes, is computed by the straight-line method based on the estimated useful lives of depreciable assets.

Pre-Operating Costs— During construction of major facilities, costs are incurred for acquiring and training employees, providing light, heat, and water, and maintaining new equipment in operating condition. When such pre-operating costs are significant and there is no offsetting revenue being generated, the costs are deferred and amortized over a 10-year period.

Goodwill— When the Corporation purchases companies for prices in excess of book values of the net assets acquired, the excess cost is accounted for as goodwill and is amortized over a period not exceeding 40 years. Acquisitions made by exchanging common stock are generally recorded on a pooling-of-interests basis and no goodwill is recognized.

Income Taxes— Certain charges to earnings in the financial statements differ in amount from those deducted in tax returns. For example, depreciation is computed on accelerated methods for income tax purposes and on the straight-line method for financial reporting purposes. The tax effects of these differences are provided for as future income taxes in the financial statements.

The Corporation follows the policy of treating the investment credit allowance for capital projects as a reduction of income tax expense in the year in which the projects are completed, except for amounts which it anticipates might be recaptured. Prior to 1969, the Corporation followed the policy of deferring the investment credit over the estimated useful lives of the related assets.

No provision is made for income taxes on distributed earnings of affiliates if the taxes payable would be substantially offset by tax credits or when the Corporation intends to invest such earnings permanently.

Research and Development— Research and development expenditures, including development costs of products, processes, and product applications, are expensed in the year incurred rather than deferred.

Provision for Maintenance and Repairs— Current operations are charged with the cost of labor and materials incurred in maintaining properties in, and restoring properties to , good operating condition. Major furnace repairs, however, are provided for in advance by charging current operations with the estimated costs.

Provision for Self-Insurance— PPG maintains a reserve which, in the Company's judgement, adequately provides for the cost of casualty losses which, if sustained, would not be covered by insurance.

Provision for Losses on Discontinued Operations— PPG follows the practice of providing for significant losses on terminating operations or on abandoning facilities when such losses can be reasonably estimated. Such losses are recognized as a charge against earnings concurrent with management's announcement to its customers, employees, shareholders, and other interested parties of its intention to suspend operations.

Pension Costs— Pension costs charged to current earnings include charges for current service and amortization of prior service costs over 30 years. The extra cost of improvements in benefits to present retirees is amortized over 10 years.

PHELPS DODGE CORPORATION (DEC)

Statement of Accounting Policies

The Corporation's accounting policies reflect industry practices and conform to generally accepted accounting principles. The following policies are considered to be significant.

Basis of Consolidation— The consolidated financial statements include the accounts of the Corporation and all of its principal subsidiaries.

Investments in unconsolidated domestic companies owned 20 percent or more are carried on the equity basis. Investments in unconsolidated foreign companies (which are not considered to be material) and in domestic companies less than 20 percent owned are carried at cost.

Inventories— Inventories are stated at the lower of cost or market. Cost for the major portion of copper, and for silver and gold, is determined by the last-in first-out method. Other inventories are priced on a first-in first-out, average cost or other appropriate method.

Mining Properties and Depletion— Values for mining properties represent mainly acquisition costs, or engineering valuations prior to 1932.

Depletion of metal mines is computed on the basis of an overall unit rate applied to the pounds of principal products sold from mine production. The Corporation makes no representation that the charge represents the depletion actually sustained or the decline, if any, in mine values attributable to the year's operations, or that it represents anything other than a general provision for the amortization of the remaining book value of mines.

Mine Exploration and Development— Exploration costs are charged to income as incurred, as are development costs at operating mines. Pre-operating mine development expenditures at new mines are capitalized and amortized on the unit of production method over the estimated ore reserves benefited.

Depreciable Property— The principal depreciation methods used are the unit of production method for mining and refining operations and, for other operations, the straight-line method based upon the estimated lives of specific classes or groups of depreciable assets.

Upon disposal of assets depreciated on a group basis, cost less salvage is charged or credited to accumulated depreciation and gains or losses are usually reflected in income through future depreciation charges.

Expenditures for replacements and betterments are capitalized. Maintenance and repair expenditures are charged to operations as incurred.

Research and Development— Research and development expenses are charged to income as incurred and include such expenditures as those for improved techniques for finding mineral deposits, mineral recovery methods, product development, and environmental control.

Pension Plans— The Corporation has trusteed, noncontributory pension plans covering substantially all of its employees. Pension costs are determined by independent actuaries, are funded currently and include amortization of prior service costs over a period of thirty years.

Income Taxes— In addition to charging income for taxes actually paid or payable, the provision for income taxes reflects deferred income taxes resulting from timing differences between financial and taxable income. Investment tax credits are recognized in the year the related assets are placed in service.

Audit Committee— An Audit Committee composed of five non-employee directors of the Corporation meets, usually three times a year, with senior officers and other members of the corporate staff and the independent accountants.

SHELL OIL COMPANY (DEC)

Accounting Policies

This summary of the major accounting policies of Shell Oil Company and its consolidated subsidiaries (hereinafter referred to as "Shell") is presented to assist the reader in evaluating Shell's financial statements and other data contained in this report. In all material respects, Shell has consistently followed these policies for the ten year period covered by this annual report and originally reported net income has not been revised or restated. As noted below, in 1973 Shell changed its method of valuing inventories of oils and chemicals.

Principles of Consolidation— The financial statements include the accounts of Shell Oil Company (hereinafter referred to as "Company") and all of its wholly owned subsidiaries. All companies acquired have consistently been accounted for as purchases; goodwill, if any, is amortized over a period of benefit which has not exceeded ten years.

The only subsidiary of Shell not wholly owned is Butte Pipe Line Company (51% owned), and the investment therein, plus the investments in less than majority owned companies in which Shell has a voting stock interest of 20% or more, are carried at equity in underlying net assets. Investments in less than 20% owned companies are carried at cost with dividends recorded in income as received.

Short Term Securities— Short term securities are carried at cost which approximates market. Interest is accrued and reflected in dividends, interest and other income.

Inventories— In 1973 the Company adopted as its cost basis the last-in-first-out method of valuing inventories of oils and chemicals. Prior to 1973 inventories of oils and chemicals were carried at the lower of market or of the average cost resulting from charging to costs the highest of inventory carrying value, current cost of production or purchases. Materials and supplies inventories are carried at average cost or less, as in the past.

The new method, which was adopted to achieve a better matching of current costs against current income and to conform more closely to U.S. petroleum industry practice, had no material effect on 1973 net income.

Mineral Leasehold Costs— Direct cost of acquiring undeveloped acreage, generally called lease bonus, is capitalized. Amortization from date of acquisition is based upon experience of the Company in order to fully amortize over the holding period those leases that may be unproductive. The cost of leases which become productive is transferred to a producing property account.

Exploratory Costs— Exploratory expenses, including geological and geophysical expenses, annual delay rentals on oil and gas leases and all exploratory and development dry hole costs are charged to income as incurred.

Research— Expenditures for research, except for land, buildings and standard items of equipment which extend beyond the immediate life of a project, are expensed when incurred.

Depreciation, Depletion and Amortization— Depreciation, depletion and amortization of the capital cost of producing properties, both tangible and intangible, are provided for on a unit of production basis. Developed reserves are used in computing unit rates for tangible and intangible development costs and proved reserves for depletion of leasehold costs. In all cases the unit determination is by field. Other plant and equipment are depreciated on a straight line basis over their estimated useful lives. On a cycle basis asset lives are reviewed for propriety of estimated useful life. Changes in depreciation rates, if any, are prospective only. Differing rates or deductions are used for tax purposes.

Maintenance, Repairs and Retirement of Properties— Major renewals and betterments are charged to the property accounts while minor replacements, maintenance and repairs which do not improve or extend life are expensed currently. At the time properties are retired or otherwise disposed of in the normal course of business, the cost is charged against the accumulated provision; however, if the retirement relates to a casualty or material obsolescence, the loss or gain is reflected in current income.

Office Relocation, Employee Relocation and Severance Costs— The cost directly related to relocating operating and executive offices from New York was amortized over a four year period ending in September, 1973. The cost of consolidating research facilities is being amortized over a four year period commencing in January, 1972. All other office relocation, employee relocation or severance costs are charged to expense when incurred.

Non-Mineral Leases— Obligations under noncancellable leases and other contractual commitments are reflected in the Notes to Financial Statements.

Income Taxes— Items of income or income deductions are often recognized for payment of income taxes and for book purposes in different time periods; howev-

er, tax allocation accounting as prescribed by Accounting Principles Board Opinion No. 11 adjusts book income to eliminate the effect of all material book/tax timing differences.

For those differences pertaining to capital extinguishments, including intangible drilling and development costs deducted currently for tax purposes, tax deferment is computed by applying the current tax rates to the current difference in deduction. The net cumulative effect is reflected in Deferred Credits—Federal Income Taxes in the Balance Sheet.

For other timing differences tax deferment is computed by setting up initial differences at current tax rates and reversing these amounts in the appropriate subsequent period. The net cumulative effect of the latter is reflected in Receivables, Prepayments, Etc. in the Balance Sheet.

Investment tax credits are applied to reduce federal income taxes in the year realized.

WINNEBAGO INDUSTRIES, INC. (FEB)

Notes to Financial Statements

Note 1: Significant Accounting Policies— The accounting policies relative to the carrying value of marketable securities, escrowed securities, land, deferred research and development expense, property and equipment and the investment in Winnebago Acceptance Corporation are indicated in the captions on the balance sheet. Other significant accounting policies are as follows:

Principles of Consolidation— The consolidated financial statements include the parent company and subsidiary companies, except Winnebago Acceptance Corporation (a finance subsidiary), which is reported on the equity method. Separate financial statements for Winnebago Acceptance Corporation are included elsewhere in this 10-K. All material intercompany accounts and transactions have been eliminated.

Fiscal Year— The Company has adopted the policy of having the fiscal year end on the last Saturday of February. The year ended February 28, 1970 contained 53 weeks, all others contain 52 weeks.

Inventory Pricing— Inventories are valued at the lower of standard cost (which approximates actual cost on a first-in, first-out basis) or market.

Property and Equipment— Depreciation of property and equipment is computed by the straight-line method on the cost of the assets, less allowance for salvage value where appropriate, at rates based upon their estimated service life. The following estimated service lives were used for the five years ended February 24, 1973.

Buildings	10-50 years
Machinery and equipment	3-8 years
Transportation equipment	3-6 years

Maintenance and repair expenditures are charged to operations and renewals and betterments are capitalized. Items of property which are sold, retired or otherwise disposed of are removed from the asset and accumulated depreciation accounts, and any gains or losses thereon are reflected in income. Accelerated depreciation methods are used for tax purposes wherever permitted.

Research and Development Expenses— Expenditures are capitalized and amortized over three years by the straight-line method. If a particular project is abandoned or the product is discontinued, the expenditures that pertain to that particular project or product are expensed at that time.

Provision for Warranty Claims— Estimated warranty costs are provided at the time of sale on the warranted products.

Income Taxes— Deferred income taxes reflect timing differences between expenses reported for financial statement purposes and income tax purposes. The principal elements of deferred income taxes are depreciation used for tax purposes in excess of financial accounting depreciation, warranty expense and the extraordinary item (judgment) not currently deductible for income tax purposes.

Deferred income taxes are not accrued on the undistributed earnings of the subsidiaries because the Company files consolidated income tax returns with its subsidiaries, except Winnebago International Corporation. In the case of Winnebago International Corporation (a Domestic International Sales Corporation), the Company intends to comply with all of the requirements of the Internal Revenue Code thereby postponing indefinitely the remittance of undistributed earnings to the Company.

The Company follows the policy of recording the investment credit in the year it arises as a reduction of current tax expense.

Stock Dividends and Split-Ups— The par value of shares issued as a stock dividend is transferred from additional paid-in capital to the extent available, with the remainder, if any, being charged to reinvested earnings. All stock split-ups have been given retroactive effect in the consolidated financial statements and related notes.

Retroactive Adjustments— Certain items in the consolidated balance sheet as of February 26, 1972 have been retroactively reclassified to conform with the current year's classifications.

RESTATEMENT OF 1972 FINANCIAL STATEMENTS

Restatements of 1972 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 reclassifications follow. Examples of restatements involving a change in the beginning balance of retained earnings are presented in connection with Table 4-5.

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

Beginning Balance of Retained Earnings Adjusted	**1973**	**1972**	**1971**	**1970**
Poolings of Interests	55	63	63	97
Litigation or income tax settlements	29	24	14	18
Equity method adopted for investments	9	39	55	7
Accrual of taxes on undistributed earnings	5	18	--	--
Consolidation of subsidaries previously carried at cost	5	6	11	11
Other	15	23	18	14
Total Adjustments	118	173	161	147
Total Companies	103	148	139	130
Balance Sheet Reclassification				
Change within current or noncurrent classification	69	62	58	N/C
Change to or from current classification	53	41	39	41
Change to or from asset side of balance sheet	19	16	26	11
Consolidation or deconsolidation of subsidiaries carried at equity	11	13	20	15
Other	8	23	22	20
Total Balance Sheet Reclassifications	160	155	165	87
Total Companies	126	127	143	79
Income Statement Reclassifications				
Operating results of discontinued operations shown separately	48	41	23	27
Change in presentation of income taxes*	21	20	18	18
Other	52	40	70	54
Total Income Statement Reclassifications	121	101	111	99
Total Companies	113	96	104	85

N/C— Not Compiled.

*In 1973 all such changes were a reclassification of state and local income taxes as income tax expense.

Balance Sheet Reclassifications

BRUNSWICK CORPORATION (DEC)

	1973	1972
CURRENT ASSETS:	($ thousands)	
Prepaid expenses (Note 14)	$4,280	$3.347
CURRENT LIABILITIES:		
Accrued expenses (Notes 6 and 14)	$41,766	$40,984
DEFERRED ITEMS:		
Unrealized gain on translation of foreign currencies (Notes 4 and 14)	$5,090	$2,311

Note 14: Reclassifications— In the accompanying 1972 consolidated balance sheet, prepaid expenses and unrealized gain on translation of foreign currencies have been reclassified, respectively, from Other Assets and from Current Liabilities to Current Assets and to Deferred Items.

WALT DISNEY PRODUCTIONS (SEP)

Summary of Significant Accounting Policies

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

Costs of completed theatrical and television film productions are amortized by charges to income in the proportion that the producer's share of income (film rentals less distribution, print, co-producer participation and advertising costs) received by the Company for each production bears to the estimated total of such income to be received. Such estimates of total income are reviewed periodically and amortization is adjusted accordingly.

In prior years the Company had followed the industry practice of classifying film production costs as current assets, even though such costs would not be fully amortized within one year. In the accompanying financial statements these costs have been segregated between current and non-current classifications in conformity with the requirements of recently issued accounting guidelines for motion picture films. Other guidelines to be adopted in the Company's 1974 fiscal year will require minor changes in accounting methods which the Company presently estimates will result in a favorable, although minor, effect on net income for that year. (The Company does not believe that these guidelines are necessarily an improvement over the Company's previous reporting practices.)

DRAVO CORPORATION (DEC)

	1973	1972
	($ thousands)	
SHAREHOLDERS' EQUITY		
Preferred stock, $2 cumulative convertible, no par, stated value $50		
Authorized and issued-0-and 4,808 shares	---	$ 240
Preference stock, par value $1		
Authorized 600,000 shares; issued 26,817 shares of $2.20 cumulative convertible Series A	27	27
165,516 shares of $2.475 cumulative convertible Series B	165	---
Common stock, par value $1		
Authorized 6,000,000 shares; issued 2,265,467 shares	2,265	2,265
Other capital	9,912	4,276
Retained earnings	85,060	80,413
Treasury stock at cost; common shares: 63,688 and 73,027	(2,072)	(2,287)
Notes from employees for common stock purchases	(1,017)	(888)
Total shareholders' equity	**$94,340**	**$84,046**

Notes to Consolidated Financial Statements

Shareholders' Equity (in part)— Shareholders' equity has been restated from prior years by the deduction of notes due from employees for common stock purchases. These notes were formerly included with other assets. The effect of this change at January 1, 1973, was to reduce shareholders' equity by $888,000, or about 1%.

HAZELTINE CORPORATION (DEC)

Notes to Financial Statements

Note 6: Other Assets

	1973	1972
Computer peripheral equipment, at cost, principally salesmen's demonstrators	$1,748,520	$1,447,200
Investments at cost	502,000	502,000
Other	454,113	177,323
	$2,704,633	**$2,126,523**

The above computer peripheral equipment is used by the Company in support of its sales and service operations. In prior years the cost of such equipment was included in Industrial Products Division inventory and has been reclassified to other assets in the accompanying consolidated financial statements. In 1973, $504,000 of the $1,748,520 was financed by sale-leaseback transactions (see Note 8).

TRITON OIL & GAS CORP. (MAY)

Notes to Consolidated Financial Statements

Note M: Adjustments— Certain reclassifications have been made for 1972 to conform to the statement classifications for 1973. Additionally, certain changes have been made in the 1973 accounts since the Company issued a limited number of its original financial statements pursuant to internal and financing requirements. These changes are as follows:

	Property and equipment, net	Accounts Payable—trade
As originally reported	$13,140,242	$ 378,377
As contained herein	14,166,801	1,404,936

JOHNSON & JOHNSON (DEC)

	1973	1972
	($ thousands)	
CURRENT ASSETS		
Cash and certificates of deposit	$ 60,213	$ 83,324
Marketable securities, at cost which approximates market value (Note 3)	146,609	134,053
Receivables, less allowance for collection losses and discounts $7,829 (1972-$5,935)	223,255	173,026
Inventories (Notes 1 and 4)	269,260	209,286
Expenses applicable to future operations	25,306	18,726
Total current assets	**$724,643**	**$618,415**
MARKETABLE SECURITIES MATURING AFTER ONE YEAR, at cost which approximates market value (Note 3)	$ 66,300	$ 28,769

Note 3: Investments in Marketable securities— Commencing in 1973 the Company has classified investments in marketable securities maturing after one year and preferred stock held for long-term investment as non-current investments. The 1972 Consolidated Financial Statements have been restated to reflect this classification.

Income Statement Reclassifications

ASHLAND OIL, INC. (SEP)

	1973	1972
	($ thousands)	
COSTS AND EXPENSES:		
Cost of sales and operating expenses	$1,601,053	$1,395,898
Excise taxes on petroleum products and merchandise	307,633	262,596
Selling, administrative and general expenses	213,100	198,190
Provision for depreciation, depletion and amortization	73,483	65,030
Exploration expenses, including nonproductive wells and amortization of undeveloped leases—Note A	20,220	10,314
Interest on debentures, notes and mineral loans	25,319	20,159
	$2,240,808	**$1,952,187**

Accounting Policies

Other— The Company generally charges to expense all research and development expenditures.

Income from construction contracts is accounted for on the percentage-of-completion method.

To conform with prevalent industry practice, the

Company has reclassified excise taxes on petroleum products and merchandise to include such amounts in sales and as a separate item in costs and expenses. Previously, such taxes were deducted from sales. The 1972 financial statements have been restated for this change and for several other changes to conform with 1973 classifications. None of these reclassifications affect net income for 1973 or 1972.

ACTION INDUSTRIES, INC. (JUN)

Notes to Financial Statements

Note 9: Restatement— The Company has changed its method of eliminating certain intercompany transactions. The statement of income for the year ended June 30, 1972 has been restated for this change which results in a reclassification of $440,463 from general and administrative expense to cost of goods sold.

In addition, the consolidated balance sheet and statement of changes in financial position for 1972 have been restated to conform to 1973 classifications.

BATH INDUSTRIES, INC. (DEC)

Summary of Significant Accounting Policies

Royalties— The Company has changed the classification of royalty and other similar income to include these amounts in revenue rather than other income. The Company believes these revenues, which result from engineering and research costs charged to operations, are more properly included in operating revenues. Royalty revenues for 1973 were $4,038,000 compared with $2,812,000 for 1972.

INTERNATIONAL PROTEINS CORPORATION (DEC)

Notes to Financial Statements

Note B: Expropriation of Peruvian Subsidiaries— On May 7, 1973, the Company's subsidiaries in Peru were expropriated. The consolidated financial statements for 1972 have been restated to reflect the earnings of these subsidiaries as discontinued operations consistent with the 1973 presentation. Effects of the restatement are as follows:

	Previously Reported	Restated
Revenues	$82,671,000	$69,271,000
Earnings from continuing operations	2,861,000	2,208,000
Discontinued operations	---	653,000
Earnings before extraordinary charge	2,861,000	2,861,000
Net earnings	2,861,000	2,861,000

Certain expenses applicable to the discontinued operations have been reclassified as discontinued operations.

The consolidated balance sheet at December 31, 1972 has been restated to reflect the Company's investment in the Peruvian subsidiaries by the equity method.

On February 19, 1974, the Government of Peru made a cash settlement with the United States Department of State for certain expropriated businesses, including the Company's. The Company agreed with the Department of State to accept not less than $8,900,000 in payment of all of its claims arising from the expropriation. The agreement provides for payment of the Company's claim not later than February 19, 1975. Based on such agreement, the expropriation resulted in a loss of $1,069,000 which has been classified as an extraordinary charge in the statement of earnings for 1973. For federal income tax purposes, the Company will recognize a gain from expropriation (resulting from undistributed earnings) which will be offset by foreign tax credits.

The amount receivable from the Department of State has been classified as a current asset because the Company believes that payment will be received in 1974.

PITNEY-BOWES, INC. (DEC)

	1973	1972*
Income from continuing operations	$19,936,000	$15,155,000
Losses, net of income tax, from operations of point-of-sale terminal business prior to discontinuance	5,352,000	1,515,000
Estimated loss on disposition of point-of-sale terminal business (less applicable income tax recovery of $33,000,000)	37,000,000	---
Net income (loss)	**($22,416,000)**	**$13,640,000**

*Restated to reflect discontinued operations

Notes To Financial Statements

Note 7 (in part): Discontinued Operations— As of September 30, 1973, the company wrote off its entire investment in, and loans to, Pitney Bowes-Alpex, Inc. (PBA). This write-off resulted from the decision to wind up operations of PBA, which was founded in 1970 as a company owned 50% by Pitney Bowes and 50% by Alpex Computer Corp. Pitney Bowes assumed majority control on July 3, 1973, and now owns 64% of the stock. PBA had been engaged in the production and sale of point-of-sale terminals for retail establishments.

Simultaneously, the company wrote off certain other assets related to the point-of-sale terminal business. These included parts and equipment produced for PBA, but not delivered, and inventories, deferred costs, and other items connected with the manufacture and marketing of point-of-sale equipment in Europe under license from PBA. Point-of-sale equipment in Europe was marketed by a wholly owned subsidiary of the company, Pitney Bowes Data Systems, Ltd.

The net results of operations prior to discontinuance for 1973 and 1972 have been classified separately in the statement of consolidated income and, after intercompany eliminations, include:

	9 Mos. Ended Sept. 30 1973	**Year** Ended Dec. 31 1972
Revenues	$17,629,000	$2,541,000
Loss before income tax	6,068,000	1,345,000
Income tax charge (credit)	(716,000)	170,000
Net loss	$5,352,000	$1,515,000

STOKELY-VAN CAMP, INC. (MAY)

	1973	1972
Income taxes (Note 4):		
Currently payable	$6,804,000	$6,100,000
Deferred	980,000	120,000
	$7,784,000	**$6,220,000**

Note 4: Income Taxes—Provision for income taxes includes:

	1973	1972
Federal:		
Current	$5,981,000	$5,500,000
Deferred	800,000	120,000
State and foreign:		
Current	823,000	600,000
Deferred	180,000	---

Investment credits of $309,000 and $290,000 have been applied as reduction of the current federal provision in 1973 and 1972, respectively.

State income taxes for 1972 of $600,000, previously included in selling, administrative, and general expense, have been reclassified to income tax expense.

USM CORPORATION (FEB)

Notes To Financial Statements

Note A (in part): Principles of Consolidation— In 1973, the company adopted new account classifications, the most significant of which was a reclassification of state taxes on income (amounting to $744,000 in 1973 and $774,000 in 1972) from cost of sales and selling and administrative expenses to provision for state income taxes. The appropriate account classifications for 1972 have been restated to conform with the 1973 presentation.

TABLE 1-12 ACCOUNTING CHANGES

Nature of Accounting Changes.	1973	1972	1971	1970
Change in translation policy	16	6	--	--
Change in reporting entity	14	24	39	33
Change in pension actuarial assumptions	13	32	30	10
Equity method adopted for investments	11	65	81	21
Change in amortization method	10	17	29	21
Accrual of taxes on undistributed earnings	8	21	--	--
Change to or from expensing of expenditures as incurred	8	2	12	10
Change in inventory valuation other than a change from LIFO method	7	2	8	3
Change to conform with AICPA industry guides	7	--	--	--
Change in service life of assets	6	6	6	6
Change described in paragraph 27 of *APB Opinion No. 20*	3	4	11	14
Other	11	11	20	20
Total Accounting Changes	**114**	**190**	**236**	**138**
Number of Companies Disclosing Accounting Changes	101	159	193	118

ACCOUNTING CHANGES

Table 1-12 summarizes the nature of accounting changes disclosed by the survey companies. *APB Opinion No. 20* "defines various types of accounting changes and establishes guides for determining the manner of reporting each type." Examples of accounting changes are shown below and in connection with Tables 4-5 and 6-8.

Change in Reporting Entity

SCOVILL MANUFACTURING COMPANY (DEC)

Notes to Consolidated Financial Statements

Note B— As of January 1, 1973 the Company's Brazilian subsidiary was consolidated since management is satisfied that economic conditions have reached sufficient stability to warrant consolidation. Previously this investment was carried at cost and income was recorded to the extent of dividends received. The effect of this change was to increase net earnings and net earnings per share as follows:

	Fiscal Year Ended	
	Dec. 30, 1973	**Dec. 31 1972**
Net earnings	$1,055,000	$509,000
Net earnings per share of Common Stock:		
Primary	$.15	$.08
Fully diluted	$.11	$.05

Also, in 1973 the Company acquired an additional 20% interest in an Australian subsidiary and commenced consolidation of the accounts of this subsidiary. Previously this subsidiary was carried at cost plus equity in undistributed earnings and, accordingly, net earnings and net earnings per share were not affected by this action.

The financial statements for the fiscal year ended December 31, 1972 have been restated for comparative purposes.

During 1973 the Company also purchased an interest in two small foreign and two small domestic businesses and sold a small domestic division. The results of operations of these businesses, and the gain on the disposition, are not significant in relation to the overall consolidated results.

UMC INDUSTRIES, INC. (DEC)

Notes to Financial Statements

Note 1 (in part): Summary of Accounting Policies—Principles of Consolidation— The consolidated financial statements include the accounts of all subsidiaries. All significant intercompany items have been eliminated.

The voting trusts which held the outstanding shares of two subsidiaries were dissolved in September, 1973.

As a result of the dissolution, control over these subsidiaries reverted to the Company and, accordingly, the accounts of these subsidiaries (previously carried on the equity basis of accounting) have been consolidated. The accounts for 1972 have been restated to give effect to the consolidation. Such restatement increased working capital by $2,931,000 in the 1972 consolidated financial statements, total assets by $3,769,000, and net sales and other operating revenues by $12,952,000; there was no effect on net earnings or earnings per share as previously reported.

Change In Accounting Principles

CPC INTERNATIONAL INC. (DEC)

Notes to Financial Statements

Change in Accounting Methods— Effective with the year ended December 31, 1973, the company adopted in the United States the last-in, first-out method of inventory valuation for certain basic raw agricultural commodities used. Prior to 1973 such inventories had been valued on the first-in, first-out method. This change was made because management believes that the last-in, first-out method (which charges current earnings with current costs) minimizes the inflation-induced inventory profit in respect to these inventories and thus more clearly reflects the results of operations. The effect of the change was to reduce inventories by approximately $16,500,000 and net income by approximately $8,600,000 ($.36 per share). There is no cumulative effect of the change on prior periods since the December 31, 1972 inventory as previously reported is the opening inventory under the last-in, first-out method.

GATEWAY INDUSTRIES, INC. (DEC)

Notes to Financial Statements

Note B: Change in Accounting Method— The deferral method of accounting for investment tax credits was adopted in 1973 in recognition of the fact that this method minimizes fluctuations in income arising from significant changes in the level of capital expenditures, such as occurred in 1973. Investment tax credits recognized in income amounted to $16,000 in 1973 and $87,000 in 1972. Had the flow-through method been followed with respect to 1973 investment tax credit, net income for 1973 would have been increased by $134,000 ($.10 per share).

LYKES-YOUNGSTOWN CORPORATION (DEC)

	1973	1972
Income Before Extraordinary Item and Cumulative Effect of Accounting Change	$24,856,000	$17,580,000
Extraordinary item— gain on sale of investment, less income tax of $2,447,000 (Note 2)		8,018,000
Cumulative effect on prior years of an accounting change, less income tax effect of $4,040,000 (Note 2)	11,552,000	
Net Income for the Year	**$36,408,000**	**$25,598,000**
Net Income Attributable to Common Shares		
Net income for the year	$36,408,000	$25,598,000
Preferred dividend requirements	(13,686,000)	(13,692,000)
Income for common shares	**$22,722,000**	**$11,906,000**
Average number of common shares outstanding	8,985,000	8,973,000
Per common share:		
Primary:		
Income before extraordinary item and cumulative effect of accounting change	$1.24	$.43
Extraordinary item		.90
Cumulative effect of accounting change	1.29	
Net Income	**$2.53**	**$1.33**
Fully diluted:		
Income before extraordinary item and cumulative effect of accounting change	$1.26	$.89
Extraordinary item		.41
Cumulative effect of accounting change	.59	
Net Income	**$1.85**	**$1.30**
Proforma income amounts assuming the change in accounting method had been applied retroactively (Note 2):		
Income before extraordinary item	$24,856,000	$15,442,000
Net income	$24,856,000	$23,460,000
Per common share:		
Primary:		
Income before extraordinary item	$1.24	$.20
Net income	$1.24	$1.09

Note 2: Accounting Changes As to Principles— Effective January 1, 1973, expenditures for relining and rehabilitation of blast furnaces were capitalized and will be depreciated over the estimated productive life of the respective furnace linings. Prior to 1973 such expenditures were charged to cost of products sold in the year in which the expenditures were incurred. This change in accounting principle was made to recognize that blast furnace relinings last for several years and should be charged to the operating costs of the period in which the related benefits are obtained, resulting in a more appropriate matching of revenues and costs. Had this change not been made, income before extraordinary item and cumulative effect of an accounting change would have been $4,286,000 ($.48 per share) less for the year ended December 31, 1973. The cumulative effect on prior years of this change, in the amount of $11,552,000 (after reduction for federal income taxes of $4,040,000) is included in net income for the year ended December 31, 1973. The proforma amounts shown on the consolidated statement of income have been computed assuming retroactive application of the newly

adopted accounting principle. Proforma fully diluted earnings per share are not presented pursuant to the limitations imposed by the concept of anti-dilution.

As a result of a study conducted during the year, the Company adopted a new method for depreciating 1973 and subsequent steel mill roll acquisitions. The new method charges cost, less scrap value, to operating expense over the estimated useful life of the roll on a straight-line basis. The majority of rolls purchased have an estimated useful life of from 18 to 48 months. Under the previous method, the cost of rolls, less scrap value, was charged to operating expense in the year of acquisition. Had the change not been made in respect of the 1973 acquisitions, income before extraordinary item and cumulative effect of an accounting change, and net income, would have been $3,034,000 ($.34 per share) less for the year ended December 31, 1973.

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 proforma and cumulative effects on net income of prior years are not determinable because the necessary data are unavailable.

As to Estimates— Effective January 1, 1973 a salvage value of 10% of total construction cost was adopted for purposes of determining vessel depreciation expense for financial reporting purposes. Prior to 1973, a salvage value of 17% had been used for computing vessel depreciation. In addition, thirteen vessels, reconstructed from late 1971 to early 1973, were determined to have an estimated remaining life of twenty years from the date of their reconstruction. This change, made effective January 1, 1973, resulted in an extension of an average of approximately six years to the total life expectancy of the vessels. Both of the changes were the result of studies by the Company based on the nature and composition of the present fleet of vessels. The net effect of these changes was to increase depreciation expense for the year ended December 31, 1973 by $857,000 and to decrease income before extraordinary item and cumulative effect of an accounting change, and net income, by approximately $411,000 ($.05 per share).

In the aggregate, the changes as to principles and estimates described above, resulted in an increase of net income and primary earnings per share as follows: 1973— $6,909,000, $.77 per share; 1972— $1,361,000, $.15 per share.

As to Presentation— Criteria for the types of items included in determining income before extraordinary items in the statement of income has been changed, pursuant to Opinion No. 30, adopted in 1973 by the Accounting Principles Board of the American Institute of Certified Public Accountants. In 1972 the Company sold an investment and presented the gain of $8,018,000, net of income taxes, as an extraordinary item in conformity with accounting principles then generally accepted. In 1973 two transactions of this same type were included in determining income before extraordinary item, in conformity with the newly issued opinion; gains of $7,593,000 on the sales of investments were included in the determination of income before extraordinary item. The opinion prohibits restating the 1972 financial statements. Had the opinion been in effect for 1972, net income would have been the same, but income before extraordinary item would have been greater by $8,018,000 ($.90 per share).

Change in Accounting Estimates

GEO. A. HORMEL & COMPANY (OCT)

Note to Consolidated Financial Statements

Pension Plans— The Company has several pension plans covering substantially all of its employees. The total pension expense was $7,826,300 for 1973 and $8,836,700 for 1972 which includes amortization of prior service costs over a period of thirty years from the date of inception or date of amendment of the plans. A change during the year in the interest assumption had the effect of increasing net income by approximately $500,000 or $.10 per share. The Company's policy is to fund pension costs accrued. The actuarially computed value of vested benefits for all plans as of the most recent valuation date exceeded the total of the pension funds by approximately $8,880,000.

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

TABLE 1-13: PRESENTATION OF REVENUE INFORMATION

Information Presented	1973	1972	1971	1970
By product line	250	218	176	162
By division or subsidiary	130	140	144	139
Total foreign sales	119	115	139	116
Sales to government	38	33	44	53
Sales to particular industry or type of customer	44	45	29	54
By geographic areas	27	30	20	17
Total Presentations	**608**	**581**	**552**	**541**
Number of Companies				
Presenting revenue information	384	382	358	335
Not presenting revenue information	216	218	242	265
Total	**600**	**600**	**600**	**600**

TABLE 1-14: PRESENTATION OF INCOME INFORMATION

Information Presented	1973	1972	1971	1970
By product line	149	114	83	59
By division or subsidiary	91	98	88	70
Total foreign income	79	71	97	96
Income attributable to business with government, particular industry, or type of customer	20	19	13	17
By geographical areas	11	16	12	16
Subtotal	**350**	**318**	**293**	**258**
Separate financial statement or summaries for subsidiaries or groups of subsidiaries	58	68	65	79
Segment of reporting entity operating at a loss	13	28	14	55
Total Presentations	**421**	**414**	**372**	**392**
Number of Companies				
Presenting income information	280	281	280	270
Not presenting income information	320	319	320	330
Total	**600**	**600**	**600**	**600**

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 10-K.

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.

BELL & HOWELL COMPANY (DEC)

Financial Review (Page 16)

Lines of Business

	Sales		Earnings	
	1973	**1972**	**1973**	**1972**
Specialized Business Equipment & Supplies	36%	31%	50%	37%
Microimage systems, paper-folding and mail-handling equipment, paging equipment and services, data duplicating and gathering equipment and systems, and professional film printers and duplicators.				
Learning Systems & Materials	21	19	24	25
Textbooks and multi-media learning publications, training and educational hardware and related materials, micropublishing, video and filmed productions for training and communication and related printed materials.				
Schools	18	17	16	26
Resident schools offering career training courses in electronics, and home study courses offering career training in electronics and accounting.				
Consumer Photo Products	16	20	3	11
Amateur photographic equipment, including 8mm movie cameras and projectors, 35mm still cameras and projectors and related accessories.				
Instrumentation	9	8	7	8
Magnetic recorders, oscillographs, sensing devices and electronic data readers.				
Lines Discontinued or Sold	---	5	---	(7)
	100%	**100%**	**100%**	**100%**

Earnings are based on operating earnings before fundamental research, corporate administration and other income, interest income on long-term notes receivable from students, interest expense and taxes on income. International operations, included in the above Lines of Business, accounted for 22% of sales in 1973 and 18% in 1972, and contributed 26% of earnings in 1973 and 19% in 1972.

All 1972 figures are restated to reflect the acquisition of Micro-Design, Inc.

CONSOLIDATED FOODS CORPORATION (JUN)

Financial Review (Page 7)

Sales and Pre-tax Income by Major Business Classifications (in thousands)

	Sales				Pre-tax Income			
	1973		1972		1973		1972	
	Amount	% to Total	Amount	% to Total	Amount	% to Total	Amount	% to Total
Home Products and Services	$ 560,837	27	$ 469,553	26	$ 57,570	42	$ 52,602	41
Commercial Products and Services	123,735	6	113,726	7	14,337	10	12,474	10
Apparel	133,501	7	112,462	6	14,001	10	11,008	9
Total Non-food Operations	**818,073**	**40**	**695,741**	**39**	**85,908**	**62**	**76,084**	**60**
Food Operations:								
Frozen and Processed Foods	648,810	31	552,852	30	30,564	22	26.858	21
Food Services	415,002	20	377,469	21	15,671	11	15,717	13
Soft Drinks and Confections	187,553	9	180,537	10	7,298	5	7,784	6
Total Food Operations	**1,251,365**	**60**	**1,110,858**	**61**	**53,533**	**38**	**50,359**	**40**
Total	**2,069,438**	**100**	**1,806,599**	**100**	**139,441**	**100**	**126,443**	**100**
Add (Deduct):								
Intercompany Sales	(26,576)		(24,097)					
Other Income (Expense), net					1,587		(1,498)	
Net Sales and Pre-tax income	**$2,042,862**		**$1,782,502**		**$141,028**		**$124,945**	

OMARK INDUSTRIES, INC. (JUN)

Financial Review

Sales and Earnings— Favorable sales and earnings results for the year and comparisons with the prior year are reported and commented upon in other places in this report.

Omark's fourth quarter net earnings of $.39 per share compares to last year's fourth quarter of $.34 or a 15% increase. It was also the eighth consecutive quarter in which net earnings were higher than in a comparable period of the preceding year.

Percentage contribution to sales and earnings of continuing operations by product line divisions for the past five years are shown in the following table. Contribution to earnings is before interest expense, general corporate expense, and income taxes.

	Contribution to Sales Year Ended June 30					Contribution to Earnings Years Ended June 30				
	1973	1972	1971	1970	1969	1973	1972	1971	1970	1969
Cutting Chain for Chain Saws										
Oregon Saw Chain Division	35%	40%	42%	38%	39%	82%	85%	89%	75%	75%
Hydraulic Loaders and Cranes										
Hydraulic Materials Handling Division	20	16	13	15	15	8	4	(4)	3	7
Industrial Fastening Systems										
Construction Tools Division	12	11	11	11	9	7	7	--	2	(2)
KSM Welding Systems Division	14	13	14	12	13	1	8	12	8	7
Precision Fastening Subsidiary	12	14	13	20	19	(11)	(13)	(6)	12	11
Other										
Sporting Equipment Division	7	6	7	4	5	13	9	9	--	2
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

EG&G, INC.

Financial Commentary (Page 6)

Five-Year Sales and Income by Category of Business

(in thousands)

	1973	1972	1971	1970	1969
SALES					
Instruments	$ 17,015	$ 15,124	$ 14,096	$ 13,655	$ 9,841
Components	33,286	28,628	25,348	26,533	26,119
Biomedical Services	5,223	4,384	3,269	2,759	2,108
Environmental Services	17,665	12,986	10,629	9,369	9,443
Custom Services and Systems	33,067	39,689	37,055	35,944	42,605
AEC Support:					
AEC Contract Group	31,233	31,057	34,909	34,047	32,872
REECo	---	---	---	---	---
Other	352	2,453	3,959	6,278	5,722
Total	**$137,841**	**$134,321**	**$129,265**	**$128,585**	**$128,710**
INCOME					
Instruments	$ 1,598	$ 1,362	$ 1,397	$ 888	$ 842
Components*	2,885	2,636	2,038	1,926	2,259
Biomedical Services	277	52	157	219	76
Environmental Services	801	1,282	642	493	614
Custom Services and Systems	1,082	814	1,649	911	(3,379)
AEC Support:					
AEC Contract Group	906	1,003	1,617	1,521	1,731
REECo	1,156	1,198	1,161	1,077	985
Other*	(130)	(507)	(1,739)	(359)	(480)
Total	**$ 8,575**	**$ 7,840**	**$ 6,922**	**$6,676**	**$ 2,648**

*Income from operations and equity in income of investments.

Sales and Income by Category of Business— The Corporation's sales and income from operations are grouped into six general categories of businesses to facilitate public understanding of what is otherwise a complex and often interrelated mixture of markets and technical disciplines. The five-year financial history of each category is shown here in tabular form; a more detailed discussion of the activities in each category appears elsewhere in this report.

In the category of Instruments, the 1973 gains of 13% in sales and 17% in operating income are primarily from the Company's nuclear instrumentation products. The more diversified Components business also improved, with a 16% gain in sales and a 9% gain in income.

A higher contribution to earnings from Biomedical Services reflects improvement in the Company's clinical diagnostic laboratory work and in its biomedical research activities. Another positive factor was the nonrecurrence of start-up costs relative to EG&G's Health Test Centers activity.

In the area of Environmental Services, sales increased 36% during 1973. Nonrecurring investments of both the capital and operating type at a newly acquired subsidiary, coupled with the introduction of more conservative accounting practices, resulted in reduced operating income. These investments were made in Automotive Research Associates, Inc., to strengthen the firm's operations and to provide a broader base for future growth. Another area of technology included in this business category concerns environmental measurements and effects forecasting services, and that activity experienced significant growth in both sales and earnings during 1973.

Although sales declined 17% in Custom Systems and Services, a category comprised primarily of contractual work for agencies of the Department of Defense, operating income showed a 33% increase over 1972. The sharp increase was the result of improved management control techniques, greater selectivity in accepting new business, and completion of long-term contracts negotiated years earlier and affected by inflation, such as the completion in 1973 of the major phase of an Air Force Weather Graphics System contract, started in 1966.

As indicated in the preceding five-year table, income was slightly lower in the AEC Support category. For the AEC Contract Group, this reflects adjustments in the contract wherein a major portion of EG&G's work was consolidated into three western facilities under custody of the government. This arrangement, which started in July, 1972, substantially reduced the Company's investment and risk in consideration of a lower fee. This segment of the Corporation's government work is considered an excellent basic business area requiring little capital investment.

JIM WALTER CORPORATION (AUG)

Sales and Results by Operating Group

	1973	1972(a)
	(in thousands)	
NET SALES AND REVENUES:		
Mineral and fiber products group	$ 366,275	(b)$277,994
Pipe products, group	235,455	218,867
Homebuilding group	94,246	88,289
Metal and wood products group	219,366	(b)151,413
Stone and concrete products group	36,761	44,009
Paper group	68,491	61,772
Sugar operations	31,143	31,775
Oil and gas operations	4,165	5,110
Other	12,734	13,792
Consolidated net sale and revenues	**$1,068,636**	**$893,021**
CONTRIBUTION TO OPERATING INCOME:		
Mineral and fiber products group	$ 43,542	(b)$ 34,111
Pipe products group	26,755	26,361
Homebuilding group	19,879	19,458
Metal and wood products group	12,827	(b)11,712
Stone and concrete products group	4,736	2,040
Paper group	1,629	1,989
Sugar operations	746	869
Oil and gas operations	1,270	1,195
Other	1,337	1,556
Savings and loan operations(c)	3,211	2,600
	115,932	**101,891**
Less- Unallocated corporate interest and other expense	(20,465)	(21,070)
Income taxes	(41,370)	(35,569)
Consolidated net income	**$ 54,097**	**$ 45,252**

(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.

NATIONAL INDUSTRIES, INC. (DEC)

National Industries' Lines of Business

The following tables set forth the approximate percentage of revenues and income contributed by National Industries' lines of business for the year ended December 31, 1969 through 1973, and excludes revenues and income of businesses discontinued during these years.

PERCENTAGE OF TOTAL SALES & REVENUES (1)	Year Ended December 31				
	1973	**1972**	**1971**	**1970**	**1969**
Steel Service Centers and Steel Products	14.1	11.5	9.6	7.5	13.2
Production and Distribution of Soft Drink Products	13.4	15.7	17.3	16.4	22.2
Manufacture of Leisure Type Headwear and Distribution of Sporting Goods, Headwear and Apparel	4.3	4.5	4.3	4.3	5.0
Processing, Production and Distribution of Dairy and Food Products	21.7	23.1	24.9	24.6	36.0
Transportation Services	3.3	3.1	1.0	1.1	1.7
Energy Products	9.5	6.6	7.1	9.2	16.8
Retailing	32.9	35.0	35.2	36.7	4.4

PERCENTAGE OF INCOME BEFORE CERTAIN ITEMS (2)	Year Ended December 31				
	1973	**1972**	**1971**	**1970**	**1969**
Steel Service Centers and Steel Products	28.6	24.4	9.9	7.7	22.6
Production and Distribution of Soft Drink Products	3.1	5.8	30.0	40.5	48.0
Manufacture of Leisure Type Headwear and Distribution of Sporting Goods, Headwear and Apparel	15.8	29.4	17.8	21.3	18.4
Processing, Production and Distribution of Dairy and Food Products	(1.2)	(2.4)	18.0	23.9	15.3
Transportation Services	11.3	21.0	3.9	5.1	7.3
Energy Products	17.5	16.4	15.1	22.7	26.2
Retailing	47.4	64.4	42.4	37.7	16.1

(1) The percentage of total sales and revenues of the parent company, certain insignificant subsidiaries and the gain on sale of investment of $1,610,000 in 1973 are not reflected in this table.

(2) Income before income taxes, minority interest, income or loss from discontinued operations and extraordinary items. The percentages of income before certain items total more than 100 per cent because the income (including the 1973 gain on sale of investment) and expenses (including interest and a portion of the 1973 provision for loss on note receivable) of the parent company and certain insignificant subsidiaries have not been allocated to the various lines of business. These total net costs, including interest for the five years, are : 1969—$3,915,000; 1970—$4,760,000; 1971—$3,870,000; 1972—$4,033,00; and 1973—$3,093,000.

McGRAW-HILL, INC. (DEC)

Notes to Consolidated Financial Statements

Note 2: Revenue and income by organizational unit

	1973	1972
	($ thousands)	
Operating revenue:		
Books and education services	$216,457	$204,503
Publications and research services	134,115	120,894
Information systems	60,002	55,685
Financial services	36,026	36,796
Broadcasting operations	23,664	12,204
	$470,264	$430,082
Income before taxes on income, minority interests, and extraordinary items:		
Books and education services	$23,618	$21,173
Publications and research services	13,004	7,391
Information systems	13,115	11,647
Financial services	4,079	4,057
Broadcasting operations	2,955	1,513
	56,771	45,781
Headquarters building sublease operations (Note 3)	(3,103)	(665)
	$53,668	**$45,116**

The Broadcasting operations were acquired on June 1, 1972, and their 1972 results are for the seven months ended December 31, 1972.

To arrive at an approximation of income 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.

THE QUAKER OATS COMPANY (JUN)

Financial Information (Page 17)

Sales and Operating Income by Groups— There were significant upward trends in all four operating groups, as discussed in the respective Group sections earlier in this report. Particularly important is the planned improvement in the Grocery Products businesses. Actual data is:

	Million of Dollars (Year Ended June 30)		
	1973	**1972**	**1971**
SALES*			
Grocery Products Group	$528.1	$484.1	$449.6
International Grocery Products Group	133.9	106.7	87.0
Toys and Recreational Products Group	224.7	116.8	81.9
Industrial and Institutional Products Group	104.1	87.6	83.4
Total	**$990.8**	**$795.2**	**$701.9**
OPERATING INCOME*			
Grocery Products Group	$51.1	$43.5	$43.2
International Grocery Products Group	6.8	5.3	5.2
Toys and Recreational Products Group	31.9	22.8	13.6
Industrial and Institutional Products Group	6.7	5.6	4.3
Total	**$96.5**	**$77.2**	**$66.3**
Less interest expense (net)	11.0	6.6	5.5
Income before income taxes	**$85.5**	**$70.6**	**$60.8**

*Prior years' data is restated to reflect the 1973 shift of organizational responsibility for industrial and governmental cereals business from the Industrial and Institutional Products Group to the Grocery Products Group, and refinements in the allocation of certain costs between groups.

REXNORD INC. (OCT)

Five Year Summary of Operations (Page 17)

Major Lines of Business

(Millions of Dollars)

	1973		1972		1971		1970		1969	
NET SALES BY LINE OF BUSINESS										
Power Transmission Components	$155	35%	$131	36%	$113	33%	$126	39%	$115	41%
Process Machinery	62	14	50	14	58	17	48	15	43	15
Environmental Control Equipment	32	7	24	6	22	7	18	6	14	5
Material Handling Equipment	55	13	51	14	52	15	47	15	46	16
Construction Machinery	36	8	33	9	27	8	27	8	32	11
Foreign Operations (1)	59	13	35	10	32	9	24	7	--	--
Other Divisional Operations (2)	43	10	40	11	35	11	34	10	33	12
	$442	**100%**	**$364**	**100%**	**$339**	**100%**	**$324**	**100%**	**283**	**100%**
PRE-TAX INCOME BY LINE OF BUSINESS										
Power Transmission Components	$17.7	60%	$12.4	49%	$5.7	25%	$10.4	41%	11.5	45%
Process Machinery	7.7	26	6.1	24	8.2	37	7.8	31	6.6	26
Environmental Control Equipment	1.9	7	1.6	6	1.8	8	1.4	6	.7	3
Material Handling Equipment	.7	3	1.5	6	3.8	17	3.4	14	3.5	14
Construction Machinery	2.2	7	2.1	8	1.1	5	--	--	1.8	7
Foreign Operations (1)	(3.0)	(10)	.2	1	2.0	9	2.2	9	--	--
Other Divisional Operations (2)	2.1	7	1.5	6	(.2)	(1)	(.1)	(1)	1.3	5
	29.3	**100%**	**25.4**	**100%**	**22 4**	**100%**	**25.1**	**100%**	**25.4**	**100%**
Other non-classified income and (expense), net	(1.3)		(.4)		(.3)		(1.6)		.2	
Income before taxes	**$28.0**		**$25.0**		**$22.1**		**$23.5**		**$25.6**	

(1) In 1971 the company consolidated all principal foreign subsidiaries and restated results for 1970 on a comparable basis. Sales and income before provision for taxes on income for such previously unconsolidated foreign operations for the year 1969 was not significant.

(2) Includes diesel engines, railroad track maintenance equipment, specialty fasteners, agricultural knives and air pollution control equipment. In July 1, 1973, the company announced the discontinuance of the diesel engine business.

THE PILLSBURY COMPANY (MAY)

Sales and Earnings Breakdown (Page 4)

To facilitate an understanding of the various businesses in which Pillsbury is engaged, a breakdown of our sales and earnings by the five major areas of our business, is on the opposite page.

The earnings shown for each business represents its contribution to profit before costs of long-term debt, before certain unallocated corporate charges, and before taxes. Interest expenses on seasonal borrowings are included as operating expenses for each business. In the earnings breakdowns shown in previous annual reports this latter item was included with unallocated corporate expenses.

Sales and earnings for the poultry business have been broken down into two components to more accurately reflect the contribution to earnings of Pillsbury Farms' fresh poultry business. The further processed programs were discontinued last in fiscal 1973.

Sales and Earnings by Business (Dollars in millions)

1972 and prior years' figures have been restated to include operations of acquired companies accounted for as poolings of interests and the change in the expense allocation method in 1973.

	Net sales (Excluding interbusiness sales)					Contribution to Earnings (Estimated breakdown between businesses)				
Fiscal Years:	1973	1972	1971	1970	1969	1973	1972	1971	1970	1969
Consumer Food Products										
	$299.4	$272.4	$267.6	$267.8	$246.5	$22.4	$20.1	$20.0	$23.3	$18.4
	36.7%	37.8%	38.1%	39.5%	39.8%	39.4%	43.8%	57.0%	47.7%	47.4%

Refrigerated fresh dough products, prepared baking mixes, frosting mixes, family flour, noncaloric sweeteners processed potatoes, instant breakfast, nutritional snacks, powdered drink mixes and gravy mixes marketed through retail grocery stores. Also includes Pillsbury Playthings since 1972.

	1973	1972	1971	1970	1969	1973	1972	1971	1970	1969
Agri-Products	$172.4	$157.6	$157.7	$149.9	$140.7	$14.9	$10.3	$10.6	$8.2	$2.0
	21.1%	21.8%	22.4%	21.1%	22.7%	26.2%	22.4%	30.2%	16.8%	5.2%

Flour, prepared baking mixes and equipment for the commercial baking industry and the institutional food market, commodity merchandising, milling by-products, formula feeds and paper products.

	1973	1972	1971	1970	1969	1973	1972	1971	1970	1969
Restaurants (a)	$138.7	$109.5	$94.0	$75.9	$49.5	$13.9	$12.6	$11.5	$9.5	$7.0
	17.0%	15.2%	13.4%	11.2%	8.0%	24.4%	27.5%	32.7%	19.4%	18.0%

Operations of company operated Burger King restaurants, initial franchise fees earned, royalties from franchised restaurants, rental income, and sale of restaurant equipment and operating materials and supplies. Also includes Poppin Fresh Pie Shop operations since fiscal 1970.

Poultry	1973	1972	1971	1970	1969	1973	1972	1971	1970	1969
Fresh products	$107.7	$95.2	$101.8	$107.2	$100.8	$5.6	$2.5	$(4.7)	$4.5	$5.8
Further Processed	4.4	5.0	5.5	---	---	(3.0)	(2.9)	(3.7)	---	---
	$112.1	$100.2	$107.3	$107.2	$100.8	$2.6	$(0.4)	$ (8.4)	$4.5	$5.8
	13.7%	13.9%	15.3%	15.8%	16.3%	4.6%	(.9)%	(23.9)%	9.2%	15.0%

Fresh broiler chicken products marketed through retail grocery outlets and industrial channels. Further processed broiler chicken products were discontinued in late fiscal 1973.

	1973	1972	1971	1970	1969	1973	1972	1971	1970	1969
International	$86.3	$77.2	$75.1	$74.6	$78.9	$4.8	$4.3	$3.3	$3.0	$5.6
	10.6%	10.7%	10.6%	10.9%	12.7%	8.4%	9.4%	9.5%	6.1%	14.4%

Operations of foreign subsidiaries and exports from the United States.

	1973	1972	1971	1970	1969	1973	1972	1971	1970	1969
Other Products and Services	$7.4	$4.6	$1.1	$3.1	$3.1	$(1.7)	$(1.0)	$(1.9)	$.4	$--
	9%	.6%	.2%	.5%	.5%	(3.0)%	(2.2)%	(5.4)%	.8%	--%

New Venture developments including Souverain Cellars, Inc., European Flower Markets and the publication of magazines.

	1973	1972	1971	1970	1969	1973	1972	1971	1970	1969
Totals	$816.3	$721.5	$702.8	$678.5	$619.5	$56.9	$45.9	$35.1	$48.9	$38.8
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Corporate expense and income, net (b)						$(16.0)	$(12.8)	$(10.1)	$(8.2)	$(5.7)
Earnings before taxes and extraordinary items						$40.9	$33.1	$25.0	$40.7	$33.1

(a) Does not include sales by Burger King franchised restaurants of approximately $250.9 million in fiscal 1973, $201.6 million in fiscal 1972, $169.4 million in fiscal 1971, $144.8 million in fiscal 1970, and $101.2 million in fiscal 1969.

(b) Includes corporate administrative expense, interest on long-term debt, and other income and expense items of a general corporate nature not readily allocable to separate businesses.

CONSOLIDATION OF SUBSIDIARIES

ARB No. 51 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 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 on 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.

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

Exclusions From Consolidation	1973	1972	1971	1970
Based on nature of business:				
Finance Related*	139	128	123	104
Real estate	28	25	25	19
Other	15	7	23	14
Subsidiaries less than 100% owned	19	24	28	47
Canadian subsidiaries	--	--	5	4
Insignificant or inactive subsidiaries	57	52	75	58
Other, or basis not stated	18	16	14	30
Total	**276**	**252**	**293**	**276**
Number of Companies				
All domestic and Canadian subsidiaries consolidated	400	398	382	376
Certain domestic and Canadian subsidiaries not consolidated	188	191	205	207
No indication of domestic or Canadian subsidiaries, or no consolidated statements	12	11	13	17
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—1973	Consolidated	Not consolidated	Total
Finance companies	16	78	94
Insurance companies	2	31	33
Banks	--	14	14
Leasing companies	--	16	16
Totals	**18**	**139**	**157**

Number of Companies	1973	1972	1971	1970
Consolidating all finance-related subsidiaries	12	15	21	33
Excluding from consolidation all finance-related subsidiaries	102	100	96	79
Consolidating some but not all, finance-related subsidiaries	5	4	3	4
No domestic or Canadian finance-related subsidiaries	481	481	480	484
Total	**600**	**600**	**600**	**600**

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. Notes to financial statements discussing consolidation policies follow.

Exclusion Based On Geography

EX-CELL-O CORPORATION (NOV)

Notes to Consolidated Financial Statements

Note 1 (in part): Significant Accounting Policies: Principles of Consolidation— Consolidated financial statements include the accounts of Ex-Cell-O Corporation, all domestic subsidiaries and subsidiaries in Canada, England and West Germany with all significant intercompany balances and transactions eliminated. Investments in foreign subsidiaries operating in India and Italy, which subsidiaries are not material, together with investments in companies less than 50% owned, are recorded on the equity method.

NATIONAL CAN CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note A (in part): Statement of Accounting Policies: Principles of Consolidation— The consolidated financial statements include the accounts of the Corporation and all subsidiaries engaged in domestic operations. The in-

TABLE 1-17: CONSOLIDATION POLICIES-FOREIGN SUBSIDIARIES

Exclusions from Consolidation	1973	1972	1971	1970
All foreign subsidiaries	16	20	29	33
Foreign subsidiaries in certain countries	17	21	23	17
Subsidiaries less than 100% owned	20	19	27	43
Based on nature of business	14	12	13	8
Insignificant or inactive subsidiaries	56	53	61	49
Other bases	8	6	7	9
Basis for exclusion not stated	10	12	9	27
Total	**141**	**143**	**169**	**186**
Number of Companies				
All foreign subsidiaries consolidated	247	248	229	185
Certain foreign subsidiaries not consolidated	137	122	125	144
Consolidation policy not determinable	--	--	2	14
No foreign subsidiaries consolidated	16	20	29	33
No indication of foreign subsidiaries	200	210	215	224
Total	**600**	**600**	**600**	**600**

vestments in subsidiaries engaged in international operations are carried at cost plus equity in earnings since acquisition. All significant intercompany transactions and accounts have been eliminated in consolidation.

Note C: International Operations— International operations include subsidiaries in England, Italy, Greece, Cyprus and Puerto Rico. The combined condensed balance sheets of National Can Overseas Corporation and its subsidiaries at November 30 and National Can Puerto Rico, at December 31 are summarized below.

	1973	1972
Assets:		
Current assets	$17,229,498	$13,421,566
Other tangible assets	14,387,244	11,506,460
Intangible assets and deferred charges	6,957,642	5,882,945
	$38,574,384	**$30,810,971**
Liabilities and equity:		
Current liabilities	$17,298,170	$15,436,866
5⅜% bonds due 1987:		
Due National Can Corporation	5,368,000	5,363,000
Due others	1,632,000	1,637,000
Other long-term debt	6,666,716	2,018,234
Deferred income taxes	114,000	---
Due National Can Corporation	4,235,695	2,528,440
Minority interest	2,056,090	2,177,206
Capital stock	3,000,000	3,000,000
Accumulated deficit	(1,796,287)	(1,349,775)
	$38,574,384	**$30,810,971**

The net loss of the international operation was $446,512 for 1973 and $687,963 for 1972, including interest charges from the Corporation of $518,228 and $342,077, respectively.

The balance sheet and comments regarding operations results for 1972 have been restated to include the accounts of National Can Puerto Rico.

Intangible assets include $5,713,243 of excess purchase price over net assets acquired; management believes there has been no diminution in value, and accordingly, such amounts are not being amortized at the present time. Management is of the opinion that the international operations will be profitable in future years.

Included in other long-term debt in 1973 are notes payable in the amount of $3,800,000 guaranteed by National Can Corporation.

The 5⅜% bonds of National Can Overseas Corporation are guaranteed by the Corporation and are convertible into common stock of the Corporation at $19.25 per share. At December 1973, the Corporation owns $5,368,000 of these bonds which were received upon conversion into common stock.

The Corporation has guaranteed payment by National Can Puerto Rico of the five year sinking fund for the retirement of preferred stock and the payment of dividends thereon. At December 31, 1973, $1,200,000 of preferred stock was outstanding. Also, up to $2,000,000 of amounts due the Corporation have been subordinated to a bank loan. Under the terms of the acquisition agreement for the Puerto Rican operation, additional payments of stock and cash are contingent on the earnings of the acquired company through 1976; no additional payments will be made as a result of current operations.

SEABOARD ALLIED MILLING CORPORATION (MAY)

Notes to Consolidated Financial Statements

Note 1 (in part): Principles of Consolidation and Investment in Affiliates— The consolidated financial statements include the accounts of the Company, its wholly-owned domestic subsidiary, its wholly-owned Western Hemisphere Corporation and Seaboard Overseas Limited, a wholly-owned Bahamian corporation. All intercompany transactions have been eliminated. The excess of the Company's equity in the net assets of these subsidiaries over the investments at cost, amounting to $4,577,782 at June 2, 1973, represents the subsidiaries' undistributed earnings since date of acquisition. The majority-owned foreign subsidiaries have not been consolidated, and the investments in such subsidiaries have been carried at cost, since their operations are conducted in relatively less developed countries.

Investments in the 50%-owned joint ventures and domestic subsidiary are carried at the Company's equity in their net worth. The Company's equity in the net earnings of these subsidiaries has been reflected in other income.

Note 6: Investment in Foreign Subsidiaries— The investment in foreign subsidiaries, not consolidated, represents advances to and ownership of 49% to 100% in-

terests in five foreign milling subsidiaries and in a foreign shrimping subsidiary. The investments in these subsidiaries are carried at cost, which based upon the latest available unaudited financial statements, was less than the Company's equity in the foreign subsidiaries' net worth. Such financial statements disclose assets and liabilities (including intercompany advances) of these subsidiaries aggregating $16,094,543 and $12,203,339, respectively. Sales to foreign subsidiaries not consolidated, which are included in net sales in the statement of consolidated earnings, for the periods ended June 2, 1973 and June 3, 1972 amounted to $9,230,543 and $5,684,500, respectively.

Exclusion Based On Ownership

ALUMINUM COMPANY OF AMERICA (DEC)

Summary of Significant Accounting Policies

Principles of Consolidation— The consolidated financial statements include the accounts of Alcoa and its wholly owned subsidiaries, except for real estate developments. Investments in subsidiaries less than wholly owned and companies and entities owned 20 percent or more and in real estate developments are stated at cost, adjusted for Alcoa's equity in their results of operations since dates of acquisition. Other investments are carried at cost.

All material intercompany transactions have been eliminated.

Notes to Financial Statements

Note B: Consolidated Subsidiaries— The consolidated balance sheet includes net assets of wholly owned foreign subsidiaries and subsidiaries which are Western Hemisphere trade corporations (principally located in islands of the Caribbean and in South America), expressed in U.S. currency, as follows:

	Dec. 31 1973	Dec. 31 1972
Current assets	$171,452	$125,695
Current liabilities	33,768	26,537
Working capital	**137,684**	**99,158**
Investments	84,196	90,707
Properties, plants and equipment, net	299,328	300,041
Other assets and deferred charges	26,709	25,703
	410,233	**416,451**
Other liabilities	17,512	18,319
	392,721	**398,132**
	$530,405	**$497,290**

Revenues from customers of these subsidiaries for 1973 and 1972 were $289,259 and $208,571, respectively. The portion represented by products manufactured by Alcoa in the U.S. was 46 percent for 1973 and 42 percent for 1972. The percentage of income before taxes on income from such revenues was greater than that realized on consolidated revenues.

SHELL OIL COMPANY (DEC)

Accounting Policies

Principles of Consolidation— The financial statements include the accounts of Shell Oil Company (hereinafter referred to as "Company") and all of its wholly owned subsidiaries. All companies acquired have consistently been accounted for as purchases; goodwill, if any, is amortized over a period of benefit which has not exceeded ten years.

The only subsidiary of Shell not wholly owned is Butte Pipe Line Company (51% owned), and the investment therein, plus the investments in less than majority owned companies in which Shell has a voting stock interest of 20% or more, are carried at equity in underlying net assets. Investments in less than 20% owned companies are carried at cost with dividends recorded in income as received.

Exclusion Based On Nature Of Business

CERTAIN-TEED PRODUCTS CORPORATION (DEC)

Notes to Financial Statements

Note 1 (in part): Significant Accounting Policies are summarized as follows: Principles of Consolidation— The consolidated financial statements include the accounts of the Company and all significant subsidiaries except Valley Forge Corporation ("VFC"), since VFC's construction and real estate development activities are dissimilar to the other operations of the Company. Certain condensed consolidated financial information of VFC and consolidated subsidiaries is shown in Note 2. The Company's investments in unconsolidated subsidiaries and associated companies (ownership interests of 50 percent or less) are accounted for by the equity method. Intercompany items and transactions have been eliminated in consolidation and in recording equity in operating results of unconsolidated subsidiaries and associated companies.

THE DOW CHEMICAL COMPANY (DEC)

Accounting Principles

Consolidation— The accompanying consolidated statements include the assets, liabilities, revenues and expenses of all significant subsidiaries except for a bank and insurance company, both wholly owned. Because of the nature of their operations, the accounts of the bank and insurance company are not consolidated. However, their earnings are included in consolidated net income under the equity method of accounting.

Investments in companies which are 20%-50% owned are carried on the equity basis. Other investments are carried at cost less reserves, where applicable.

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 Group which is 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, which is derived substantially from Honeywell, has been offset against interest expense and the related income taxes are included in the taxes on income.

SUN OIL COMPANY (DEC)

Notes to Financial Statements

Summary of Significant Accounting Policies (in part): Principles of Consolidation— The consolidated financial statements include the accounts of all subsidiaries (owned more than 50 per cent), except six subsidiaries engaged in leasing activities, a subsidiary engaged in financing certain receivables of the Company and a subsidiary engaged in insuring certain risks of the company. The accounts of these subsidiaries are not included in the consolidated financial statements because of the nature of their businesses. In the aggregate, these companies do not constitute a significant subsidiary.

Investments in affiliated (20 to 50 per cent owned) companies and unconsolidated subsidiaries are carried at equity in net assets.

TIME INCORPORATED (DEC)

Notes To Financial Statements

Summary of Significant Accounting Policies (in part)— The consolidated financial statements include the accounts of the Company and its significant majority-owned subsidiaries, except Lumbermen's Investment Corporation, which has not been consolidated since its mortgage banking and real estate investment operations are dissimilar to the other operations of the Company. Unconsolidated subsidiaries and companies 20% to 50% owned are reflected in the financial statements on the equity basis, and the Company's equity in their income before income taxes and net income respectively, is included in Other Income—Net.

Consolidation Of All Subsidiaries

AMERICAN HOME PRODUCTS CORPORATION (DEC)

Notes To Consolidated Financial Statements

Note 1 (in part): Summary of Significant Accounting Policies: Principles of Consolidation— The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions and accounts have been eliminated in consolidation.

Note 2: Foreign Operations— The financial statements include net foreign assets at December 31, 1973 and foreign net income for the year ended as shown below. Comparable foreign net income for the year ended December 31, 1972 was $48,113,000.

	Net Assets	**Net Income**
Locations:		
Canada	$ 40,013,000	$ 11,510,000
England, India, Western Europe	57,143,000	32,840,000
Latin America	35,776,000	11,219,000
Australia, New Zealand, South Africa, Far East	19,837,000	7,205,000
	152,769,000	**62,774,000**
Provision for foreign losses and exchange adjustments	9,500,000	2,000,000
	$143,269,000	**$ 60,774,000**

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 the 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:

	1973	**1972**
	($ thousands)	
Current assets	$ 65,708	$ 50,171
Current liabilities	34,725	24,845
Net working capital	**30,983**	**25,326**
Plant and other assets	50,836	45,330
Long-term debt	24,910	21,850

Net sales and earnings for years ended December 31:

	1973	**1972**
	($ thousands)	
Net sales	$130,816	$101,767
Earnings before exchange adjustments and income taxes	15,724	11,023
Net earnings	8,168	5,144

XEROX CORPORATION (DEC)

Notes to Consolidated Financial Statements

Summary of Significant Accounting Policies (in part): Basis of Consolidation— All subsidiaries are consolidated in the financial statements. The accounts of Latin American subsidiaries and Rank Xerox Limited and its subsidiaries are included on the basis of their fiscal years ending November 30 and October 31, respectively. Rank Xerox Limited, a majority-owned subsidiary, owns 50% of the outstanding stock of Fuji Xerox Co., Ltd., a corporate joint venture whose fiscal year ends October 20; this investment is accounted for by the equity method.

International Operations— A summary of the operating results and financial position of the Company's international operations is set forth below:

($ millions)	Rank Xerox		Other		Total	
	1973	1972	1973	1972	1973	1972
OPERATING RESULTS.						
Total operating revenues	$ 909	$678	$285	$212	$1,194	$890
Income before outside shareholders' interests	180	139	33	28	213	167
Outside shareholders' interests	63	50	3	3	66	53
Net income	**$ 117**	**$ 89**	**$ 30**	**$ 25**	**$ 147**	**$114**
FINANCIAL POSITION						
Current assets	391	215	116	79	507	294
Rental equipment	436	338	179	126	615	464
Other assets	258	194	41	19	299	213
Total assets	**$1,085**	**$747**	**$336**	**$224**	**$1,421**	**$971**
Current liabilities	415	264	76	85	491	349
Other liabilities	257	196	30	14	287	210
Outside shareholders' interests	154	107	9	9	163	116
Xerox Corporation interest	259	180	221	116	480	296
Total liabilities and shareholders' interests	**$1,085**	**$747**	**$336**	**$224**	**$1,421**	**$971**

Certain adjustments, including conforming deferred tax accounting to the U.S. method and providing a reserve for currency fluctuations, have been made in the above summary. In the consolidated financial statements, selling, service, administrative and general expenses include a $7,743,000 net loss on exchange adjustments for 1973 ($280,000 in 1972) and a $13,000,000 provision for the effect of currency fluctuations subsequent to subsidiaries' fiscal year ends. The related reserve is included in current liabilities.

Rank Xerox Limited's share of Fuji Xerox Co., Ltd.'s net income amounted to $8,715,000 in 1973 ($6,786,000 in 1972) and is included in other income.

MIDWEST RUBBER RECLAIMING COMPANY (OCT)

Statement of Accounting Policies

Principles of Consolidation— The consolidated financial statements include the accounts of the company and all its subsidiaries. UMAC-Midwest, N.V., a foreign subsidiary, and Hoover-Hanes Rubber Corporation are both wholly-owned. The accounts of the foreign subsidiary have been translated to U.S. dollars at rates of exchange prevailing at the end of the year or at historical rates of exchange as appropriate, and the unrealized gain on translation has been deferred in the balance sheet against future exchange fluctuations.

The excess of cost of the investment in the company's subsidiaries over net assets at date of acquisition is $897,227. Management believes its investment in these subsidiaries is stated fairly and there are no reasons to expect any significant decrease in their value in the foreseeable future. Therefore, the company does not presently contemplate amortization of any portion of the above item.

Notes to Consolidated Financial Statements

Note 2: Foreign Subsidiary— Amounts included in the Consolidated Balance Sheets at October 31, 1973 and 1972, respectively, related to the consolidated foreign subsidiary were as follows: current assets— $813,967 and $725,735, net plant investment— $567,671 and $510,499, current liabilities— $395,312 and $257,751, deferred income taxes— $28,000 and $31,000.

L. S. STARRETT COMPANY (JUN)

Notes to Financial Statements

Principles of Consolidation— The consolidated financial statements include the accounts of The L. S. Starrett Company and its active subsidiaries (all of which are wholly-owned), namely The L. S. Starrett Co. of Canada Limited and Herramientas de Precision, S.A. de C.V. (Starrett) Mexico, for the years ended June 30, Industria e Comercio L. S. Starrett S.A. (Brazil) for the years ended April 30, and The L. S. Starrett Company Limited (Scotland) for the years ended May 31. All significant intercompany items have been eliminated.

As of September 30, 1972 the Company sold for approximate book value the assets of Rhode Island Tool Company, Inc., its wholly-owned subsidiary. Operations for the year ended June 30, 1972 and the three months ended September 30 are included in the accompanying financial statements. This transaction does not materially affect the reported data.

The financial statements of the foreign subsidiaries have been translated into U.S. dollars as follows: property, plant and equipment and depreciation thereon at the average rate of exchange in effect at the time of construction or acquisition and all other assets, liabilities, income and expense at the approximate rates of exchange at June 30, 1973 and 1972. The net underlying assets of the foreign subsidiaries, included in the consolidated balance sheet of the Company at June 30, 1973, amounted to $7,575,000 and $6,170,000 at June 30, 1972.

Notes to Consolidated Financial Statements

Note 2: Consolidated Subsidiaries— The accompanying financial statements include the following amounts with respect to consolidated foreign subsidiaries, without giving effect to eliminations arising from transactions between these subsidiaries and the parent company:

	1973	1972
Current assets	$16,914,063	$12,739,083
Other assets	6,178,814	6,041,976
Total assets	**23,092,877**	**18,781,059**
Liabilities	13,330,695	10,759,076
Net assets	**9,762,182**	**8,021,983**
Net sales	34,365,568	26,844,447
Net earnings after deducting minority interests	$ 2,001,603	$ 1,231,815

The risk attendant in doing business in the foreign countries where such net assets are located and sales are derived is considered to be inconsequential.

Exchange adjustments due to fluctuations in foreign exchange rates in relation to the United States dollar, which are included in earnings, resulted in a gain of $264,000 and a loss of $68,000 in 1973 and 1972, respectively.

Consolidation of All Significant Subsidiaries

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

Summary of Significant Accounting Policies

Principles of Consolidation— The consolidated financial statements include the accounts of the Company, all domestic subsidiaries and all significant foreign subsidiaries. Accounts of the foreign subsidiaries include their subsidiaries if applicable. All significant inter-company accounts and transactions are eliminated in consolidation. Minority interests in earnings of consolidated foreign subsidiaries are charged to other expense, net in the consolidated statements of earnings.

Financial statements of the consolidated foreign subsidiaries cover twelve month periods ending October 31 through December 31. Such fiscal periods have been adopted by the subsidiaries in order to provide for a timely consolidation with the Company.

Investments (including advances) in unconsolidated subsidiaries and other companies in which there is an ownership interest of 20% or more are accounted for by the equity method and such subsidiaries and companies are referred to herein as unconsolidated subsidiaries and affiliates or investee companies. Under this method, the Company's equity in the net earnings or losses of the investee companies is included currently in the Company's net earnings and dividends received from such companies are reflected as a reduction of the investment. The carrying value of these investments approximates the underlying equities in net assets.

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 intercompany 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 January 3, 1974, and December 28, 1972, adjusted by advances subsequent to the balance sheet dates. During 1973 and 1972, the joint venture contributed approximately 11% and 9% of Albertson's consolidated sales, and approximately 15% and 13% of Albertson's consolidated earnings before taxes on income.

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

Albertson's 50% Share

	52 Wks. Ended Feb. 2, 1974	53 Wks. Ended Feb. 3, 1973
Sales and other revenue	$92,687,152	$60,072,082
Cost of sales	72,711,187	46,830,696
Operating and administrative expenses	17,282,669	11,351,525
	89,993,856	**58,182,221**
Earnings before taxes on income	$ 2,693,296	$ 1,889,861

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

Albertson's 50% Share

	Feb. 2, 1974	Feb. 3, 1973
Assets:		
Current assets	$13,131,653	$ 9,828,622
Other assets	1,480	1,115
Fixtures and equipment (net)	6,193,073	4,365,799
Deferred costs	720,811	675,636
	$20,047,017	**$14,871,172**
Liabilities and Owners' Equity:		
Current liabilities	$ 7,257,764	$ 4,379,599
Owners' equity	12,789,253	10,491,573
	$20,047,017	**$14,871,172**

THE CLEVELAND-CLIFFS IRON COMPANY (DEC)

Notes to Financial Statements

Note A (in part): Summary of Significant Accounting Policies—Basis of Consolidation— The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, and its proportionate interest in the accounts of unincorporated joint ventures. Investments in mining ventures and related activities ("associates") include unconsolidated subsidiaries, partnerships and corporate joint ventures, which are accounted for by the equity method (see Note B), and cost companies which are accounted for at cost which equals the Company's equity in the underlying net assets. The Company, through its ownership interests, receives iron ore produced by the cost companies in exchange for payment of its proportionate share of the companies' costs. The Company includes its proportionate share of cost companies' expense in cost of goods sold.

COMMONWEALTH OIL REFINING COMPANY, INC. (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Principles of Consolidation— The consolidated financial statements include the accounts of the company and all of its wholly owned subsidiaries together with the company's 50% interests in the assets, liabilities and results of operations (from date of commencement of commercial operations) of four 50% owned joint ventures: Hercor Chemical Corporation ("Hercor"), Oxochem Enterprise ("Oxochem"), Puerto Rico Olefins Company ("PRO"), and Puerto Rico Olefins, Inc. ("Pro, Inc."). Hercor and Oxochem commenced commercial operations prior to 1972, and PRO and Pro, Inc. in July 1972. See Notes 2 and 11 for additional information concerning the operations of PRO.

Condensed combined financial data relating to the company's 50% interests in such joint ventures are summarized below.

	1973	1972
Current assets	$ 17,670,144	$ 12,509,466
Preoperating expenses	6,818,085	7,653,507
Plant and other assets— net	88,886,842	82,231,117
Total	**$113,375,071**	**$102,394,090**
Current liabilities	$ 12,108,711	$ 8,082,638
Deferred income	118,779	416,914
Long-term debt	10,231,946	1,962,699
Stockholders' and venturers' equity	90,915,635	91,931,839
Total	**$113,375,071**	**$102,394,090**
Sales	$ 34,054,776	$ 28,159,486
Cost and expenses	42,287,099	24,136,202
Net earnings (loss) (Note 2)	**$ (8,232,323)**	**$ 4,023,284**

The company's equity in the net assets of the consolidated subsidiaries and joint venture interests at December 31, 1973 and 1972 exceeded its investments in such subsidiaries and joint ventures by $27,938,790 and $42,697,978, respectively. This amount, which is included in consolidated retained earnings, represents undistributed earnings since date of acquisition or formation.

KOPPERS COMPANY, INC. (DEC)

Statement of Accounting Policies

Principles of Consolidation— The consolidated statements include the accounts of the Company, all of its subsidiaries and the Company's 50% share of the assets and liabilities and income and expenses of Sinclair-Koppers Company, a partnership owned by the Company and Atlantic Richfield Company. (See Note 1.) All intercompany transactions have been eliminated. The word "Company" as used in this report includes consolidated entities as well as Koppers Company, Inc.

Notes to Financial Statements

Note 1: Reorganization of Sinclair-Koppers Company— The Company has entered into an agreement effective January 1, 1974 with Atlantic Richfield Company to reorganize their Sinclair-Koppers partnership.

The business and net assets of the Partnership will be transferred to a new corporation (ARCO/Polymers, Inc.) in exchange for $100 (one hundred dollars) par value 12½% preferred stock and $1 (one dollar) par value common stock Class A and B. The Class A common stock will be distributed to Atlantic Richfield and all the 12½% preferred stock and Class B common stock, which constitutes approximately 20% voting control, will be distributed to the Company. The securities to be received by the Company can be redeemed for cash at the option of ARCO/Polymers. Either the Company or ARCO/Polymers may cause to be redeemed by ARCO/Polymers in 1981 all the outstanding shares then held by the Company at contributed value.

All earnings of ARCO/Polymers will be required to be distributed as dividends currently on its outstanding

stock, first on the preferred stock and the balance on the common stock. Such dividends will be declared and paid quarterly.

In 1974, the Company's interest in ARCO/Polymers will be treated as an investment and the income will be reported as dividends are received. The assets, liabilities, income and expenses of ARCO/Polymers will not be included as heretofore in the financial statements of the Company.

Summarized financial information for the Company's share of the Sinclair-Koppers Partnership which is included in the Company's consolidated financial statements at December 31, 1973 is as follows:

Total assets	$88,783,233
Total liabilities	8,115,176
Net assets	$80,668,057
Net sales	$81,066,320
Operating profit	$12,051,531

Consolidation of Development Stage Company

GULF RESOURCES & CHEMICAL CORPORATION (DEC)

Summary of Significant Accounting Policies

Principles of Consolidation— The accompanying financial statements include the accounts of Gulf Resources & Chemical Corporation (Gulf) and all of its active wholly-owned subsidiaries after elimination of significant intercompany accounts and transactions. Great Salt Lake Minerals & Chemicals Corporation (GSL) was a 51% owned, nonconsolidated, subsidiary until May, 1973, at which time it became wholly-owned and its accounts were included in Gulf's consolidated financial statements. GSL is in the preoperating stage, consequently, Gulf's consolidated statement of income does not include amounts for GSL. See Note 1 to the Financial Statements for additional information relating to GSL.

In November, 1973, a subsidiary of Gulf acquired all of the outstanding stock of Spartan Minerals Company for $875,000 in cash and notes of Gulf and accounted for the acquisition as a purchase. The operations of Spartan are not significant to Gulf..

Notes to Financial Statements

Great Salt Lake Minerals & Chemicals Corporation— GSL's facilities include a solar evaporation pond complex and processing plants for the production of potassium sulfate, sodium sulfate and common salt from minerals extracted from the brines of Great Salt Lake. Construction of the original facilities was substantially completed in late 1970; however, significant problems were encountered and the facilities have continued in the preoperating stage during most of the time since that date.

Gulf and the other stockholder of GSL finalized an agreement in May, 1973, whereby the other stockholder's interest in GSL was eliminated, except for a royalty interest in future production, payable to the other stockholder when a certain level of net worth is reached and based upon profitability. As a result, the other stockholder surrendered its stock in GSL, assigned to Gulf its subordinated debt and interest thereon from GSL, provided funds for repayment of $9,100,000 of GSL's debt and was released from its contingent obligations. Gulf thereupon became sole owner of GSL and assumed additional contingent liabilities of $1,800,000. Gulf, later, contributed to GSL all of the subordinated debt of GSL ($11,946,000) and accrued interest thereon ($1,920,000).

Effective in May, 1973, GSL underwent a quasi-reorganization, which gave effect to the fact that the developmental stage had lasted longer than originally anticipated and the existing facilities were not capable of reaching original rated capacity or levels of operations sufficient to provide an acceptable rate of return on the aggregate investment to date within the reasonably predictable future. The quasi-reorganization thereby reflected losses relating to GSL previously recognized in the financial statements of its stockholders.

The effect of the quasi-reorganization was to reduce the carrying amount of GSL's property, plant and equipment by $21,005,000 to eliminate preoperating and development costs and deferred debt expenses of $7,011,000, and to establish a reserve of $1,495,000 for estimated net expenses to be incurred while GSL continues in the preoperating stage.

The accounts of GSL have been consolidated with those of Gulf since May 1, 1973. GSL has charged the net expenses of $1,008,000 incurred since that date to the reserve. GSL's results of operations will be reflected with those of Gulf beginning January 1, 1975. Full scale operations of GSL are expected in 1976 or 1977.

As part of Gulf's refinancing in December, 1973, Gulf purchased GSL's senior long—term debt of $9,480,000 from institutional investors; therefore, GSL's senior debt is now payable to Gulf. A condensed balance sheet of GSL as of December 3$, $973 is as follows:

	($ thousands)
ASSETS	
Current assets, including inventories of $2,612,000 ..	$4,080
Property, plant and equipment, at estimated realizable value at date of quasi-reorganization with subsequent additions at cost	10,117
Other assets	405
	$14,602
LIABILITIES AND STOCKHOLDER'S INVESTMENT	
Current liabilities, including accounts payable to Gulf of $2,126,000	$3,545
8.25% mortgage note payable to Gulf, due in 19 semi-annual installments beginning June 30, 1977	9,480
	$13,025
STOCKHOLDER'S INVESTMENT—	
Common stock	$36
Capital in excess of par	1,541
	$1,577
	$14,602

Gulf's investment in GSL as of December 31, 1973, was $13,183,000, which amount is net of $12,704,000 of losses recognized by Gulf in 1971. In addition, Gulf has

guaranteed $5,100,000 of GSL's obligations under long-term utility contracts. Gulf also expects to make additional cash advances to GSL of $1,500,000 during the year ending December 31, 1974.

Economic operations at GSL are dependent upon increased production and product prices. In 1973, GSL completed a 3,500 acre addition to the solar pond complex, estimated to increase production by 30 per cent, and completed facilities for the washing and drying of up to 150,000 tons per year of high quality common salt, at an aggregate cost of approximately $1,100,000. The additional solar ponds will be placed in service in 1974 and are expected to yield harvestable material in 1976.

Projections prepared by GSL's management indicate that the carrying amount of its facilities will be recovered through operations. Future production may be greater or less than that projected, depending largely upon actual weather conditions and brine densities at the lake. The estimates for the next five years of harvestable salts to be produced from the expanded pond complex and finished product to be produced at the processing plants have been reviewed and confirmed for technical feasibility by an independent consulting engineering firm.

Production and sale of potassium sulfate is the most critical factor in the estimate of future operating results. The average selling price realized by GSL per ton of this product was $36 in 1972 and $41 in 1973 As of March 1, 1974, the average domestic selling price was $60 per ton. Assuming an average selling price of $55 per ton for potassium sulfate and current average prices applied to 1973 quantities sold of other products, the breakeven point, after depreciation and amortization, is estimated at approximately 110,000 tons of potassium sulfate. The 1974 production of potassium sulfate is estimated to be approximateiy 88,000 tons.

In management's opinion, increased production from the solar ponds will be accomplished from the 1973 pond expansion, and the carrying amount of GSL's facilities will be realized through future operations.

BUSINESS COMBINATIONS

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

> 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.

TABLE 1-18: POOLINGS OF INTERESTS

Manner of Presentation	1973	1972	1971	1970
Prior year's financial statements restated – all prior years in historical summary restated	29	32	34	56
Prior year's financial statements restated – some but not all prior years in historical summary restated	22	20	22	26
Prior year's financial statements restated – historical summary either not presented or not restated	4	15	7	15
Prior year's financial statements not restated	34	35	37	42
Total Companies	**90**	**102**	**100**	**139**
Information Disclosed				
Operating results of separate companies prior to combination	11	7	9	N/C
Reconcilation of previously reported revenues and earnings.	13	9	9	N/C

N/C— Not compiled.

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.

TABLE 1-19: PURCHASES

Number of Companies	1973	1972	1971
Purchase method used to account for a combination	163	160	133
Treatment of acquired goodwill disclosed	81	79	63
Supplemental pro forma information presented	38	39	25

Poolings of Interests

CHESEBROUGH-POND'S INC. (DEC)

Notes to Consolidated Financial Statements

Acquisition— On May 17, 1973, the company issued 2,624,051 shares of common stock in exchange for all the outstanding stock of Health-tex Inc. An additional 61,001 shares of common stock were reserved for issuance upon exercise of Health-tex stock options then outstanding. This acquisition has been accounted for as a pooling of interests and accordingly the accompanying consolidated financial statements for 1972 have been restated to include the accounts of Health-tex Inc. Subsequent to the acquisition, the company changed the method of depreciation for Health-tex assets from accelerated to the straight-line method to conform with company policy. The effect of this change and acquisition related costs was not material. Net sales and net income of both companies for the three month period ended March 31, 1973 (unaudited) and for the year ended December 31, 1972 were:

	Three month period ended March 31, 1973 (unaudited)	Year ended December 31, 1972
Net sales:		
Chesebrough-Pond's Inc.	$92,535,000	$350,791,000
Health-tex Inc.	19,452,000	63,914,000
As combined	**$111,987,000**	**$414,705,000**
Net income:		
Chesebrough-Pond's Inc.	$6,723,000	$27,921,000
Health-tex Inc.	2,136,000	6,134,000
As combined	**$8,859,000**	**$33,055,000**

CYPRUS MINES CORPORATION (DEC)

Notes to Financial Statements

Note 2: Acquisition of Bagdad Copper Corporation— In June 1973, Cyprus consummated a major acquisition by the exchange of approximately 1,936,000 shares of its common stock for all the outstanding stock of Bagdad Copper Corporation (Bagdad). Bagdad is primarily engaged in mining and processing basic metals, principally copper, and through wholly-owned subsidiaries it also produces various manufactured products made of fabricated steel or plastic. The acquisition was accounted for by the pooling-of-interests method. The 1973 consolidated statements of income and retained earnings include the operations of Bagdad for the entire year and the 1972 financial statements have been restated to include Bagdad.

The revenues and net income of each of the separate companies from the beginning of 1973 to June 30, 1973, are as follows:

	($ thousands) Cyprus	Bagdad
Revenues, including Cyprus' share of affiliated corporations' revenues	$195,823	$15,971
Revenues from operations	$149,294	$15,751
Net income	$ 17,819	$ 2,259

Amounts reported herein for 1972 reflect the restatements for the pooling, as follows:

	Cyprus	Bagdad ($ thousands)	Combined
Revenues, including Cyprus' share of affiliated corporations' revenues	$318,800	$32,723	$351,523
Revenues from operations	$225,348	$32,501	$257,849
Net income	$ 28,814	$ 3,717	$ 32,531

There were no intercompany transactions prior to the date of merger. Intercompany transactions subsequent to the merger were eliminated in consolidation.

HOWMET CORPORATION (DEC)

Financial Review

Merger with Texas Aluminum Company, Inc.— On June 28, 1973, Texas Aluminum Company, Inc. was merged into Howmet in exchange for 974,996 shares of Howmet common stock. This transaction was accounted for as a pooling of interests. After eliminating intercompany transactions, the respective contributions to consolidated net sales and net income prior to the merger are stated separately as follows (in thousands):

	Six months ended June 30, 1973	Year ended December 31, 1972
HOWMET CORPORATION		
Net sales	$179,543	$288,097
Net income	8,943	24,314
TEXAS ALUMINUM COMPANY, INC.		
Net sales	$13,773	$25,495
Net income	585	1,062

NATIONAL PARAGON CORPORATION (MAR)

Notes to Financial Statements

Note B: Acquisition— During the year ended March 31, 1972, the Company's 50% investment in Jay-Arr Slimwear, Inc. ("Jay-Arr") was increased to 55.5% resulting in the inclusion of the accounts of Jay-Arr in the consolidated financial statements effective April 1, 1971.

On March 30, 1973, the Company acquired for 70,000 shares of its Common Stock all of the outstanding capital stock of Arrem Industries, Inc. ("Arrem") in a transaction accounted for as a pooling of interests and, accordingly, the accounts of Arrem have been included in the accompanying consolidated financial statements for the years ended March 31, 1973 and 1972.

Results of operations for the year ended March 31, 1973 of the previously separate companies that are included in the accompanying consolidated statements of income are summarized as follows:

	Revenues	Net Income
National Paragon Corporation and subsidiaries (other than Arrem)	$9,632,487	$1,841,158
Arrem and subsidiaries	1,718,313	93,794
Consolidated	**$11,350,800**	**$1,934,952**

A reconcilliation of revenues and net income as originally reported to Stockholders for the year ended March 31, 1972, shown in the accompanying consolidated statements of income follows.

Revenues:	
As originally reported	$8,528,670
Arrem and subsidiaries	772,996
As restated	**$9,301,666**
Net income	
As originally reported	$1,393,843
Arrem and subsidiaries	78,745
As restated	**$1,472,588**

NORTON SIMON INC. (JUN)

Notes to Financial Statements

Pooling of Interests— In February 1973, the Company exchanged 11,907,510 shares of its common stock, in a pooling of interests transaction, for all of the outstanding shares of capital stock of Max Factor & Co.

Max Factor & Co. had a fiscal year ending December 31. Accordingly, the accompanying financial statements for 1972 combine the financial statements of the Company for its fiscal year ended June 30, 1972 with those of Max Factor & Co. for its fiscal year ended December 31, 1971. The following reconciles the combined sales and other income and net income with those previously reported for 1972 by the Company:

	Sales and Other Income	Net Income
	($ thousands)	
As previously reported	$1,185,327	$50,487
Max Factor & Co.	195,289	17,375
Adjustments to conform accounting policies		(448)
Restated	**$1,380,616**	**$67,414**

Retained earnings at July 1, 1971, have been decreased by $9,214,000 net of income taxes of $7,163,000, as a result of adjustments necessary to conform the accounting policies of Max Factor & Co. with respect to accounting for securities and for sales returns, discounts and allowances with those of the Company. Retained earnings as of July 1, 1972, have been decreased by a net loss of $561,000 and by cash dividends of $3,160,000 of Max Factor & Co. for the six months ended June 30, 1972. The net loss includes a provision of $2,244,000, net of income taxes of $2,156,000, for obsolete and slow-moving inventories and a charge of $4,359,000, net of income taxes of $3,811,000, to conform the accounting policies referred to above. Sales of Max Factor & Co. for such six months were $93,437,000.

Sales and net income of the Company and of Max Factor & Co. included in 1973 for the period from July 1, 1972 to February 28, 1973 were as follows.:

	Sales	Net Income
Company	$783,502,000	$31,470,000
Max Factor & Co.	152,364,000	15,930,000

ROCKWELL INTERNATIONAL CORPORATION (SEP)

Notes to Financial Statements

Note 2 (in part): Acquisitions— In February 1973 Rockwell Manufacturing Company was merged into North American Rockwell Corporation and concurrently the name of North American Rockwell Corporation was changed to Rockwell International Corporation (the Company). Rockwell Manufacturing Company (now the Utility & Consumer Products Group of the Company) is engaged principally in the manufacture and sale of flow-measurement equipment, flow-control equipment, power tools, and plumbing fittings. Pursuant to the terms of the agreement and plan of merger, the Company issued 6,664,942 shres of its common stock for all of the outstanding shares of stock of Rockwell Manufacturing Company. The merger was accounted for as a pooling of interests and the consolidated financial statements are presented as though the companies had been combined throughout each period based on a fiscal year ended September 30. Accordingly, sales and net income for 1972 have been restated as follows:

	Sales	Net Income
As previously reported	$2,362,938,000	$ 86,083,000
Applicable to Rockwell Manufacturing Company	314,569,000	17,599,000
As restated	**$2,677,507,000**	**$103,682,000**

Sales, extraordinary credit, and net income (unaudited) of the constituent companies for the five-month period ended February 28 (the end of the interim period nearest the date of merger) were as follows:

	Sales	Extraordinary Credit	Net Income
North American Rockwell Corporation	$1,096,924,000	$4,820,000	$41,872,000
Rockwell Manufacturing Company	135,235,000		7,118,000

Purchases

ADAMS-RUSSELL CO., INC. (SEP)

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of Significant Accounting Policies— Franchises, Licenses and Operating Rights— Franchise rights purchased in connection with the acquisition of Cable Vision, Inc. (see Note 2) are being amortized on a straight-line basis over sixteen years. The assigned value of other franchises, licenses, and operating rights (all acquired prior to November 1, 1970) are not being amortized.

Note 2: Acquisition— On July 17, 1973, the Company purchased all of the stock of Cable Vision, Inc. (Cable Vision) for cash of $747,400. Simultaneously, the Company loaned $1,002,500 to Cable Vision which utilized such funds for the repayment of notes payable of a like amount. The results of Cable Vision's operations have been included in the accompanying financial statements since the date of acquisition.

The excess of purchase cost over the fair value of net assets acquired, amounting to $890,000, has been charged to franchise costs and is being amortized as described in Note 1(g).

Had the purchase of Cable Vision been consummated as of October 1, 1971, consolidated sales and earnings on a pro forma basis (after adjustments to reflect estimated fair value of the net assets, additional depreciation and amortization thereon, and interest) would have been:

	Year Ended September 30	
Total	**1973**	**1972**
Sales	$13,648,574	$10,770,278
Income before extraordinary income	311,962	92,824
Net income	344,204	109,424
Per Share		
Income before extraordinary income	$ .24	$ .07
Net income	.27	.08

AMERICAN BILTRITE INC. (DEC)

Notes to Consolidated Financial Statements

Note B: Acquisition— On January 12, 1973, the Company purchased certain assets of a bankrupt company, Globe-Superior, Inc. ("Globe") for notes of $4,338,971 and the assumption of a 4½% mortgage note ($2,153,779) payable to a governmental authority. The notes were non-interest bearing for the first year. In 1974, the notes of $4,338,971 bear interest at ½% over prime; however, in 1974 and 1975, interest is due on these notes only to the extent earned from the operations of Globe in these years.

The purchase price may be increased, up to a maximum of $2,999,044, depending on the level of future aggregate earnings of Globe over the twelve-year term of the purchase agreement.

The base purchase price ($6,492,750) was allocated as follows: current assets $2,200,000; property, plant and equipment $3,897,000; other assets $42,750; and $353,000 for imputed interest to December 31, 1973. Any future adjustments for imputed interest or contingent payments will be allocated to property, plant and equipment on the basis of their fair values and any excess will be amortized over a ten-year period.

The new division which commenced operations in May of 1973 had net sales of $2,868,845 and a net loss of $904,437 for the period ended December 31, 1973.

ARMADA CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 3: Acquisition and Proposed Merger— In June 1973, the Company acquired 52.6 percent of the outstanding shares of The Hoskins Manufacturing Company (Hoskins) at a cash cost of $15,466,000, including related expenses. The transaction has been accounted for as a purchase and the accounts of Hoskins have been included in the consolidated financial statements since July 1, 1973. The minority shareholders' 47.4 percent interest in the net income and capital of Hoskins are shown as deductions in the income statement and balance sheet.

In December 1973, the Board of Directors of each company approved a plan of merger under which each Hoskins share now held by shareholders other than the Company would be exchanged for 1.27 shares of the Company's Common Stock. The aggregate market value of the Company's shares at the time of the merger announcement was approximately $5,868,000 after deduction of estimated issuance and registration costs of $200,000.

Pending consummation of the merger, $5,627,000 (net of amortization of $95,000) of the cost of the 52.6 percent interest previously acquired remains unallocated at December 31, 1973. Assuming approval of the merger and based on the December 31, 1973 balance sheet amounts, the $6,068,000 cost of acquiring the minority interest shares, together with the previously unallocated $5,627,000 amount would be assigned as shown:

Properties (appraisal increment)	$ 2,374,000
Cost in excess of assigned values	2,108,000
Inventories (adjustment to fair value)	544,000
Elimination of minority interest in Hoskins	6,669,000
Total	**$11,695,000**

The amount assigned to intangible assets, $2,108,000, is to be amortized on a level basis over a 40-year period. Operations for the period ended December 31, 1973 have been charged $95,000 as amortization expense since July 1, 1973, based on the anticipated ultimate assignment of the $5,627,000 presently unallocated amount.

The allocations shown assume that the proposed merger will be deemed a tax-free reorganization. Should the merger transaction be characterized as other than a tax-free reorganization, an additional tax liability of approximately $1,800,000 would result from recapture of depreciation deductions and investment credits. Depending upon the view finally taken of the transaction, all or substantially all of this $1,800,000 amount should be recoverable through future tax benefits.

Pro Forma Data (Unaudited)

Shown in the following tabulation are pro forma data, assuming acquisition of the 52.6 percent interest in Hoskins on January 1, 1972:

	Dec. 31 1973	Dec. 31 1972
Sales	**$42,202,000**	**$31,220,000**
Income (loss) from continuing operations	$ 1,472,000	$ (100,000)
Discontinued brewing operations	(44,000)	(302,000)
Extraordinary items	297,000	177,000
Net income (loss)	**$1,725,000**	**$(225,000)** (1)
Per share:		
Continuing	$1.13	$(.08)
Discontinued	(.03)	(.23)
Extraordinary items	.22	.14
Net income (loss)	**$1.32**	**$(.17)**

(1) Pro forma interest expense at 11 percent (the effective rate at December 31, 1973) has been provided, assuming a borrowing of $15,466,000 from January 1, 1972 through July 31, 1972, the actual date of sale of the breweries, and an $8,000,000 borrowing from July 31, 1972 through December 31, 1972. Adjustments have also been made to reflect additional depreciation and similar costs required by purchase accounting. Pro forma tax effect has not been given to the application of additional interest costs except to the extent of the Company's separate income, since separate income tax returns were filed by each company.

CONAGRA, INC. (JUN)

Financial Comments

Acquisition— As of June 26, 1972, the company acquired all of the stock of Security Mills, Inc. and subsidiaries for a cash purchase price of $4,533,655. This acquisition was accounted for as a purchase, and thus operations from the date 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 pro forma results of operations assuming that the acquisition had taken place as of the beginning of the year ended June 25, 1972:

	Year ended June 25, 1972
Net sales	$331,020,878
Earnings before extraordinary items	4,075,136
Net earnings	3,408,363
Earnings per common share:	
Before extraordinary items	1.30
Net earnings	1.07

FRUEHAUF CORPORATION (DEC)

Notes to Financial Statements

Note A: Kelsey-Hayes Acquisition— Effective October 31, 1973, Kelsey-Hayes Company, a manufacturer of wheel and brake components principally for automobile original equipment manufacturers, was acquired through a merger whereby all the outstanding shares of Kelsey-Hayes Company were exchanged for 3,681,715 shares of Fruehauf Common Stock, at a fair value of $25.00 ($92,042,875), and the subsequent purchase through tender by Fruehauf from the former Kelsey shareholders of 550,000 of the Fruehauf Common shares so issued at $25.00 a share. The Kelsey-Hayes acquisition has been accounted for as a purchase and the results of Kelsey-Hayes' operations for the two months ended December 31, 1973, are included in the consolidated statement of net earnings. Under the purchase method of accounting, the total cost was assigned to the net tangible assets acquired on the basis of their estimated value.

The following summary prepared on a pro forma basis, including purchase accounting adjustments, combines the consolidated net earnings of Fruehauf for the years ended December 31, 1973 and 1972 with the preacquisition earnings of Kelsey-Hayes for comparable periods:

	1973	1972
Revenues	$1,195,821,000	$1,031,363,000
Net earnings	52,145,000	43,795,000
Earnings per share:		
Primary	$4.38	$3.68
Fully diluted	4.04	3.43

In August 1973, the Federal Trade Commission began an antitrust investigation of the Kelsey-Hayes acquisition. Testimony of Corporation executives has been taken and documents produced both pursuant to subpoenas and at the initiative of the Corporation. The investigation has not been closed, and the Corporation cannot predict what action the Commission may take.

TRANS WORLD AIRLINES, INC. (DEC)

Notes to Financial Statements

Note 1 (in part): Summary of Significant Accounting Policies— Goodwill— The unamortized excess of cost over the fair value of net tangible assets of companies acquired in 1973 (Note 2) is being amortized over a forty-year period on the straight-line method.

Note 2: Acquisition of Canteen Corporation— The Canteen Corporation became a wholly-owned subsidiary of TWA as of July 29, 1973 by merger consummated on August 10, 1973. The acquisition has been recorded as a purchase in accordance with generally accepted accounting principles and the operations of Canteen, therefore, are included in TWA's consolidated financial statements only from July 29, 1973. In connection with the acquisition, TWA delivered to International Telephone and Telegraph Corporation (ITT) a promissory note in the principal amount of $88,000,000 payable in five equal annual installments commencing August 10, 1974 at a stated interest rate of 5%, in payment for the two-thirds of Canteen stock owned by ITT. In addition, TWA made arrangements for an aggregate cash payment of $44,000,000 to the stockholders holding the remaining one-third stock ownership of Canteen. The liability for the promissory note to ITT was recorded by TWA at its then present value of $83,640,000 at an imputed interest rate of 7%. The total acquisition cost, including related incremental expenses of $457,000, was

$128,097,000. The fair market value of net tangible assets acquired was determined to be $85,983,000 and the balance of the purchase price was recorded as goodwill in the amount of $42,114,000.

The fair market values assigned to tangible assets acquired and liabilities assumed as of July 29, 1973 were as follows:

	($ thousands)
Assets acquired:	
Current	$ 41,887
Property	81,405
Other	18,657
Total	**141,949**
Liabilities assumed:	
Current	26,092
Long-term	27,111
Other	2,763
Total	**55,966**
Net assets acquired	**$ 85,983**

The consolidated results of operations on a pro forma basis as through Canteen had been purchased January 1, 1972 are as follows:

	1973	1972
	($ thousands)	
Total operating revenues	$2,042,119	$2,003,308
Net income	$49,829	$49,157
Earnings per Common Share:		
On average outstanding and equivalent shares	$3.48	$3.43
Assuming full dilution	$3.20	$3.16

U.I.P. CORPORATION (DEC)

Notes to Consolidated Financial Statement

Note 1: Acquisition of Zalk-Josephs Company— Effective October 1, 1972, the Company acquired 100% of the outstanding capital stock of Zalk-Josephs Company, a Minnesota corporation located in Duluth, Minnesota. Zalk-Josephs is engaged in steel warehousing, steel fabrication, and the sale of building supplies. Consideration paid by the Company totaled $2,678,567, payable in cash ($534,567) and 6% notes ($2,144,000) (Note 2) with $402,000 paid October 16, 1973, and $402,000 due October 16, 1974 with interest thereon, and $1,340,000 due in equal annual installments of $268,000 on October 16, 1975 through October 16, 1979. Sixty-five percent of the outstanding capital stock of Zalk-Josephs, and the notes executed by the Company are being held in escrow subject to payment by the Company of the notes. The stock held in escrow will be released to the Company in proportion to payment of the notes, except that 53% of the voting common stock of Zalk-Josephs will remain in escrow until the notes are paid in full. The note agreements contain covenants which require the maintenance of a specified level of net worth and working capital at Zalk-Josephs as defined in the purchase agreement. The recorded assets of Zalk-Josephs acquired by the Company exceeded the cost of such assets to the Company by $383,000, which reduced consolidated plant and equipment.

This acquisition was accounted for under the purchase method of accounting, and, accordingly, the results of operations of Zalk-Josephs are only included in the consolidated statements of income since the date of acquisition.

The following pro-forma data presents net sales, income before extraordinary item, extraordinary item, net income, and per share data on a comparable basis as if Zalk-Josephs had been acquired effective January 1, 1972:

	Year Ended Dec. 31 1973	Year Ended Dec. 31 1972 (Unaudited)
Net sales	$31,859,662	$24,967,269
Income before extraordinary item	1,410,198	888,132
Extraordinary item	---	572,000
Net income	**$1,410,198**	**$ 1,460,132**
Earnings per common share and common share equivalent:		
Income before extraordinary item	$ .36	$ .23
Extraordinary item	--	.14
Net income	.36	.37
Net income as reported	$ .36	$ .32

UNITED BRANDS COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 3: Acquisition of Foster Grant Co., Inc.— In the latter part of 1972 the Company acquired 725,583 shares (33.6%) of Foster Grant Co., Inc., a major producer of styrene monomer, polystyrene products, and sunglasses for $24,849,000 cash. During the first six months of 1973 the Company purchased an additional 447,233 shares for $12,236,000 cash, thereby increasing its holdings to 1,172,816 shares (54.2%). In recognition of the acquisition of a majority interest, the accounts of Foster Grant were consolidated with those of the Company as of January 1, 1973.

The acquisition is accounted for under the purchase method of accounting. Accordingly, the assets and liabilities have been recorded at estimated fair values with a resulting excess of purchase cost over the Company's equity in such net assets of $3,600,000 which is being amortized over forty years on the straight-line method.

The Company's share of Foster Grant's net income, adjusted as above, amounted to $3,737,000 in 1973 and $375,000 in 1972.

Had the acquisition of the majority interest been made as of January 1, 1972, consolidated sales and income (after adjustments to reflect estimated fair value of the net assets acquired and interest, net of tax, on the purchase price) would have been:

	1973	1972	1973	1972
	($ thousands)		(per share)	
Net sales	$1,982,312	$1,702,911		
Income from continuing operations	18,021	10,343	1.45	.77
Net income	$25,281	$18,822	$2.10	$1.52

In February 1974, the Company and Foster Grant Co., Inc., announced that their Boards of Directors had approved, in principle, a proposed recapitalization of Foster Grant, which provides, among other things, that shares held by the Company will become shares of a new Class A Common stock and shares held by all other stockholders will become shares of a new Special Preferred Stock of Foster Grant. It is expected that the recapitalization will be consummated on or about April 30, 1974, subject to approval of the Plan by a majority of Foster Grant common shares other than those held by the Company and the Company being satisfied at the effective time of the reorganization that the Company may consolidate Foster Grant in the Company's Federal income tax return. The Company has announced that it is considering making a cash tender offer for the existing Foster Grant Common stock but is not obligated to do so. The holders of a majority of the other shares have indicated their intention to vote in favor of the reorganization and not to tender their existing Foster Grant shares provided the Company makes a tender offer for approximately 200,000 Foster Grant shares at a price of $30 per share. Combination of the two companies or disposition of Foster Grant holdings by the Company are subject to certain conditions.

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 1973 annual reports of the survey companies. Examples of contingent liability and commitment disclosures follow. Additional examples of disclosures for receivables sold or discounted and for tax assessments are presented with RECEIVABLES and with INCOME TAXES.

TABLE 1-20: CONTINGENT LIABILITIES AND COMMITMENTS

Nature	1973	1972	1971	1970
Litigation- nongoverment	133	114	96	101
Litigation- government	113	95	100	79
Litigation- not identified	113	102	103	93
Guarantees of indebtedness	142	150	148	152
Possible tax assessments	68	76	55	60
Accounts or notes receivable sold	67	70	48	47
Purchase or repurchase agreements	132	125	152	131
Additional payments in connection with an acquisition	52	67	50	48
Compliance with environmental standards	12	23	19	N/C
Miscellaneous agreements and contracts	62	66	74	72
Total Disclosures	**904**	**888**	**845**	**783**
Number of Companies Referring to the above Contingent Liabilities or Commitments				
On face of balance sheet	120	117	107	93
In notes to financial statements only	309	322	304	321
No reference	171	161	189	186
Total	**600**	**600**	**600**	**600**

N/C— Not compiled.

Nongovernment Litigation

BATH INDUSTRIES, INC. (DEC)

Notes to Consolidated Financial Statements

Litigation (in part)— On December 8, 1973, American Export Lines, Inc. ("AEL") commenced a "third-party" action against Bath Iron Works Corporation ("BIW"), a subsidiary, in the United States District Court for the Southern District of New York. In this action, AEL seeks to impose upon BIW any and all liabilities that AEL may incur to third parties, as well as damages sustained by AEL itself, in connection with the collision, on June 2, 1973, between AEL's container vessel "Sea Witch" and the Exxon tanker "Brussels." The "Sea Witch" was built for AEL by BIW, having been delivered in 1968. The third-party complaint against BIW was filed in a proceeding instituted by AEL, in the same Court, on June 7, 1973, for a limitation of its liability, under the Federal Ship Owners' Limitation of Liability Statute. Neither AEL's original limitation action nor its third-party complaint against BIW specifies the amount of damages allegedly sustained by AEL itself nor the amounts of the claims of third parties asserted against AEL. Although proof of the various claims has not been established, on the basis of the information presently available, Messrs. Burlingham, Underwood & Lord of New York City, counsel for BIW in the third-party action, have estimated the value of all claims (third parties and AEL) at $18,000,000. In its third-party complaint, AEL alleges, in substance, that the collision between the "Sea Witch" and the

"Brussels" was proximately caused by defects in the "Sea Witch" particularly the steering system, and that such defects were due to the negligence of BIW in the design and manufacture of the "Sea Witch" including its steering system.

On January 17, 1974, Exxon Corporation (which is a claimant in AEL's limitation proceeding and against which AEL has asserted a counterclaim) filed cross-claims against Sperry Rand Corporation, Bond Hydraulic Services, Inc. and BIW. The cross-claim against BIW is, in substance, a repetition of the allegations made by AEL in its third-party complaint against BIW. The relief sought is a transfer to Sperry, Bond and BIW of any liability to which Exxon may be subject, as the result of the June 2, 1973 collision.

It is the opinion of Messrs. Burlingham, Underwood & Lord that BIW has a valid and meritorious defense to the claims arising out of the collision between the "Sea Witch" and the "Brussels" and that, should the litigation proceed to trial, BIW should not be subject to any liability in connection therewith.

COOK PAINT AND VARNISH COMPANY (NOV)

Notes to Financial Statements

Note E: Litigation— The Company is a defendant in actions in several jurisdictions. The amounts of liability in these actions were not determinable at November 30, 1973, but in the opinion of management the ultimate liability resulting in excess of insurance coverage will not materially affect the Company's financial position.

The Company is a defendant with four other suppliers of polyurethane foam systems in a class action brought by the State of Arizona and thirteen other plaintiffs for damages allegedly arising from the sale of rigid polyurethane foam for insulation on the interior surfaces of certain buildings and structures throughout the United States. Alleged are a conspiracy in restraint of trade in violation of anti-trust laws, strict liability in tort, negligence, and fraudulent representation. The plaintiffs seek $250,000,000 compensatory damages, trebled, in the anti-trust allegation, and undetermined amounts for compensatory damages, and $250,000,000 punitive or exemplary damages in the other allegations. The Company has denied liability in this suit, and vigorously denies all charges that it violated the anti-trust laws.

CPC INTERNATIONAL INC. (DEC)

Notes to Financial Statements

Litigation— The company, in compliance with a subpoena dated January 5, 1973 issued out of the United States District Court for the Northern District of California, has produced certain documents in connection with an investigation of the sugar refining and sweetener blend industries by the Antitrust Division of the Department of Justice. The company has no reason to believe that the investigation is directed at the company's activities, or in any event that it should be materially affected adversely.

On July 26, 1973, the company was named as defendant in a civil action filed by Albert Brick in the United States District Court for the District of Columbia, alleging violations of Federal securities laws and the common law in connection with certain transactions involving Funk Seeds International, Inc. and Funk's stockholders. These include the declaration of a "special dividend" in the approximate amount of $14 million while Funk was a wholly-owned subsidiary of the company, and the alleged failure of the company to disclose, in connection with the public offering of a portion of its equity in Funk, information which the company knew or should have known regarding termination of franchise contracts by certain of Funk's franchisees. The plaintiff sues on his own behalf as a shareholder of Funk, as the purported class action representative of others similarly situated, and derivatively, purportedly on behalf of Funk against the company. The complaint demands compensatory damages of $75 million together with punitive damages of $100 million plus costs and attorneys' fees. It is the opinion of counsel that, while the litigation is in the preliminary stages, on the basis of their investigation to date the company has meritorious defenses to this action and should prevail.

MORSE ELECTRO PRODUCTS CORP. (MAR)

Consolidated Balance Sheet

Long-term debt-portion not payable within one year (Note 2)	$26,015,381
Commitments and contingencies (Note 3)	

Note 3 (in part): Commitments and Contingencies— The Company is the defendant in a law suit filed by a major competitor claiming patent infringement. Counsel has advised that the Company is not infringing and that the patent is of questionable validity. Further, it is their opinion that, should the Company lose the suit, maximum contingent liability after tax effect would not exceed $433,000 based on sales through March 31, 1973.

The Company is involved in a law suit filed by a customer who participated with Morse in a mailer sales program. This customer owes the Company approximately $175,000. The customer has subsequently filed in bankruptcy and is suing the Company for $850,000. Counsel has advised that this action is without merit. Further, it is their opinion that, should the Company lose the suit, damages would be covered by insurance carried by the Company.

No provision has been made in the financial statements for possible charges to income in connection with the two preceding paragraphs.

PITNEY-BOWES, INC. (DEC)

Notes to Consolidated Financial Statements

Note 11: Legal Proceedings— Pitney-Bowes, Inc. is a defendant in an action brought by Alpex Computer Corp. (Alpex) in the U.S. District Court for the Southern District of New York against the company and seven present or former officers of the company who were directors of Pitney Bowes-Alpex, Inc. (PBA), the outstanding stock of which was owned 50% by the plaintiff and 50% by the company until July 1973 and is now owned 64% by the company and 36% by the plaintiff. The plaintiff asserts claims on its own behalf and derivatively on behalf of PBA, all related to the organization, operation, financing, and management of PBA. The claims include

alleged misrepresentations and violations of the federal securities laws, alleged mismanagement of PBA, and alleged breach of contract and breach of duty by the defendants. The complaint seeks damages against the defendants of $75,000,000 in favor of the plaintiff on each of four claims and damages of $150,000,000 in favor of PBA on each of three claims. The action also seeks an accounting by the defendants for damages allegedly caused by them.

Pitney-Bowes, Inc. is also a defendant in an action pending in the U.S. District Court for the Southern District of Ohio. The defendants include, in addition to the company, Alpex, PBA, and certain present or former directors of PBA. The plaintiff purports to assert his claim derivatively as a stockholder of Alpex. The complaint asserts a number of claims relating to PBA and Alpex and their operations, including alleged misrepresentations and violations of the federal securities laws and alleged breach of fiduciary duty by the defendants. The complaint seeks monetary recoveries in an aggregate amount of approximately $20,000,000 and appointment of a receiver for PBA and cancellation of the purchase by Pitney-Bowes, Inc. of the stock which enabled the company to acquire majority stock ownership of PBA in July 1973.

The company believes that the above-mentioned actions against it and its present and former officers are without merit and intends to defend such actions vigorously.

PUERTO RICAN CEMENT COMPANY, INC. (DEC)

Notes to Consolidated Financial Statements

Note 13: Contingent Liabilities and Other Commitments— The Company is a defendant in a complaint, filed on October 25, 1972, against it and a Colombian cement manufacturer and others alleging a conspiracy to cancel an exclusive distributorship agreement between the Colombian cement manufacturer and the plaintiff. The plaintiff claims $10,000,000 in damages plus a continuing daily damage of $12,000 per day from the date of the complaint to final payment. This damage claim is alleged to be joint and several. Management, based on information received from its Puerto Rico counsel, believes the suit to be without merit.

The Company is also a defendant in several wage actions for back wages plus liquidating damages and one action alleging an unlawful discharge of an employee. Management and the Company's labor counsel feel the amounts claimed to be grossly exaggerated and that these suits will not result in any material liability on the part of the Company.

At December 31, 1973 the Company had additional contingent liabilities and other commitments as follows:

Notes discounted at banks	$ 545,832
Conditional sales contracts discounted at bank	221,363
Guarantee of loans made by the pension fund to employees for the purchase of homes and home improvements	533,343
Donations pledged to philanthropic organizations and payable in future years	317,000
Commitments for plant expansion	2,460,000
Purchase commitments	1,260,000

Government Litigation

GENERAL DYNAMICS CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note H: Contingent Liabilities— A substantial portion of earnings for 1970 through 1973 is subject to review by the United States Renegotiation Board. Management believes that no refunds will be required under the Renegotiation Act of 1951, and, consequently, no provision has been made therefor.

The Corporation remains contingently liable on approximately $35,400,000 of long-term debt ($38,000,000 at 31 December 1972) which was assumed by Houston Natural Gas Corporation in connection with the divestiture of Liquid Carbonic Industries, Inc. and its subsequent merger with Houston Natural Gas in 1969. The debt is payable in varying installments to 1981.

In 1967 the U.S. Government instituted an antitrust action against the Corporation alleging that the common ownership of Freeman Coal Mining Company and The United Electric Coal Companies violates Section 7 of the Clayton Act and seeking to compel the divestiture of United Electric Coal. The trial has been concluded and a decision favorable to the Corporation was rendered on 13 April 1972. The United States has appealed to the Supreme Court and a decision is expected in due course which, regardless of outcome, in the opinion of management will have no material adverse effect on the accompanying financial statements. Sales and earnings of The United Electric Coal Companies in 1973 amounted to $22 million and $2.6 million, respectively.

In addition, there were other contingent liabilities, with respect to guarantees, lawsuits and other matters arising in the ordinary course of business. In the opinion of management, no material liability exists with respect to these contingencies.

NATIONAL DISTILLERS AND CHEMICAL CORPORATION (DEC)

Notes to Financial Statements

Note 4 (in part): Investments in and Advances to Associated Companies— Approximately 52% of National Helium's 1973 revenues and 42% of its operating income were from the sale of helium to the U. S. Government. The Government has served notice to terminate the helium contract and refused to accept helium deliveries after November 12, 1973. National Helium suspended its helium extraction operations on that date. The dispute between National Helium and the Government is under litigation. It is not possible to state whether the contract has been lawfully terminated or, if terminated, the date of such termination. While National Helium's 1974 earnings will be dependent only on its hydrocarbon processing and marketing operations, which were profitable in 1973, the Company believes resolution of this matter will not have a materially adverse effect on its financial position or results of operations. National Distillers' share of National Helium's net income amounted to $4,020,000 in 1973 and $2,825,000 in 1972.

The Company is contingently liable in respect of indebtednesses of certain of the associated companies for

moneys borrowed. At December 31, 1973, the maximum amount of such contingent liability is estimated at $23,000,000 assuming the other investor in one of the associated companies involved makes its required contribution should the liability arise.

PALL CORPORATION (JUL)

Notes to Consolidated Financial Statements

Note 7 (in part): Contingencies and Commitments— On January 9, 1973, the United States Government instituted an action against Pall Corporation for $659,739 alleged to be the damages resulting from defective pumps sold by a former Pall subsidiary (the Government being assignee of the customer). A motion has been filed to dismiss the complaint as being barred by the statute of limitations. Motion papers and memoranda of law have been presented, argument has been had and the motion is now under consideration by the judge. It is the opinion of counsel, based on their extensive conversations with officers and other employees of Pall Corporation and their review of the applicable law, that there is no merit to the Government's case.

RAYBESTOS-MANHATTAN, INC. (DEC)

Notes to Consolidated Financial Statements

Note L (in part): Commitments and Contingent Liabilities— As a result of the closing of the Company's plant in Passaic, New Jersey, in June, 1973, the State of New Jersey has assessed against the Company a purported "tax" in the amount of $13,474,357 under the Private Nonvested Pension Benefits Protection Tax Act, Chapter 124, Laws of New Jersey 1973 ("the Act") which became law in May, 1973. The Act provides for a "tax" upon employers of 500 or more employees who cease to operate a place of employment in New Jersey in connection with a move of business operations outside the State. The "tax" is based on the amount of nonvested pension benefits of employees who have completed 15 years of service. The Company has instituted an action in the Superior Court of New Jersey seeking, among other things, a declaratory judgment that the Act violates the New Jersey and United States Constitutions. In addition, the Company has protested the assessment of the "tax" and filed a petition of appeal from the assessment to the Division of Tax Appeals of the Department of the Treasury of New Jersey. In order to obtain a release of the lien of any "tax" under the Act with respect to any of its property in New Jersey, the Company has filed with the Department of the Treasury of the State of New Jersey an indemnity bond secured by the pledge of 550,000 shares of Cassiar Asbestos Corporation Limited owned by the Company. It is the opinion of management and counsel that the Act will be held unconstitutional and that the assessment will be vacated.

The Company is the defendant in a separate but related action, commenced in December, 1973, in the United States District Court of New Jersey, in which twenty-two named plaintiffs purport to represent themselves and other former employees of the Company's Passaic plant. Plaintiffs seek compensatory and punitive damages allegedly resulting from the closing of the plant and the alleged consequent loss of earned pension rights of those employees whose pensions had not vested under the terms of the Company's pension plan. The amount of damages claimed is not specified, but compensatory damages claimed would probably be substantially the same amount, without duplication, as that sought to be covered by the "tax" assessed against the Company under the Act. In the opinion of management and counsel, based upon facts known to them to date and their understanding of the present law, the Company has good and meritorious defenses to the complaint and should prevail.

In 1970, an action was commenced by the Connecticut Conservation Association, Inc., a non-profit corporation, and three individuals against the Company, and various cities and other companies in Connecticut, seeking a permanent injunction regarding pollution of surrounding waters and $150,000,000 damages. In the opinion of counsel, the claims made against the Company in this action are without merit and will not result in recovery in damages or any injunctive relief against the Company. No further action has been taken on this matter by any of the parties since the action was commenced.

In 1972, the Company was named as a defendant in three, and in 1973 it was named as a defendant in four, product liability cases brought by asbestos workers or their personal representatives in the Federal District Court in Cleveland, Ohio. Each case names thirteen defendants, and seeks a total of $500,000 compensatory damages and $500,000 punitive damages from the thirteen defendants as a group for alleged wrongful death or injury resulting from exposure to asbestos and asbestos insulation materials. In the past, plaintiffs in the United States have generally been unsuccessful in actions of this nature. In the opinion of counsel based on discovery proceedings to date, the potential liability, if any exists, to the Company in the above cases is significantly less than that of the majority of the other defendants. The Company believes that its share of such potential liability is fully covered by insurance.

Under an employment agreement with a subsidiary, an officer of that subsidiary is entitled to receive upon retirement after September 24, 1981 an annual pension of not less than $25,000 for his lifetime.

WARNER-LAMBERT COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 10: Contingencies— In 1971, the Federal Trade Commission ("FTC") issued a complaint under Section 7 of the Clayton Antitrust Act seeking divestitute by Warner-Lambert of Parke-Davis through a spin-off to Warner-Lambert's shareholders and certain other relief. During 1973, a hearing was begun before an FTC administrative law judge. Initial prosecution and defense presentations were completed in January, 1974, and a decision by the administrative law judge is expected in mid-1974; however, final resolution, including any court review, could require several years. Parke-Davis' assets and operations are significant; however, the elements of Parke-Davis that would be involved if the FTC were successful in its claim cannot presently be determined. Warner-Lambert believes that the merger does not violate the Federal antitrust laws and that this position will

be ultimately upheld. In addition, special counsel for Warner-Lambert has advised the Company that while it is impossible to predict the ultimate outcome of this litigation, it is their opinion that the acquisition did not violate Section 7 of the Clayton Antitrust Act. Warner-Lambert has expressed its intention to preserve the divestibility of a viable Parke-Davis until the matter is resolved.

Certain other claims, suits and complaints arising in the ordinary course of business have been filed or are pending against Warner-Lambert and its subsidiaries. In the opinion of Warner-Lambert all such matters are adequately covered by insurance, or if not so covered, are without merit or are of such kind, or involve such amounts, as would not have a material adverse effect on the consolidated operating results or financial position of Warner-Lambert if disposed of unfavorably.

Guarantee Of Indebtedness

CITIES SERVICE COMPANY

Notes to Consolidated Financial Statements

Note 10 (in part): Contingent Liabilities— The Company and certain subsidiaries have guaranteed debt obligations of approximately $15.1 million of companies in which substantial stock investments are held. Also, under long-term agreements with certain pipeline companies in which stock interests are held, the Company and its subsidiaries have agreed to provide minimum revenue for product shipments or purchases. It is not anticipated that any loss will result from such agreements.

INTERNATIONAL MINERALS & CHEMICAL CORPORATION

Financial Review

Commitments and Contingencies (in part)— At June 30, 1973, IMC and certain consolidated subsidiaries having guaranteed indebtedness of others approximating $4,700,000 (excluding $5,600,000 related to Sobin Chemicals, Inc. from which IMC was released in July, 1973), and are contingently liable in connection with approximately $1,200,000 of notes receivable discounted. IMC has a commitment to purchase certain phosphate ore properties for $2,600,000 prior to November, 1974.

U.S. INDUSTRIES, INC. (DEC)

Notes to Financial Statements

Note 1: (in part): Commitments and Contingencies— At December 31, 1973, the Corporation was guarantor of $2.6 million of indebtedness, of which $1.3 million was attributed to an unconsolidated finance subsidiary, and is party to an income maintenance agreement with certain creditors of USI Credit Corp., the major finance subsidiary, to maintain that subsidiary's income at specified levels. During 1973 the Corporation made a payment of $3.7 million to USI Credit Corp. and at December 31, 1973 has accrued a further liability of $2.0 million pursuant to this agreement. Wholly-owned consolidated subsidiaries were contingently liable for up to $39.4 million in respect of notes receivable discounted and conditional sales contracts. In addition, the corporation's 80% owned subsidiary, Health Industries, Inc., had contingent obligations of $40.8 million relating to contracts receivable discounted and was guarantor of $5.0 million of indebtedness of its wholly-owned unconsolidated finance subsidiaries.

Proposed Tax Assessments

BRUNSWICK CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 7: Internal Revenue Service Examinations— 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 increases in the tax basis and useful lives assigned to repossessed bowling equipment and other deductions related to losses incurred in the Company's bowling business. The proposed tax assessment for the four years was approximately $43,000,000, plus interest, and a 5% penalty of $2,100,000 for alleged negligence.

In June, 1973, 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 April, 1973, which proposed adjustments to taxable income for the years 1966 through 1969, similar for the most part to the adjustments proposed in the report for the years 1962 through 1965. The proposed tax assessment for the years 1966 through 1969 was approximately $32,000,000, plus interest, and a 5% penalty of $1,600,000 for alleged negligence.

The Internal Revenue Service reports do not include all the offsetting adjustments (increased tax deductions principally for depreciation and cost of sales or scrapping) to which the Company would be entitled if the higher asset valuations asserted by the government are sustained. In January, 1974, the Internal Revenue Service filed a statement with the Tax Court acknowledging that an overstatement of approximately $22,000,000 did exist in this respect and that the total amount of proposed deficiencies for the years 1962 through 1969, based on the government's proposed asset values, would be approximately $53,000,000, plus interest, and a 5% penalty of $2,600,000 for alleged negligence.

In the event any portion of the higher asset values proposed by the Internal Revenue Service is sustained after the Company has exercised its rights of appropriate appeal, the Company would be entitled to additional deductions and resulting tax refunds or credits for 1970 and subsequent years. The years 1970 and 1971 are currently under examination by the Internal Revenue Service.

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 in-

tends to continue to defend its position vigorously at all appropriate levels of appeal.

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 4: Internal Revenue Service Examination— The Corporation has received reports of the Internal Revenue Service proposing additional income taxes for the eight taxable periods ended December 31, 1969. See caption "Internal Revenue Service Examination" in the Financial Results Section (page 6) of this report for further information.

Financial Results of 1973 (Page 6)

Internal Revenue Service Examination— The Internal Revenue Service has completed its examination of the Company's first eight taxable periods after the 1962 Ethyl-Albemarle merger through the calendar year 1969. The IRS has proposed tax increases of $30 million, including interest, which would total $40 million if assessed on the same basis through 1973. 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.

FAIRCHILD CAMERA AND INSTRUMENT CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 2: Federal Income Tax Assessment— As previously reported, the Internal Revenue Service has completed examinations of the Company's Federal income tax returns for all years prior to 1970 and has proposed numerous adjustments for the years 1964 through 1969. The most significant items relate to proposed increases in inventory valuation and costing and proposed reallocations of income and expense between the Company and its foreign subsidiaries.

At December 31, 1972, the examining agent's original report reflected a proposed assessment, including interest, of approximately $24 million after carryback of approximately $15 million of net operating losses. During 1973, however, the Internal Revenue Service adopted new regulations relating to inventory costing and the Company has filed an election to follow the new regulations commencing in 1974. As a result of such election, the inventory costing issues raised by the examining agent will effectively be eliminated from the original proposed assessment. In addition, as a result of profitable operations for the years 1972 and 1973, the Company has realized the benefit of all net operating loss carryforwards and has fully provided for the tax effect of differences between financial and taxable income. Consequently, certain of the proposed adjustments would provide future tax deductions to the Company, be accounted for as deferred taxes, and have no effect on income in future years.

At December 30, 1973, as a result of the events described in the previous paragraph, the remaining unresolved adjustments proposed by the Internal Revenue Service would result, if the Service prevails, in a contingent maximum liability to the Company of approximately $8 million (including accumulated interest net of Federal income tax) which would not be recoverable in future years. As to these remaining unresolved but proposed adjustments raised by the Internal Revenue Service, including the issues of proposed reallocations of income and expense between the Company and its foreign subsidiaries, the Company has filed its protests with the Internal Revenue Service and is contesting and intends to defend vigorously against all significant adjustments proposed including, if necessary, recourse to the courts.

Inasmuch as a reasonable determination of ultimate liability, if any, cannot be made pending resolution of the proposed adjustments, no provision has been included in the accompanying financial statements for such contingent liability. However, any material tax deficiencies which might arise from the final disposition of this matter, and which would not be recoverable in future years, would be accounted for as a prior period adjustment and allocated on a retroactive basis to the periods to which they apply. In the opinion of Management, any ultimate settlement will not have a material effect on the consolidated financial condition of the Company.

The Company's tax returns for 1970 and subsequent years were prepared on bases substantially consistent with those used in prior years. The Company's Federal income tax returns for the years 1970 and 1971 are currently being examined by the Internal Revenue Service. In the opinion of Management, any adjustments which may result from the examination will not have a material effect on the consolidated financial condition of the Company.

HOWMET CORPORATION (DEC)—

Financial Review

Australian Tax Assessment: The Australian tax authorities have proposed a tax assessment which at current exchange rates would result in an increase in the cost of alumina purchased by Howmet from Australian sources during the years 1967 through 1970 in the amount of $5,350,000. The proposed assessment is being contested. Howmet's management is of the opinion that this matter will be resolved with no material effect on Howmet's reported financial position or results of operations.

MALONE & HYDE, INC. (JUN)

Notes to Consolidated Financial Statements

Note C: Federal Income Taxes— Federal income tax returns have been examined for all open years through fiscal 1971, and deficiencies aggregating approximately $749,000 have been proposed. The Company has paid approximately $300,000 of these proposed deficiencies and has filed a claim for refund thereof. The refunds were not granted and the Company filed suit in Federal District Court for recovery of those taxes. The balance of approximately $449,000 is currently under protest. The Company is of the opinion that the returns as filed are correct and is, therefore, vigorously protesting the proposed deficiencies. It is not possible at this time to predict the ultimate outcome of the matter.

Sale of Receivables

BUTLER MANUFACTURING COMPANY (DEC)

Financial Review

Installment Sales Contracts— The Company has sold installment contracts with a 15% contingent repurchase liability, which reduces as the contracts mature. During 1973, $2,137,804 of contracts were sold at amounts approximating net contract values. At December 31, 1973, the maximum repurchase liability was $910,549.

HAZELTINE CORPORATION (DEC)

Notes To Financial Statements

Note 15 (in part): Commitments and Contingencies— Prior to April 1, 1973 computer peripheral equipment manufactured by the Company for short-term rental to customers for a minimum initial period of twelve months was sold to an unrelated leasing company under an agreement which provided for the Company to be paid the full purchase price by the leasing company, upon acceptance of the equipment by the customer. The Financial Statements do not reflect the contingent liability of the Company with respect to the $4,256,000 of costs and profits of the leasing company for equipment sold to it for short-term rental not recovered during the short-term rental period, less the fair market value of any such equipment which may be remarketed by the Company after such short-term rental periods. This contingent liability declined from $5.4 million at March 31, 1973. Under the terms of an agreement with another unrelated leasing company (See Note 9) covering the sale of similar equipment subsequent to April 1, 1973, the leasing company, and not Hazeltine, undertakes any risk that the equipment may not remain on rental with the customer and therefore no additional contingent liability accrues.

At December 31, 1973, the Company was contingently liable with respect to two $500,000 noninterest bearing promissory notes sold at face value to Franklin National Bank with recourse. Such notes, payable in January and February 1974, were received from Savin Business Machines Corporation as advance payment for word processor equipment to be manufactured by the Company and delivered to Savin. In consideration of the Bank's purchase of these notes, the Company agreed to pay to the Bank upon maturity of each note, amounts equal to interest at 1¼% per annum in excess of the Bank's prime rate.

In 1973, the Company successfully demonstrated that the Scan Converter display equipment for the F-4D and F-4E aircraft met contractually prescribed tests, including reliability requirements under contracts with the U.S. Air Force and McDonnell Douglas Corporation. No provision has been made in the Financial Statements for any possible demand by the U.S. Air Force or by McDonnell Douglas Corporation to have equipments delivered under such contracts modified by retrofit. It is the Company's position, considering all pertinent facts with respect to the delivery of such equipments, and based upon the opinion of counsel, that the Company should be reimbursed for any substantial retrofit of equipment which may be demanded by the customers.

PULLMAN INCORPORATED (DEC)

Financial Review

Contingent Liabilities— The Corporation is contingently liable for $5,234,000 of notes discounted with banks and other financing institutions, but has a guarantee from governmental agencies with respect to $1,106,000. In addition, the Corporation has also guaranteed obligations for borrowed funds of $4,979,000 of which $4,800,000 represents a bank loan extended to Penn Pocahontas Coal Company.

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 have been 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.

The State of Montana has promulgated emissions standards that are beyond the capability of the company's copper smelter and aluminum reduction plant. These standards went into effect on July 1, 1973, and Anaconda has sought variances with respect thereto.

LOUISVILLE CEMENT COMPANY (DEC)

Notes to Consolidated Financial Statements

Note E: Commitments— The Company has agreed with the Indiana Pollution Control Board to install pollution control equipment in 1974 and 1975 aggregating $3,600,000.

MOLYBDENUM CORPORATION OF AMERICA (DEC)

Notes to Consolidated Financial Statements

Note 9 (in part): Commitments and Contingencies— An agreement between the Company and Kennecott Copper Corporation pertaining to commercial exploitation of a columbium deposit held by an affiliate (Quebec Columbium Ltd.) provides that funds for the project up to $9,000,000 shall be shared 51% by Kennecott and 49% by the Company should such a project be decided upon, with provision for financing the Company's share that exceeds $3,000,000.

The Company has been granted a variance until December 31, 1974 and has applied for an extension of such variance until December 31, 1975, in order to comply with State air quality standards at its Washington, Pennsylvania plant. If the Company is unable to comply with the air quality standards when the variance expires, it may be necessary to discontinue operations of the molybdenum roasting facilities at the Washington plant. The cost of pollution control facilities at the Washington plant or construction of new processing facilities at another location would be significant but cannot be determined at this time. In addition, legislation related to environmental pollution control may require capital expenditures at the Company's mines and other plants.

REPUBLIC STEEL CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note H: Commitments and Contingent Liabilities— In the event certain companies are unable to make payments on their indebtedness (principally related to construction of facilities by companies supplying raw materials to the Corporation) the Corporation has agreed to pay specified amounts thereof aggregating $11,236,000 at December 31, 1973.

The U.S. Environmental Protection Agency and various state and local governmental agencies of the several states in which the Corporation operates manufacturing facilities have adopted, or are expected to adopt, standards and regulations relating to environmental quality control affecting the Corporation in substantially all of its operations.

Many of the environmental quality control regulations and standards, particularly those applicable to industrial process water discharges and toxic substances under the Federal Water Pollution Control Act Amendments of 1972, either have not yet been finalized and published or are now undergoing substantial revisions. The Corporation has filed permit and variance applications for its facilities as required.

The Corporation cannot now predict with any degree of certainty either the full effect upon the Corporation of existing environmental standards and regulations or the effect of future policies which may be adopted by governmental authorities responsible for environmental quality control. Compliance with such laws, regulations, standards or policies will in the Corporation's opinion require substantial additional capital expenditures in the near future and increased annual operating expenses for pollution control facilities, but the Corporation is unable to predict at this time the total cost of compliance.

In February, 1972, the United States, which has since been joined as plaintiff by the States of Michigan, Minnesota and Wisconsin and certain environmental groups, filed suit against Reserve Mining Company, 50% owned by the Corporation, in the United States District Court for the District of Minnesota alleging that Reserve's discharge of taconite tailings into Lake Superior violates various Federal and state laws. Trial was commenced August 1, 1973 and is expected to continue for several additional months. Counsel for the Corporation and Reserve have advised the Corporation that, in their opinion, Reserve's defenses are meritorious and that the preponderance of evidence submitted to date shows an absence of the violations charged but that the outcome cannot be predicted at the present time. If the court were to grant the requested relief the capital and operating cost to provide any required facilities could be substantial.

Economic Stabilization Act of 1970

CONSOLIDATED PACKAGING CORPORATION (DEC)

Notes to Financial Statements

Note 10 (in part): Commitments and Contingencies— The Company's operations during 1972 and 1973 were subject to regulations promulgated to implement the Economic Stabilization Program. The multiplicity of regulations, the lack of guiding precedent and attendant uncertainty concerning the application of the regulations to the operations of the Company may have resulted in the Company's inadvertent failure to comply with one or more of the regulations. Management believes that the Company has complied in all material respects with the Economic Stabilization Program and that any possible non-compliance with the regulations promulgated pursuant thereto will not have a material adverse effect upon its financial position.

CHAMPION HOME BUILDERS CO. (FEB)

Notes to Consolidated Financial Statements

Note 8: Economic Stabilization Program— During the fiscal year ended March 2, 1973, the Company changed the construction of mobile homes produced at certain locations to comply with new minimum performance standards of revised state building codes. The Company's position is that mobile homes manufactured to meet these new standards constitute new products within the meaning of Price Commission Regulations; accordingly, the related price changes, amounting to approximately $2.8 million for the year, were not price increases, but rather constituted the establishment of

allowable base prices for "new property" under the regulations.

In the opinion of management, the Company has not increased prices and therefore should not be subject to any refunds or penalties. The Company has filed a formal request with the Cost of Living Council asking that it issue a ruling confirming the Company's position. Pending the outcome of this ruling, no provision has been made in the consolidated financial statements for possible refunds or penalties provided by the regulations. Violations of regulations issued under the Economic Stabilization Act may subject the violator to civil penalties of up to $2,500 or criminal penalties of up to $5,000 per violation, as well as require that price increases be rolled back or refunded in an amount up to three times the amount of the overcharge.

The amount payable under the terms of the Company's incentive compensation plan for the plant management group of about 200 employees exceeds the amount allowable under Pay Board Regulations for the fiscal year ended March 2, 1973 by approximately $880,000. The Company believes that its compensation policies are justified and has therefore recorded the full amount payable under the incentive compensation plan as an expense of the fiscal year. However, it is the Company's intention to withhold payment of the amount in excess of that allowed under the Pay Board Regulations until an application for exception has been approved by the Cost of Living Council.

GEORGIA-PACIFIC CORPORATION (DEC)

Financial Footnotes

Note 13: Economic Stabilization Program— Prices of some of the Corporation's products and wages of its employees are regulated under the Economic Stabilization Act of 1970. Certain products including logs, lumber, plywood, particleboard, hardboard, chemicals, and other similar products are not controlled under the current Phase IV regulations. Several reviews as to compliance with the applicable regulations of the Act have been conducted by the Internal Revenue Service. No notice of deficiency or noncompliance has been issued as a result of these reviews. Management believes that the Corporation has complied with the terms and conditions of the applicable regulations of the Act.

HOFFMAN ELECTRONICS CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 8: Contingencies— The company produces and sells two types of products — standard and custom — as defined by Phase II regulations of the Economic Stabilization Act of 1970. There were no significant increases in sales or profits of the standard products in 1973 or 1972. Although there was an increase in 1972 in the company's "profit margin" when compared with the "base period profit margin" as defined in Phase II of the Act, representatives of the Cost of Living Council have reviewed these margins as they relate to custom products and have indicated on an informal basis that no further review will be made. It is the opinion of management that the contracts under which custom products were manufactured were negotiated using the company's customary pricing practices; thus such profit margin increases do not result from increases in sales prices over allowable amounts and are not subject to refund.

IOWA BEEF PROCESSORS, INC. (OCT)

Notes to Consolidated Financial Statements

Note L: Economic Stabilization Act— The Company's operations are subject to the Economic Stabilization Act of 1970. Management believes that the Company has complied, in all material respects, with all terms and conditions of the applicable regulations of the Act. However, the complexity of the regulations, lack of guiding precedent and attendant uncertainty concerning application of the regulations may expose the Company to interpretations by regulatory authority which differ from that of management. The Company believes, however, that it has no exposure thereunder which could materially affect its financial position at November 3, 1973, or the results of operations for the year then ended, but the restrictive effect of the provisions of the Economic Stabilization Act may have an adverse effect on future operations which is not determinable.

NEEDHAM PACKING COMPANY, INC. (MAR)

Notes to Financial Statements

Note 7: Under provisions of the Economic Stabilization Act, the company filed with the Cost of Living Council compliance reports showing for the 1972 fiscal year that substantially no excess profits had been earned since inception of Phase I and II controls in August and November, 1971. In late May, 1973, the company received a remedial order from the Council alleging that approximately $395,000 of the profits earned principally in the first quarter of the 1972 fiscal year (April through June, 1971, prior to price controls) were excess profits; the remedial order calls for the return through reductions of three times the alleged excess. Subsequent to the order, the company filed amended compliance reports on a basis showing no excess profits were earned during the compliance period as well as during the period April through June, 1971. In late June, 1973, the Council proposed settlement for the 1972 fiscal year in the amount of $395,000; part of this proposal, however, would require that the company file subsequent compliance reports on a different basis than incorporated in the proposed 1972 settlement. The change in reporting is unacceptable to the company since it would retroactively result in violation in the 1973 fiscal year of approximately $800,000; under the company's existing reporting method no violations exist. It is expected that the disputed matter will not be resolved in the near future. On the basis of conservatism, the financial statements at March 31, 1973 include an accrual before tax effect of $700,000 relating to this matter. Company management is of the opinion that there has been full compliance with the intent and provisions of the Act, and that the ultimate outcome of this matter, when finally resolved, will not materially adversely affect the company's financial position.

Purchase Or Financing Commitments

ARMCO STEEL CORPORATION (DEC)

Financial Summary

Commitments and Contingencies— In connection with the debt financing of Armco Leasing Corporation, Armco has agreed to cause Armco Leasing to maintain working capital (as defined) of not less than $1,000,000 and equity (as defined) of not less than $5,000,000.

Armco has also guaranteed the debt ($32,644,000 at December 31, 1973) of its Australian and European leasing and financing subsidiaries.

Armco and the other 50% shareholder of Reserve Mining Company are obligated until the outstanding principal amount of first mortgage bonds (Series A. $63,760,000; Series B, $55,040,000) of Reserve is paid in full, to take the entire production of Reserve, and, as to each half-owner, to pay 50% of Reserve's operating costs and interest charges. If and to the extent that Reserve shall not have made the necessary payments, each shareholder is also obligated to pay one-half the amounts needed by Reserve for (a) fixed sinking fund requirements and final maturity amount on the said bonds, and (b) certain future capital replacements.

In addition, at December 31, 1973, Armco is guarantor of approximately $78,000,000 of debt of other companies in which Armco has an equity interest.

Commitments for the purchase of property, plant, and equipment (including unexpended amounts relating to projects substantially under way) amounted to $65,756,000 at December 31, 1973.

LEHIGH PORTLAND CEMENT COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 9: Commitments and Contingencies— The company has a commitment through a bank for the private placement of $7,000,000 of Industrial Revenue Bonds at an interest rate of 4¾ percent for the purchase of certain pollution control equipment. Part of this commitment is expected to be utilized in 1974. The majority of the company's cement is delivered to its customers by an independent common carrier. If the services of the carrier are terminated at any location, Lehigh may be required to purchase at book value the equipment used at that location. The aggregate book value of equipment at all locations was approximately $5,000,000 at December 31, 1973. Lehigh has guaranteed certain site development loans made in conjunction with the Iron Run real estate development undertaken in 1972 as a joint venture between one of its wholly-owned subsidiaries and another company. The guarantee covers the venture's line of credit with a bank for $2,500,000. Loans outstanding under the line at December 31, 1973, totaled $504,000. The joint venture has obtained construction loan commitments in the amount of $1,200,000. Loans outstanding under the commitments at December 31, 1973, totaled $133,000.

During 1973, Lehigh entered into an agreement for the sale of a parcel of non-operating real estate to an independent real estate development company for $6,500,000. At December 31, 1973, a down payment of $650,000 had been received. The balance under the agreement is due at the closing, scheduled to occur no later than December 31, 1974. Lehigh's cost basis in the property is approximately $1,700,000. In accordance with generally accepted accounting principles pertaining to real estate transactions of this nature, gain will be recognized at the time of closing or when the buyer's total investment in the property results in a material equity interest therein.

Lehigh is a named defendant in certain legal actions arising in the ordinary course of its business. In the opinion of management of the company, damages arising from such actions, if any, would not be material to the company's financial position or results of operations.

REYNOLDS METALS COMPANY (DEC)

Notes to Consolidated Financial Statements

Note K (in part): Contingent Liabilities and Commitments— Various suits and claims are pending against the Company. In the opinion of the Company's management and of its counsel, disposition of the suits and claims will not involve sums having a material adverse effect upon the consolidated financial statements.

The Company is committed to pay its proportionate share (37%) of the annual production charges (including debt service on the long-term borrowing referred to below) as defined in the agreement relating to its interest in the partnership owning an alumina plant in Jamaica having a rated capacity of 1,300,000 tons per year. At December 31, 1973, there was outstanding a total of $219,700,000 of long-term borrowing incurred by this partnership for construction of the alumina plant. The Company as a 50% participant in an alumina plant in West Germany has entered into commitments to pay its share of production cost (including debt service) in connection with the plant. At December 31, 1973, Deutsche Mark obligations of the alumina enterprise translated at approximately $117,249,000 (estimated to amount ultimately to $142,000,000) were outstanding.

Contingent Payments Based On Future Earnings Of Acquired Companies

AMERICAN CYANAMID COMPANY (DEC)

Notes to Consolidated Financial Statements (thousands of dollars)

Note 2 (in part): The Real Estate Subsidiaries (Ervin Industries, Inc.) are not consolidated with the accounts of the company. Under terms of the September 1970 acquisition agreement for The Ervin Company, in 1972 the company issued 163,370 additional shares of common stock to the former stockholders of The Ervin Company and is obligated to issue up to 129,344 additional shares based on future earnings of The Ervin Company. Upon the issuance of such shares the par value is charged to additional paid-in capital (none in 1973, $817 in 1972).

BELDING HEMINWAY COMPANY, INC. (DEC)

Notes to Financial Statements

Note G (in part)— In connection with the acquisition of a subsidiary in 1971, the Company is obligated to issue additional shares of Common Stock if earnings (as defined) are achieved by the subsidiary in the five year period ending June 30, 1976. As of March 11, 1974, the Company is negotiating the amount of shares issuable, if any, for earnings achieved through December 31, 1973; the Company estimates that the fair value of the shares which may be issued as of that date would not be material. To the extent that additional shares are issued, the fair value thereof will be charged to "Intangibles Applicable to Subsidiaries Acquired."

COMMERCIAL METALS COMPANY (AUG)

Notes to Consolidated Financial Statements

Note 1 (in part): Contingent Liabilities and Commitments: Additional Shares To Be Issued— In connection with the acquisition of Howell Metal Company in August, 1968, the Company has agreed to issue additional shares of its common stock contingent upon earnings of the subsidiary over a seven year period. The additional number of shares to be issued shall not be less than 2,592 shares nor more than 22,032 shares. Based upon accumulated earnings through the respective year-ends, 8,300 shares and 2,592 shares are included in average common shares outstanding for purposes of computing earnings per share for 1973 and 1972.

DOYLE DANE BERNBACH INC. (OCT)

Notes to Consolidated Financial Statements

Note B (in part): Acquisition— Snark Products Inc., a manufacturer of low-priced plastic boats, was acquired during fiscal 1971, for an indeterminate number of shares of the Company's common stock computed under a formula based on average earnings of the acquired company for the years 1971, 1972, 1973 and the average market prices of the Company's common stock. At October 31, 1973, the estimated total number of shares of the Company's stock issuable in connection with this acquisition decreased from 48,298 to 28.649.

During fiscal 1972, the Company, either directly or through its subsidiaries, acquired the following businesses: (1) Gallagher Smail Holdings Limited, which, in turn, owns all of the outstanding capital stock of Gallagher Smail Limited and Cohen Brown Orr Limited, advertising agencies in Great Britain for $307,000 and 49,533 shares of its common stock, which includes the maximum of 6,344 shares of stock the Company has agreed to pay, as an additional purchase price based on earnings attained above specified levels through 1975. It is estimated that the full 6,344 shares will be earned and these shares have been reflected in the computation of earnings per share.

(2) JUF Marketing GmbH, a West German Corporation, which, in turn, has an 80% interest in Fahrenson & Fehse Werbeagentur, a limited partnership engaged in the advertising agency business in Munich, West Germany for $707,174 and 7,400 shares of its common stock.

(3) Milici Advertising Agency, Inc., an advertising agency in Hawaii for 20,000 shares of its common stock. The Company has also agreed to pay as an additional purchase price, a maximum of 20,000 shares of its common stock, but in no event shall the fair market value of the additional shares to be issued exceed $480,000, computed under a formula based on average earnings of the acquired company above a specified level for the years 1973-1976 and the average market prices of the Company's common stock. On the basis of the earnings for the year ended October 31, 1973, the estimated additional number of shares of the Company's stock to be issued is 4,607.

Energy

THE ANACONDA COMPANY (DEC)

Financial Review

Energy— An adequate supply of energy is essential for the successful and profitable operation of the entire range of Anaconda's mining and manufacturing operations. In view of the present energy shortage, the company has taken steps to obtain commitments for the adequate supply of fuels, including the purchase of interests in certain crude oil production. Other steps that have been taken include increasing storage capacity and instituting fuel-saving measures.

While rising fuel costs could have an important effect on Anaconda's overall profitability, present expectations are that fuel shortages should not create any significant interruptions of the company's operations. However, the ultimate effect of the current energy shortage on Anaconda depends in large measure upon the adoption and implementation of governmental regulations with respect to fuel allocation as well as upon worldwide and nationwide events affecting fuel supplies and related materials.

APECO CORPORATION (NOV)

Notes to Consolidated Financial Statements

Note 8 (in part): Commitments and Contingencies— As of November 30, 1973, the Company was contingently liable to various financial institutions for guarantees of leasing company receivables, customer floor plans, discounted notes, repurchase agreements, etc., in amounts totaling $6,300,000.

The Company is a defendant in various lawsuits and, in the opinion of management, adequate provision has been made in the accounts for its ultimate liability, if any, in connection with these suits.

The Company is accruing for the possible payment of royalties under a patent relating to the production and sale of paper used in the electrostatic photocopy process. The validity and enforceability of this patent is uncertain and is presently being litigated by others.

The Company has encountered a decline of business in its boat and recreational vehicle divisions and, subsequent to November 30, 1973, has temporarily suspended production at several plants. The Company believes that the decline is primarily due to the uncertainties arising

out of the energy crisis. If the fuel shortage continues in 1974, it may have an adverse effect on the operations of these divisions, which represented approximately 17% of consolidated net sales of 1973.

The Company is not able to accurately determine the effect of inflation on its inventory or cost of sales. Material and labor costs have been increasing; however, the Company has not been able to raise certain of its selling prices immediately upon realizing these cost increases because of regulatory restraints on domestic prices.

BRUNSWICK CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 15: Energy— Energy problems are causing some raw materials, particularly petrochemicals, to be in short supply, and as a consequence, purchase prices are increasing. Commitments have been made with key suppliers extending through 1974. Accordingly, scheduled production should not be disrupted by a lack of materials.

Shortages of gasoline could reduce consumer demands for marine engines. Other recreational products are showing increases in demand. Because of the questions about fuel availability and uncertain plans of boat builders, the construction schedule for a new 600,000 square foot plant for MerCruiser stern drives has been temporarily deferred.

FAIRCHILD INDUSTRIES, INC. (DEC)

Notes to Financial Statements

Note 11: Energy Shortages— The Corporation's facilities require various types of energy for their operation. To date, no serious difficulties have been encountered in obtaining the necessary supplies. Further, many of the products marketed by the Corporation depend on energy for their operation. Noteworthy among these are the Merlin and Metro series of aircraft manufactured and sold by the Corporation's subsidiary, Swearingen Aviation Corporation, and F-28 jet aircraft marketed by the Corporation. The ultimate effect, if any, of the energy shortages on the Corporation's operations is not now determinable.

GEORGIA-PACIFIC CORPORATION (DEC)

Financial Footnotes

Note 15: Energy and Fuel Allocation Programs— The Federal Government has announced mandatory allocation programs for propane and middle distillate fuels. At this time, it appears that additional allocation programs may be announced which will further affect energy and fuel supplies. The Corporation has attempted to anticipate these fuel and energy shortages and continues to pursue alternatives to provide adequate supplies for all of its plants and operations through conservation of existing supplies and location of additional suppliers and fuels. While some production cutbacks may be necessary, it is not anticipated that energy and fuel allocation programs now in effect will have a material adverse effect on the Corporation's productive capabilities. However, the impact of any future energy programs which may be promulgated cannot be predicted.

LENOX, INCORPORATED (DEC)

Notes to Consolidated Financial Statements

Energy Situation— The current energy shortage has not yet had any material adverse effect upon either the Company's manufacturing operations or the level of customer orders. Although natural gas is used in the production processes at the china, crystal, and glassware operations, the nature of the Company's utility contracts and its development of alternative stand-by programs assure normal operations in 1974, barring drastic and unforeseen reductions in fuel supplies. With respect to raw materials, the plastic housewares subsidiary is experiencing difficulties in obtaining sufficient supplies of thermoplastic resins. However, should there be any resulting production interruption at that subsidiary, it is not expected to have a material adverse impact upon overall Company sales and earnings. Raw materials used by the Company's twelve other subsidiaries are in adequate supply.

LESLIE SALT CO. (DEC)

Financial Review

Commitments and Contingencies (in part):

Company management cannot determine the effects of the energy crisis on the Company's future operating results. The Company is on an interruptible basis for natural gas used in the manufacturing operation. A system of stand-by fuels is maintained, but the availability of these fuels is also uncertain. Shortages of fuel for ships carrying salt and possible lower demand by Japanese customers for salt from Australia present the largest energy related uncertainty to the Company.

Proposed Government Regulations

FAIRCHILD CAMERA AND INSTRUMENT CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 8 (in part): Contingencies and Commitments— As announced in December, 1973, due to recent problems experienced by the electronics industry, the Company is reviewing its practices with respect to compliance with the United States customs laws applicable to products imported into the United States.

The Company has undertaken its review to assure compliance with the highly complex customs laws concerning classification and valuation of imported articles, as well as to determine the propriety and adequacy of its past practices.

Representatives of the Company have initiated contact with the Customs Service and advised it of the Company's voluntary program. When the internal review is completed, the Company will submit to the Service proposals regarding future handling of customs activities and information concerning any past inadequacies

discovered in the review.

In certain cases, the Customs Service has statutory authority to collect underpayments of duty and, in some instances, to assess civil penalties based upon the value of the imports involved.

No determination can now be made as to whether any penalty assessment will be proposed. Petitions for remission or mitigation are permitted under customs statutes and regulations, and have been granted to varying degrees in other situations involving electronics companies. There is no assurance that the Company's voluntary submission will result in mitigation of such liability as may be assessed against it. However, the Company intends to pursue this matter diligently so as to minimize the ultimate consequences to the Company. The Company has made provision in its financial statements for the estimated amount of underpayments and a provision for possible penalties. In the opinion of Management, any ultimate liability which may result will not have a material effect on the consolidated financial condition of the Company.

RANCO INCORPORATED (SEP)

Notes to Consolidated Financial Statements

Note 8: Contingency— During 1973 the U.S. Treasury Department withdrew proposed regulations which had been in effect since 1966 and substituted new proposed regulations dealing with the determination of foreign source income which, if adopted, would materially affect the use of foreign tax credits by multi-national corporations. Since the new proposed regulations have not been adopted, are subject to change, and the Treasury is considering the possibility of applying them prospectively only, it is not possible to determine their effect, if any, on the Company's financial position and results of operations. The new proposed regulations, as written, would be retroactively applied to the Company's fiscal years ended on or after September 30, 1971, and would cause a substantial reduction in the foreign tax credits which were used to reduce U.S. income taxes. However, it is believed that there are opportunities available to reduce foreign taxes if the new proposed regulations are adopted, thereby minimizing their effect.

TABLE 1-21: CONTINGENT ASSETS

	1973	1972	1971	1970
Operating loss carryforwards	64	60	54	49
Investment credit carryforwards	32	44	32	29
Plaintiff litigation	37	19		
Other	6	14	13	12
Total Disclosures	**139**	**137**	**99**	**90**
Number of Companies disclosing contingent assets	100	94	77	71

CONTINGENT ASSETS

Table 1-21 shows the nature of contingent assets disclosed in the 1973 annual reports of the survey companies. Examples of contingent asset disclosures follow.

Loss or Investment Credit Carryforwards

GENERAL CIGAR CO., INC. (DEC)

Notes to Financial Statements

Note 3 (in part): Income Taxes— The Company has available as benefits to reduce future federal income tax liability, subject to applicable limitations, foreign tax credits of $511,000 ($261,000 expiring in 1977, $250,000 in 1978) and investment tax credits of $408,000 ($245,000 expiring in 1978, $95,000 in 1979 and $68,000 in 1980). Included in these amounts are the unused tax benefits resulting from the extraordinary loss described in Note 2. The 1973 and 1972 provision for federal income taxes has not been reduced by any investment tax credit.

GENERAL RESOURCES CORPORATION (OCT)

Notes to Consolidated Financial Statements

Note L: Income Taxes— The provision for income taxes in 1973 includes the following:

Current taxes:	
Federal	$178,000
State	$24,000
	$202,000

The Company has available for future periods operating loss carryovers totaling $2,105,000 expiring as follows:

1975	$575,000
1976	845,000
1977	685,000

In addition, the Company has approximately $110,000 of investment tax credits and foreign tax credits available to reduce future United States income taxes, which expire in varying amounts through October 31, 1981.

GIDDINGS & LEWIS, INC. (DEC)

Notes to Consolidated Financial Statements

Note 6: Income Taxes— Income tax credits have not been recognized against the overseas subsidiary's 1973 and 1972 operating losses (see Note 2) as available tax loss carrybacks were used in prior years. The losses may be carried forward against future taxable income of the subsidiary. The 1972 loss incurred by the Company was carried back to recover federal income taxes paid in prior years. Operating losses incurred by the Company for 1970 through 1972 for state income tax purposes in the amount of $17,300,000 (after use of $2,700,000 in

1973 – see Note 8) are available to be carried forward against future state taxable income. Of this amount $3,600,000 expires in 1975, $10,600,000 in 1976 and $3,100,000 in 1977.

WARD FOODS, INC.

Notes to Consolidated Financial Statements

Note 4 (in part): Income Taxes— No provisions for federal income taxes were required in 1973 and 1972 because of the losses for the years and the net operating loss carryforward. No domestic tax benefits were recognized for tax carryforwards in the 1973 and 1972 Consolidated Statements of Operations.

At December 29, 1973 on the basis of returns filed (or estimated for the 1973 return), the Company had tax carryforwards as reflected below:

Expires at close of fiscal year	Net Operating Losses	Investment Tax Credits	Foreign Tax Credits
1974	$---	$ 35,577	$65,572
1975	31,387(a)	---	59,355
1976	2,980,727(a)	210,530	365,120
1977	5,014,744	---	82,248
1978	---	199,972	2,150,000
1979	---	287,522	---
1980	---	250,000	---
	$8,026,858	**$983,601**	**$2,722,295**

(a) Represents net operating loss carryforward for federal income tax purposes which is realizable only upon the generation of future taxable income of the restaurant group. The restaurant group is classified as a discontinued operation at December 29, 1973.

Because of differences in timing between expenses reported for financial statement purposes and deductions taken for income tax purposes, losses reported cumulative to December 29, 1973 for financial statement purposes exceed those reported for tax purposes by approximately $15,000,000. The principal timing difference results from reserves established for losses and future costs to be incurred in connection with the disposal of discontinued operations. These timing differences in addition to the $8,026,858 tax net operating loss and tax credit carryforwards will be available to reduce taxable income of future years.

Plaintiff Litigation

CITATION MANUFACTURING COMPANY, INC. (JUN)

Notes to Financial Statements

Note 10: Litigation— A suit has been filed against the Company by the Telex Corporation, a former supplier of components for the Company's electronic golf caddy. The suit asks for an unpaid balance on account of $27,453 and damages from breach of contract of $294,234. The Company has filed a counterclaim for negligence, breach of contract, and breach of warranty amounting to $1,132,673. The Company's counsel has begun discovery in the case, and based on information developed to date, the Company's liability, if any, should be limited to the unpaid balance on account. This amount is reflected as a current liability by the Company

The Company has brought suit against Paul J. Hewitt and Associates alleging theft of trade secrets in connection with the Company's electronic golf caddy. The Company asked for $1,000,000 punitive and $1,000,000 actual damages. No counterclaim has been filed against the Company.

CRANE CO. (DEC)

Financial Review

Litigation— In December, 1973, the Court of Appeals reaffirmed its earlier decision that American Standard Inc. and Blyth & Company, Inc. were liable to Crane for violations of the Securities Exchange Act of 1934 in connection with the lawsuit arising out of the merger of Westinghouse Air Brake Company and American Standard, and directed the District Court to commence its assessment of damages. Crane intends to continue this case and seek appropriate recovery, but it is not possible at this time to determine the extent of the award. The Court of Appeals has also agreed to hear an interim appeal of American Standard's suit against Crane for so-called "insider's profits" in connection with the forced sale of American Standard stock which Crane received in the merger. Management continues to believe that Crane will ultimately prevail in this lawsuit, since even if American Standard were permitted recovery, counsel advises that it would be an element of Crane's overall damages.

WALT DISNEY PRODUCTIONS (SEP)

Notes to Consolidated Financial Statements

Note 3: Taxes on Income— The provision for taxes on income includes:

	1973	1972
Current— Federal	$16,265,000	$17,136,000
State and Foreign	4,682,000	4,697,000
Deferred	18,969,000	13,000,000
Investment credits amortized	(2,516,000)	(733,000)
Total provision	**$37,400,000**	**$34,100,000**

The reduced effective tax rate for fiscal year 1973 is principally due to investment tax credits and the tax benefit resulting from certain 1973 income taxed under the Internal Revenue Code section applicable to a Domestic International Sales Corporation.

Investment tax credits under the Revenue Act of 1971 amounting to $12,501,000 at September 30, 1973 ($6,418,000— 1972) related to qualifying asset additions (including theatrical and television film productions) are deferred. The Company also has substantial claims on file for investment tax credits on theatrical and television film productions under the Revenue Act of 1962, which are currently the subject of litigation. The United States Court of Appeals for the Ninth Circuit on May 29, 1973 upheld a judgment in favor of the Company rendered by the United States District Court. The judgment is not final because the time within which the govern-

ment may petition the United States Supreme Court for review has not expired. The judgment involves the Company's claim for a refund with respect to its income tax return for fiscal year 1962 amounting to $99,160 plus interest of approximately $35,000. In addition, the Company believes that the principles established in the case also apply to fiscal years subsequent to 1962. The Company has filed suit claiming tax refunds for fiscal 1963 through 1969 totaling approximately $6,900,000, exclusive of accrued interest of approximately $2,500,000. These claims will not be reflected in the Company's accounts until collection is assured.

HOFFMAN ELECTRONICS CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 7 (in part): Litigation— In September and October 1973, the Company instituted actions against M & T Chemicals, Inc. and Airco, Inc. in the United States District Court, Central District Court of California, seeking to recover damages in excess of $6,000,000, resulting from the failure of the defendants to meet delivery schedules for installation of certain equipment purchased by the company and the failure of that equipment to operate properly. Both have denied the claims and have filed counter-claims in the actions seeking to recover approximately $571,000, which they allege is owed to them by the company as a portion of the purchase price of the equipment. The company has filed replies to the counter-claims denying any liability.

MCA INC. (DEC)

Notes to Consolidated Financial Statements

Note 4 (in part): Income Taxes— The Company has filed refund claims to protect its position that it is entitled to the investment tax credit on eligible theatrical and television films under the Revenue Act of 1962. Another film producer brought suit on this matter and in February 1974 the United States Supreme Court denied review of lower court decisions favorable to the producer. The application of the courts' decisions beyond the particular litigation has not been established. The Company will not reflect in its accounts any of the refund claims of $11,500,000 for years 1962 through 1970, any interest thereon or the very substantial investment tax credit carryovers which would also become available, until the matter has been favorably and finally resolved.

Except for the abovementioned refund claims, the Company's federal income tax returns have been settled through 1970 and all assessments have been paid.

PETTIBONE CORPORATION (MAR)

Notes to Consolidated Financial Statements

Note 11: Litigation— On April 5, 1972, the Company filed a lawsuit in the U.S. District Court, with the Northern District of Illinois, Eastern Division, against Caterpillar Tractor Company, alleging Caterpillar with violation of the Federal anti-trust laws with respect to the distribution and sale of undercarriage replacement parts for Caterpillar crawler tractors. The Company has asked for treble money damages in an unascertained amount for injury to its business and property and for an injunction against the alleged wrongful acts.

The Company's counsel is of the opinion that this case should be called for trial early in 1974.

ROWE FURNITURE CORPORATION (NOV)

Notes to Consolidated Financial Statements

Note 8: Contingencies— A suit was instituted by the Company in February, 1973 against former Rowe Furniture Corporation employees, et al., for alleged conspiratal theft and attempted and/or actual use of the trade secrets of Rowe Furniture Corporation, and for breach of their employment duties. The approximate amount against all defendants is $4,000,000. A trial date has not been set in this matter.

In June, 1973 suit was filed by certain former employees of Rowe Furniture Corporation, against Rowe Furniture Corporation, et al., for an alleged deprivation of entitlement to Profit-Sharing and Retirement Fund Plan benefits. A hearing has not been set. It is the opinion of counsel for the Company that no relief can be obtained against Rowe Furniture Corporation.

UNITED INDUSTRIAL CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 5: Contract Negotiations— The incurred cost of a fixed-price contract completed in 1970 for the United States Government is in excess of the present contract value by approximately $1,454,000. The Company had submitted claims in excess of $1,454,000 applicable to additional work which, in the opinion of management, was required for satisfactory completion of the contract and was not included in the original contract.

In January 1974 the Company received the decision on the claims by the Armed Services Board of Contract Appeals which resulted in substantial entitlement for the Company. However, both the U.S. Government and the Company have filed motions for reconsideration of certain of the claims.

Negotiations with the U.S. Government contracting officer are currently planned for early 1974 to determine the amount of settlement on those claims decided in favor of the Company. Management believes that it is not presently possible to estimate the amount of recovery and, that as in prior years, no provision for loss is necessary. Any material adjustment resulting upon conclusion of the negotiations would be reflected as a prior period item.

Other

CENTRAL SOYA COMPANY, INC. (AUG)

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) in a transaction accounted for as a purchase. The purchase price is subject to reduction if certain assets are not re-

alized or if certain liabilities or claims are paid. During 1973 the Company notified the former Provimi owners that under the terms of the purchase agreement, the purchase price should be reduced from $9,811,000 to $6,921,000. As the former owners have not agreed to this adjustment, its effect has not been reflected in the accompanying consolidated financial statements. The excess ($2,590,000) of the unadjusted purchase price over the fair value of the assets acquired has been included in other assets. When the final purchase price is determined, the amount, if any, remaining in other assets will be amortized.

The accompanying consolidated financial statements include the accounts of the Provimi group at May 31, 1973 and 1972 and their results of operations since December 31, 1971. If it were assumed that the operations of the Provimi group had been included for all of 1972, the 1972 revenues would have been increased by approximately $60,000,000 and there would have been no material effect on net earnings.

SCOVILL MANUFACTURING COMPANY (DEC)

Notes to Consolidated Financial Statements

Note K: As of December 30, 1973, the Company held approximately 14,000,000 pounds of metal under the terms of a consignment agreement with a supplier which provides that the Company shall pay an amount approximating the consignor's cost for metal purchased plus an amount equivalent to interest on such cost during the period of consignment. At December 30, 1973, the market value of the metal held on consignment was in excess of the amount the Company would be required to pay the supplier upon release of the metal from consignment.

A. O. SMITH CORPORATION (DEC)

1973 In Review/Finance

The Company sold, effective November 30, 1972, its 50 percent 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. While 1973 line pipe performance was not sufficient to produce a payment, 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 events occurred.

WHEELING-PITTSBURGH STEEL CORPORATION (DEC)

Notes to Financial Statements

Note F: Insurance Claim— In 1972, the Corporation's operations were shut down at several locations by a flood. In 1973, the Corporation filed an insurance claim for recovery of related damages. Management is unable at this time to ascertain the amount which may be received on this claim, but believes that it will not have a material effect on stockholders' equity.

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. *Sections 560 and 561 of Statement on Auditing Standards No. 1* set forth criteria for the proper treatment of subsequent events.

Table 1-22 classifies disclosures of subsequent events included in the 1973 annual reports of the 600 survey companies.

Examples of subsequent event disclosures follow.

Business Combinations

GULF RESOURCES & CHEMICAL CORPORATION (DEC)

Notes to Financial Statements

Note 8: Subsequent Event— On March 13, 1974, pursuant to a Plan of Merger dated January 31, 1974, Gulf and its wholly-owned subsidiary, The Bunker Hill Company (Bunker Hill) consummated the merger of Pend Oreille Mines & Metals Company (Pend Oreille) with and into Bunker Hill. In connection therewith, Gulf issued 736,265 shares of its Common Stock to the stockholders of Pend Oreille (other than Bunker Hill, which owned 891,519 shares or 34.76% of the outstanding stock of Pend Oreille) and Bunker Hill, the surviving corporation, continued to be a wholly-owned subsidiary of Gulf. The 34.76% interest, owned by Bunker Hill before October

TABLE 1-22: SUBSEQUENT EVENTS

Nature	1973	1972	1971	1970
Business combinations pending or effected	44	51	45	69
Debt incurred reduced or refinanced	28	28	24	65
Sale of assets	19	37	22	20
Employee benefits	15	11	14	29
Stock splits or dividends	13	23	27	2
Litigation	9	21	14	22
Other	24	58	25	99
Total Disclosures	**150**	**229**	**171**	**306**
Number of Companies				
Disclosing subsequent events	134	180	147	226
Not disclosing subsequent events	466	420	453	374
Total	**600**	**600**	**600**	**600**

31, 1970, will be accounted for as a purchase and the 65.24% acquired on March 13, 1974, will be accounted for as a pooling-of-interests. Prior years' financial statements will be restated in subsequent reports to retroactively reflect the acquisition of the 65.24% interest in Pend Oreille on a pooling-of-interests basis. Had the merger been completed prior to December 31, 1973, the accompanying consolidated statements of income would have been restated to reflect combined operations as follows:

	Pro Forma (unaudited) Year Ended	
	Dec. 31, 1973	**Dec. 31, 1972**
Revenues (in thousands)	$147,615	$127,249
Net income (in thousands)	$ 7,439	$ 2,835
Net income per share:		
On common and common equivalent shares	$1.24	$.36
On common shares assuming full dilution	$1.13	$.36
Weighted average number of shares outstanding during the year:		
On common and common equivalent shares	5,212,366	5,154,277
On common shares assuming full dilution	7,674,725	7,537,364

Net income includes extraordinary items of $1,407,000 and $56,475 in 1973 and 1972.

HERFF JONES CO. (JUN)

Notes to Consolidated Financial Statements

Note 9: Events Subsequent to Date of Report of Independent Accountants— On July 27, 1973 the Company and Carnation Company entered into an agreement under which the Company would be merged into Carnation in a pooling of interests. The merger terms provide for exchange of Carnation common stock for all outstanding shares of the Company's common stock at the rate of one share of Carnation common stock for each 5.42 shares of Herff Jones Co. common stock. The merger is subject to obtaining approval of the Herff Jones Co. shareholders.

The Company has entered into an agreement for the purchase of certain assets, including inventory, fixed assets and prepaid items of A.J. Nystrom & Co., a Chicago-based Delaware corporation which produces educational aids. The purchase price will be approximately $2,150,000, payable in cash and promissory notes.

HARSCO CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 10: Possible Acquisitions of Business— As of December 31, 1973, the Company had agreements in principle with Modulus Corporation and Patterson-Kelley Co., Inc. providing for the merger of these companies into Harsco. Under the agreements, the Company would issue 500,000 shares and 100,000 shares of its common stock, respectively, for these companies. On February 25, 1974, the merger discussions with Modulus were broken off.

LOCTITE CORPORATION (JUN)

Notes to Consolidated Financial Statements

Note 12: Subsequent Events— On August 27, 1973, the Board of Directors approved an increase in authorized shares of common stock from 8,000,000 to 12,000,000 and proposed a three-for-two common stock split. These proposals are subject to shareholder approval at the Company's Annual Meeting on September 28, 1973.

On August 20, 1973, Loctite Corporation acquired Douglas Kane Group Limited. In connection with the acquisition, 126,088 shares of the Company's common stock were issued for all the outstanding capital stock of Douglas Kane.

This transaction has been accounted for on a pooling of interests basis. Supplemental condensed financial information, set forth below, reflects the combining of Loctite and Douglas Kane.

LOCTITE CORPORATION AND DOUGLAS KANE GROUP LIMITED

Supplemental Consolidated Sales and Earnings Data

	Year Ended	
	June 30 1973	**June 30 1972**
Net sales	$37,204,000	$27,134,000
Net earnings	5,749,000	$3,919,000
Earnings per share	$ .90	$ .61

Supplemental Condensed Consolidated Balance Sheet

	June 30 1973	**June 30 1972**
Assets		
Current assets	$21,936,000	$16,394,000
Property, plant and equipment, less accumulated depreciation	6,582,000	5,134,000
Other long-term assets	1,409,000	1,325,000
	$29,927,000	**$22,853,000**
Liabilities and Shareholders' Equity		
Current liabilities	$ 9,160,000	$ 7,332,000
Long-term liabilities	1,793,000	1,765,000
Shareholders' equity	18,974,000	13,756,000
	$29,927,000	**$22,853,000**

The above data reflects the elimination of inter-company sales by Loctite to Douglas Kane and related profit in inventory.

The fiscal years of Loctite and Douglas Kane were historically the 12-month periods ended June 30 and September 30, respectively. However, Douglas Kane changed to a June 30 fiscal year, effective June 30, 1973. The consolidated supplemental financial information for 1973 has been presented on a June 30 basis. The consolidated supplemental financial information for 1972 has been presented on a June 30 fiscal year basis but contains the accounts of Douglas Kane for its year ended September 30, 1972. As a result of the use of different fiscal years in 1972, Douglas Kane's net sales of $1,014,000 and net earnings of $47,000 for the three months ended September 30, 1972 are included in the

consolidated supplemental financial information for both 1973 and 1972.

INTERNATIONAL MULTIFOODS CORPORATION (FEB)

Notes to Consolidated Financial Statements

Note 9: Subsequent Events— Subsequent to February 28, 1973 the Company acquired the net assets of Feinberg Distributing Company, Inc., a meat processor and distributor, and Freeman-McFarlin Potteries, Inc., a ceramic decorative accessories manufacturer, for 90,000 shares and 26,787 shares of common stock, respectively, in pooling-of-interests transactions.

The unaudited pro forma results for fiscal years 1973 and 1972, assuming inclusion of the results of the pooled companies, would have been as follows:

	1973	1972
Net sales	$536,135,669	$463,921,062
Net earnings	10,070,839	8,652,241
Net earnings per share of common stock after preferred stock dividends	$2.75	$2.47

UNITED AIRCRAFT CORPORATION (DEC)

Notes to Financial Statements

Note 10: Merger with Essex International, Inc. on February 5, 1974— On February 5, 1974, Essex International, Inc. became a wholly-owned subsidiary of the Corporation. In this connection, the Corporation's authorized shares of Preferred Stock were increased to 10,000,000 shares, of which 3,539,125 shares of $8.00 Cumulative Dividend Convertible Preferred Stock and 552,887 shares of $2.84 Cumulative Dividend Convertible Prior Preferred Stock were issuable as of the effective date of the merger in exchange for all of Essex' outstanding common stock and preferred stock, respectively. The acquisition will be accounted for as a purchase.

On a pro forma basis, the Corporation's consolidated long-term debt and capital structure at December 31, 1973 adjusted to give effect to the merger transaction is as follows:

Long-term debt, excluding current portion:	
5% Sinking Fund Notes due 1981	$ 39,000,000
4½% Subordinated Debentures due 1988	512,000
5⅜% Subordinated Debentures due 1991 (convertible)	54,393,000
4½% Subordinated Debentures due 1992 (convertible)	114,163,000
5⅜% Convertible Subordinated Debentures due 1996	50,000,000
9¼% Notes payable 1975	40,000,000
5¼% Note due 1979	14,950,000
Other	8,447,000
	$321,465,000
Shareholders' equity:	
$2.84 Preferred Stock— 552,887 shares (liquidating preference— $51 per share)	$ 18,826,000
$8.00 Preferred Stock— 3,539,125 shares (liquidating preference— $100 per share)	301,268,000
Common Stock— 11,748,225 shares	199,825,000
Retained earnings	357,314,000
	$877,233,000

The Debentures due 1991 and 1992 are convertible as of the date of the merger into 1.55 and 1.35 shares of Common Stock, respectively, for each $100 principal amount. The Debentures due 1996 are convertible into approximately .84 shares of $8.00 Preferred Stock for each $100 principal amount. Each share of the $2.84 Preferred Stock is convertible into .4 shares of $8.00 Preferred Stock, and each share of the $8.00 Preferred Stock is convertible into approximately 2.22 shares of Common Stock.

In the foregoing table the amounts assigned to Preferred Stock are based upon the market value of the $8.00 Preferred Stock. Such aggregate value of the Preferred Stock issued or issuable in connection with the merger is less than the values tentatively assigned to the net assets of Essex by an amount of approximately $3,000,000; such amount, subject to any further merger adjustments, will be applied in reduction of the carrying values of the non-current assets of Essex. On the basis of the foregoing, and upon the assumption that all of the 5⅜% Debentures due 1996 and the $2.84 Preferred Stock will be converted into $8.00 Preferred Stock, the operating results of the Corporation with Essex for the year ended December 31, 1973, on a pro forma basis as though the merger had been effective at the beginning of that year, would have been:

	Pro forma
Sales	$3,134,100,000
Net income	98,700,000
Less dividends applicable to $8.00 preferred stock	33,500,000
Net income applicable to Common Stock	**$ 65,200,000**
Earnings per common share:	
Primary	$ 5.52
Fully diluted	$ 4.38

Under the provisions of the $8.00 Preferred Stock, the Corporation is restricted as to the amount of cash dividends which it may pay on its Common Stock; however, such provisions would not have restricted the per-share amount of dividends declared in 1973.

Sale of Assets

AMERICAN METAL CLIMAX, INC. (DEC)

Notes to Financial Statements ($ thousands, except per share amounts)

Note 16: Subsequent Event— On January 30, 1974 AMAX sold, at a profit, one-half of its interest in AMAX Aluminum Company, Inc. (Aluminum), a subsidiary holding substantially all of AMAX interests in the Aluminum business, to Mitsui & Co., Ltd. for $124.8 million cash, subject to certain adjustments. Subsequent to the sale, AMAX plans to follow the equity method of accounting for its investment in Aluminum. The financial position of Aluminum (excluding certain long-term liabilities not assumed by Aluminum at December 31, 1973

and 1972) and the results of operations for the years then ended are summarized below:

	1973	1972
Sales	$373,000	$311,000
Earnings before income taxes	27,000	16,000
Current Assets	137,000	122,000
Total Assets	267,000	252,000
Current Liabilities	49,000	38,000
Deferred income taxes and non-current liabilities	17,000	16,000

MIDLAND-ROSS CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note J: Subsequent Event— The Company entered into an agreement, effective January 18, 1974, covering the sale of rights to the Midrex direct reduction process and a direct reduction plant for the production of metallized pellets and related inventories in Georgetown, South Carolina. The Company is to receive payments in the next ten years based on the designed production capacity of direct reduction plants constructed utilizing Midrex technology, with required minimum payments during two consecutive three-year periods beginning in 1974 regardless of the amount of construction activity.

The Board of Directors and Shareholders of Motorola, Inc.:

We have examined the consolidated balance sheets of Motorola, Inc. and Subsidiaries as of December 31, 1973 and 1972, and the related statements of consolidated earnings and retained earnings, additional paid-in capital 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 consolidated financial statements present fairly the financial position of Motorola, Inc. and Subsidiaries at December 31, 1973 and 1972 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.— *Accountants' Report.*

February 5, 1974, except as to note 12 which is as of March 12, 1974.

Notes to Consolidated Financial Statements

Note 12: On March 12, 1974, the company announced that it had reached an agreement in principle to sell the home television receiver business in April, 1974 to a subsidiary of Matsushita Electric Industrial Co. Ltd. of Japan, subject to certain approvals, terms and other conditions, for cash. The company expects its net proceeds from the disposition of the home television receiver business (including the net proceeds from the disposition of certain assets not being sold to Matsushita) to be slightly in excess of book value.

Debt

AMERICAN BILTRITE INC. (DEC)

Notes to Consolidated Financial Statements

Note K: Subsequent Event— In 1973, the Company arranged with the City of Tullahoma, Tennessee for the construction and financing of a manufacturing facility in that city. On January 9, 1974, the financing was completed by the sale of $4,600,000 of industrial revenue bonds, which bear interest at an effective rate of 6.14% and mature ratably over twenty years in progressive annual amounts. It is expected that the construction of the manufacturing facility will be completed in the latter part of 1974.

ANHEUSER-BUSCH, INCORPORATED (DEC)

Notes to Consolidated Financial Statements

Note 9: Subsequent Event— In February, 1974, the company sold $100,000,000 of 7.95% sinking fund debentures, due February 1, 1999. On February 7, 1974, $83,875,000 of these debentures were issued. The remaining $16,125,000 are subject to delayed delivery, contracts providing for delivery and payment on July 15, 1974. The debentures mature annually from 1985 through 1999.

EASCO CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 9: Subsequent Events— The Company entered into a new loan agreement on February 15, 1974 relating to its promissory notes due in 1986. The new agreement combines a new loan of $9,500,000 with the existing loan of $6,500,000. Under the new loan agreement, the Company's promissory notes, in the aggregate amount of $16,000,000, are due in 1989; bear interest at the rate of 8.45% per annum and require annual payments in the amount of $1,300,000 beginning in 1978. The new agreement provides for similar covenants and restrictions as existed under the previous agreement described in Note 2.

Proceeds from the new loan agreement, $9,500,000 were received on February 20, 1974 and have been applied to the reduction of short-term notes payable to banks.

Litigation

PEPSICO., INC. (DEC)

Notes to Consolidated Financial Statements

Note 2 (in part): Rheingold Corp— In November 1972, 82% of the outstanding common stock of Rheingold Corp. was purchased in a cash tender offer. At that time, the Federal Trade Commission challenged PepsiCo's acquisition of shares of Rheingold, alleging that it violated certain provisions of the Federal antitrust laws. In January 1974, PepsiCo entered into a consent order with the FTC which settled the antitrust litigation. The consent order principally requires PepsiCo to divest

Rheingold's concentrate manufacturing subsidiary, Flavette Corporation, and PepsiCo's St. Louis, Missouri soft drink bottling operations and assets by August 1975. Compliance with this consent order is not expected to have a material adverse effect on the financial position or operations of PepsiCo. In December 1973, the acquisition of the minority interest in Rheingold was completed with the merger of Rheingold and another subsidiary of PepsiCo.

PHELPS DODGE CORPORATION (DEC)

Notes to Consolidated Financial Statements

Contingencies (in part)— In a complaint served February 15, 1974, the Corporation was named a defendant by a non-profit corporation seeking to set aside that portion of the December 21, 1973 order of the Arizona Air Pollution Control Hearing Board which approved operation of the Douglas smelter through November 30, 1974, without any permanent production curtailment. If successful, this suit might substantially reduce the amount of copper produced at the smelter before November 30, 1974. The Corporation will contest the suit.

Other

Board of Directors and Shareholders

Action Industries, Inc.

We have examined the consolidated balance sheet of ACTION INDUSTRIES, INC. and subsidiaries at June 30, 1973 and the related consolidated statements of income, shareholders' equity, 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 made a similar examination of the financial statements for the preceding year.

In our opinion, these financial statements present fairly the financial position of ACTION INDUSTRIES, INC. and subsidiaries at June 30, 1973 and the results of their 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.— *Report of Independent Accountants.*

(Except for Note 10 which is September 13, 1973)

Notes to Financial Statements

Note 10: Subsequent Events— On September 13, 1973, the Company agreed to purchase increasing quantities of electric lamps (light bulbs) from a foreign manufacturer at an aggregate cost of approximately $28 million during the 5-year period 1974 thru 1978. Purchases of such items were approximately $600,000 during the fiscal year ended June 30, 1973 and the Company is committed to purchase $1.6 million thereof between July 1 and December 31, 1973.

GRANGER ASSOCIATES (AUG)

Notes to Financial Statements

Note 3: Notes and Contracts Receivable

	1973	1972
Promissory note due from Dorne & Margolin on sale of East Coast operations	$ ---	799,830
Other notes and conditional sales contracts	$44,174	85,021
	44,174	884,851
Less portion included in current assets	40,128	247,566
Balance due after one year	4,046	637,285
Less allowance for losses	---	50,000
	$ 4,046	587,285

On August 27, 1973, the Company agreed to accept a cash settlement of $547,991 in full payment of the Dorne & Margolin note, the remaining principal balance of which was $572,383. The transaction was closed on September 26, 1973, when the agreed amount plus accrued interest was paid direct to the bank to be applied against the Company's long-term bank loan (Note 4). The discount of $24,392 has been included in operating expenses for the year ended August 31, 1973, and the cash proceeds have been applied to reduce the bank loan payable on the balance sheet at that date.

IOWA BEEF PROCESSORS, INC. (OCT)

Notes to Consolidated Financial Statements

Note M: Subsequent Event— During the last week of January 1974, Iowa Beef Processors, Inc. received information indicating that a portion of the collateral for an account receivable had been misappropriated by a third party. An account receivable of approximately $7,500,000 had been previously collateralized by a security interest in certain agricultural commodies of approximately equal value. Preliminary inventories indicate that approximately one-half of the collateral has been misappropriated by persons who, though not the owners of the collateral, had custody thereof as bailee. At the present time, the Company believes that it has sufficient legal and equitable remedies available to protect its interest in the remaining collateral and to realize a substantial return on the unsecured portion of the account. Because of the recent advent of this situation, the Company's preliminary assessment of the ultimate collectability of the account may change. Consequently, out of abundant caution the Company has reserved, against its first quarter 1974 earnings, the entire amount represented by the now uncollateralized portion of the account receivable.

THE RUCKER COMPANY (DEC)

Notes to Financial Statements

Note 10 (in part): Stock Options— In January, 1974 the Board of Directors adopted, subject to shareholder approval, an unqualified stock option plan. This plan authorizes the granting of options to purchase 150,000 shares of common stock at a price not less than the fair market value of the shares on the dates that the options are granted for terms up to 10 years. Options granted under this plan may be exercised even while an option-

ee holds qualified options granted at earlier dates and with higher exercise prices.

MWA COMPANY (JUN)

Notes to Consolidated Financial Statements

Note 6: Subsequent Event— On August 27, 1973 the Board of Directors declared a 5% stock dividend on the Company's common stock payable October 19, 1973 to stockholders of record at September 21, 1973, which will result in the issuance of approximately 30,245 additional shares of common stock, of which 29,782 would be outstanding. The number of shares reserved under the stock option plan, as stated in Note 3, and the net income per share included in the accompanying consolidated statement of income have been adjusted to reflect this stock dividend.

OLIN CORPORATION (DEC)

Financial Review

Proposed Reclassification and Exchange of Common Stock— On January 31, 1974, the board of directors approved a plan, subject to shareholder approval, to change the company's authorized common stock from 40,000,000 shares of $5 par value to 30,000,000 shares of $1 par value; to reclassify the presently issued common shares into $1 par value new common shares; and to exchange each outstanding share of Olin common stock for one-half share of new Olin common stock and one-third of a common share of Olinkraft, Inc., the company's wholly owned forest products subsidiary. The proposed exchange, which is subject to a favorable ruling from the Internal Revenue Service, would result in Olinkraft becoming a separate publicly held company.

In connection with the reclassification and exchange, Olin will make a $15,000,000 capital contribution to Olinkraft, which will assume $52,651,000 of Olin's present long-term debt. No effect has been given to the proposed transactions in the accompanying financial statements which include Olinkraft revenues and net income of $242,700,000 and $21,700,000, respectively. Olin's net assets will decline by approximately $130,000,000 when its investment in Olinkraft is transferred to Olin shareholders.

POWERS REGULATOR COMPANY (MAR)

Notes to Consolidated Financial Statements

Note 5: Plant Shut Down Subsequent To Balance Sheet Date— On May 26, 1973 the Company's principal manufacturing plant in Skokie, Illinois was closed as a result of a labor strike. The strike has no effect on the financial statements for the fiscal year ended March 31, 1973.

STONE CONTAINER CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 9: Event Subsequent to Date of Accountants' Report— The Company and its subsidiaries are subject to the Economic Stabilization Act of 1970 ("Act"). On February 27, 1974, the Company received a "Notice of Probable Violation" of the Act and regulations thereunder for the quarter ended September 30, 1973. The notice requested the Company to demonstrate why it is not in violation of the Act or attendant regulations. The Company is preparing its reply to the Notice in which it is taking the position, based upon grounds which in the opinion of counsel are sound, that it is not in violation of the Act or regulations thereunder. In the opinion of counsel, the outcome of this matter will not have a material adverse effect on the Company; accordingly, no provision has been made for the effect, if any, of the alleged violation.

URIS BUILDINGS CORPORATION (SEP)

Events Subsequent to Date of Auditors' Report

a. Foreclosure on construction loan

On February 27, 1974 the bank lender commenced foreclosure proceedings on a $62,000,000 past due construction loan collateralized by a building and tenant leases as described in Note 3 to the financial statements. The foreclosure action was taken after the Company's subsidiary which owns and operates the building rejected a short-term extension of the loan which would not have provided additional financing for tenant installations and carrying costs in excess of anticipated rental income.

At September 30, 1973, the Company's investment in and advances to the aforementioned subsidiary after deducting pretax losses (reflected in the financial statements) was approximately $8,500,000. The following table summarizes, on a proforma basis, the adjustments that would have been made to reflect the anticipated disposition of the building by foreclosure had it been provided for in the accompanying financial statements at September 30, 1973:

	As Reported	Pro Forma Adjustments	Pro Forma Adjusted
Reserve for estimated losses on investments in properties	$11,887,000	$8,500,000	$20,387,000
Retained earnings (deficit)	($4,618,000)	($8,500,000)	($13,118,000)
Net (loss)	**($17,427,000)**	**($8,500,000)**	**($25,927,000)**
Net (loss) per share	($2.17)	($1.06)	($3.23)

The accompanying consolidated statements of income (loss) include $6,587,000 and $4,944,000 of revenues and $10,153,000 and $4,071,000 of pre-tax losses in fiscal 1973 and 1972, respectively, relating to the aforementioned building. The fiscal 1973 consolidated balance sheet, in addition to the $62,000,000 construction loan, includes $74,873,000 of land and buildings, net of $3,380,000 depreciation, and $4,336,000 of net liabilities, relating to this building.

During the period October 1, 1973 through February 27, 1974, the Company made additional advances of $5,136,000 to the subsidiary to finance tenant construction costs and operating losses. In addition to the reserve for estimated loss on investment noted above, estimated pre-tax operating losses of $4,500,000 which were incurred by the subsidiary during this period will be reflected in the Company's consolidated financial statements for the year ending September 30, 1974.

b. Sale of hotel interests

On March 9, 1974, the Company entered into agreements for the sale of its 50% interests in the New York Hilton and Washington Hilton hotels and the Rye Town Hilton Inn for $38,500,000 subject to certain increases for mortgage amortization payments made prior to closing, which is expected to occur in June 1974. The Company's investment in the aforementioned properties at September 30, 1973 was approximately $14,200,000. It is estimated that the sale, when consummated, will result in a pre-tax gain in excess of $20,000,000, which will be reflected in the Company's consolidated financial statements for the period in which the closing occurs.

VALMAC INDUSTRIES, INC. (MAR)

Notes to Consolidated Financial Statements

Note I: Proposed Reorganization— The Company's food distribution business is conducted by Distribuco, Inc., a wholly-owned subsidiary which also has two wholly-owned subsidiaries. On January 23, 1973, the Board of Directors approved a plan of reorganization whereby all of the capital stock of Distribuco will be distributed to Valmac stockholders. The plan is subject to the obtaining of a ruling from the Internal Revenue Service that the plan will be a tax free reorganization and the approval by the Company's stockholders.

The following data summarizes the effect the reorganization, if approved by the stockholders, would have on the consolidated financial statements for the year ended March 31, 1973:

Balance Sheet

	Valmac Historical	Pro Forma Valmac	Pro Forma Distribuco
Current assets	$55,251,268	$50,587,944	$ 4,663,324
Current liabilities	45,868,985	44,273,021	1,595,964
Working Capital	**9,382,283**	**6,314,923**	**3,067,360**
Other assets	1,177,741	1,144,956	32,785
Property, plant, and equipment	9.115,345	7,961,802	1,153,543
Deferred charges	788,614	317,466	471,168
Other liabilities	6,364,668	5,411,018	953,650
Stockholders' equity	14,099,315	10,328,109	3,771,206
Statement of Income			
Income	$103,570,523	*$70,385,568	$37,729,320
Costs and expenses	96,281,470	63,644,953	*37,180,882
Income Before Income Taxes	**7,289,053**	**6,740,615**	**548,438**
Income taxes	3,339,000	3,072,000	267,000
Net income	**$ 3,950,053**	**$ 3,668,615**	**$ 281,438**
Earnings per share	$2.77	$2.57	$ .20

*Includes Valmac's sales to Distribuco which have been eliminated in consolidation.

U.S. GOVERNMENT CONTRACTS

Chapter 11 of *ARB No. 43* discusses in detail the recommended procedures in accounting for cost-plus-fixed-fee contracts, contracts subject to renegotiation, terminated war and defense contracts, and their presentation in financial statements.

The amount and nature of the information given in the 1973 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 disclosures concerning Government contracts follow.

BUNKER RAMO CORPORATION (DEC)

Notes to Financial Statements

Government Contracts— The Company has agreed to furnish advance design prototype equipment under a fixed-price contract. At December 31, 1973, five incomplete prototypes have been delivered which are being used for test purposes. In 1973, the accumulated costs exceeded the contract price by approximately $260,000 and an estimated additional $350,000 will be required for completion; this total anticipated loss has been expensed in the fourth quarter of 1973. The original contract gives the purchaser an option to purchase additional production units over a three-year period at specified prices and if all options were exercised at such prices, there could be additional losses of up to $5,000,000 although the company believes that losses of such magnitude will not occur. The company and the

TABLE 1-23: U.S. GOVERNMENT CONTRACTS

Balance Sheet Information	**1973**	**1972**	**1971**	**1970**
Accounts receivable— government	20	18	22	24
Inventory less billings or progress payments received	28	23	33	33
Unbilled or reimbursable costs	19	23	17	23
Current liabilities	7	7	4	6
Total Presentations	**74**	**71**	**76**	**86**
Number of Companies Referring to Government Contracts				
In balance sheet presentation	46	40	44	49
In report but not in balance sheet	35	50	66	83
No reference	519	510	490	468
Total	**600**	**600**	**600**	**600**

purchaser are now negotiating concerning both the prototype and option portion of the purchase on the basis of current costs and the company believes a new contract will be negotiated on terms acceptable to the company. The company believes that the original contract is unenforceable.

Under another contract, the company has agreed to service data-processing equipment in a number of United States Air Force bases throughout the world for a one-year period beginning July 1, 1973, and thereafter for four additional one-year periods, subject to negotiation between the company and the Air Force. Service costs have been substantially higher than anticipated and the company incurred a loss of $844,000 during 1973, and has provided for an additional $1,200,000 in December, 1973, covering write-off of start-up costs and estimated operating losses to July 1, 1974. In addition, the contract establishes performance levels and provides for liquidated damages where these levels are not maintained. Liquidated damages of approximately $3,000,000 are expected to accumulate during the contract year against which the company has provided $1,000,000 in December, 1973. The cost of a required base supply of spare parts and equipment is being charged to operations over a 45 month period. At June 30, 1974, the unamortized cost of this material will approximate $3,000,000. The company is presently negotiating with the Air Force concerning terms required to extend the contract for the first additional year and the company believes that the contract will be extended on a basis satisfactory to the company. The company further believes that the present liquidated damages provisions are excessively stringent and that the extension of the contract will result in more reasonable provisions. In addition, the company has applied for remission of accumulated liquidated damages and the company expects but cannot be certain that all or a substantial portion of the liquidated damages will be waived.

GRUMMAN CORPORATION (DEC)

Notes to Financial Statements

Note 1 (in part): Summary of Significant Accounting Policies: 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.

Note 2: F-14 Contract Settlement— On March 8, 1973 the Company and the Government reached a settlement with regard to the F-14 contract. The Company agreed to accept the previously rejected Lot V order for 48 additional aircraft under the original terms of the contract and the Government agreed to cancel options under that contract for aircraft beyond Lot V.

At December 31, 1972, it was expected that the 134 aircraft and related support effort ordered in Lots I through V would result in a loss, under this contract, of $205,000,000 before tax adjustments. At September 30, 1973 this expected loss was increased to $220,000,000. In determining this loss, the net effect of price adjustments resulting from known contract changes and realignment of program schedules were taken into consideration. Of this loss $65,000,000 was reflected in 1971, $140,000,000 in 1972 and $15,000,000 in 1973, by a write down of F-14 inventories to realizable values.

Additional orders for F-14 aircraft beyond Lot V will be procured by the Government through the conventional annual procurement method which allows contracts to be priced on the basis of current estimated costs, and takes into account extreme inflationary factors and other economic conditions.

LITTON INDUSTRIES, INC. (JUL)

Financial Comments

Inventories and Long-Term Contracts— Commercial inventories 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.

All contract costs, including general and administrative expenses, are included in Marine inventories; all such costs except general and administrative expenses are included in Defense and other inventories. Title to certain inventories vests in the U.S. Government by reason of contract provisions related to progress payments.

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.

Notes to Financial Statements

Note H: Defense Contracts— Approximately 22% and 25% of the sales and service revenues of the Company for the years ended July 31, 1973 and July 31, 1972, respectively, arose from U.S. Government contracts and subcontracts. Approximately 82% of these revenues for 1973 relate to fixed-price type contracts.

At July 31, 1973 total progress billings on current

contracts exceeded recorded sales by $288 million which amount has been classified as an offset to inventories in the consolidated balance sheet.

Approximately $145 million of the accounts receivable balance at July 31, 1973 relates to U.S. Government contracts and subcontracts. Included in Government accounts receivable are amounts not presently billable of approximately $81 million.

Profits on the Company's U.S. Government contracts are subject to renegotiation under the Renegotiation Act of 1951, as amended. The Company has received clearance from the Renegotiation Board on profits realized on renegotiable business through July 31, 1970. No renegotiation refunds are anticipated for subsequent periods.

ROCKWELL INTERNATIONAL CORPORATION (SEP)

Notes to Financial Statements

Note 1 (in part): Sales Under U.S. 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 the 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.

Note 7: United States Government Sales and Renegotiation— Sales under United States Government contracts accounted for 40% of total sales in 1973 and 45% in 1972. Approximately 67% of the 1973 sales under these contracts were of the cost type, and approximately 21% were of the fixed-price-incentive type; corresponding percentages for 1972 were 53% and 33%, respectively.

The B-1 contract, which accounted for 31% of sales to the United States Government in 1973, is a cost-type contract under which all allowable costs, including overrun costs, are recoverable by the Company. If costs are estimated to exceed the contract target cost, the effect of such excess is recognized by the Company in recording fee applicable to the contract. The Company estimates a cost overrun on completion of this contract and, in accordance with its accounting policy, has reduced the effective fee rate used for calculating profit on the contract to take into account that estimated overrun plus a contingency provision deemed appropriate by senior management. The lower effective fee rate used for 1973 reduced the amount of profit recorded on the contract for the year from the profit that would have been recorded under the 1972 fee rate, in an amount not material in relation to consolidated net income for the year.

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 1967. The Company believes that no excessive profits were realized in subsequent fiscal years and, therefore, no provisions for renegotiation refunds have been made for these years.

BACKLOG INFORMATION

Ninety-seven 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.

AMETEK, INC. (DEC)

Review '73

New Orders for the Company's products amounted to $231 million in 1973. This represents an increase of 36% over 1972, and $39 million more than total shipments during 1973. AMETEK's backlog at year-end, of which about 90% should be shipped in 1974, amounted to just over $100 million, an increase of 64% over the 1972 year-end figure of $61 million. Substantial portions of the backlog are subject to cost escalation clauses or protected by raw material purchase commitments. New order input is also constantly subjected to internally developed management controls, including those based on a composite cost-price index.

BUCYRUS-ERIE COMPANY

Year-End Review (Page 7)

BACKLOG BY PRODUCT LINE

	($ millions)		
Mining Machinery	$119.7	$ 62.4	$ 43.1
Construction Machinery	21.6	16.6	13.3
Industrial Products	9.4	4.9	4.4
Total	**$150.7**	**$ 83.9**	**$ 60.8**

BACKLOG BY PRODUCT LINE

	(% total)		
Mining Machinery	80%	74%	71%
Construction Machinery	14%	20%	22%
Industrial Products	6%	6%	7%
Total	**100%**	**100%**	**100%**

CHEMETRON CORPORATION (DEC)

Operating Data (Page 15)

Backlog— Of the three groups, backlog is an important factor primarily to the Metal Products and Process Equipment Group because of the significant production lead time involved in most of their products. Domestic backlog of this Group increased to $53 million at December 31, 1973 from $28 million a year earlier in 1972. This represents a six-month backlog when related to 1973 sales.

The orders supporting the 1973 amounts are believed to be firm, and approximately 90% of the orders on hand at the end of the year are expected to be shipped during 1974. There are no seasonal or other significant aspects applicable to this Group's backlog.

DRAVO CORPORATION (DEC)

Financial Review (Page 23)

Backlog— At December 31, 1973 backlog to be reported as revenue was $803 million of which $580 million represented work yet to be performed. This is the highest backlog in the history of the company and is expected to contribute to a new record revenue in 1974. Revenue from Materials, Equipment & Transportation is realized shortly after receipt of each order and is not included in backlog.

RAYTHEON COMPANY (DEC)

Financial Review (Page 28)

Backlog of the company at the end of 1973 was $1.421 billion, a 40.9% increase over the $1.009 billion backlog at year-end 1972. Funded U.S. Government backlog increased 20.5% from $542 million at the end of 1972 to $653 million at December 31, 1973.

SPERRY RAND CORPORATION (MAR)

Financial Review (Page 20)

Unfilled Orders— At March 31, 1973 the backlog of unfilled orders totaled $1,390 million, compared with $1,095 million at March 31, 1972, an increase of 27%. Commercial product backlogs reached a record level of $978 million, equal to 70% of the total backlog, and represented a 28% gain over the prior year. U.S. defense and space backlogs were $411 million, a gain of 24% over the prior year. The backlog of defense and space business, in relation to total unfilled orders, is normally higher than the contribution of such business to revenue, because of the longer lead time between receipt of orders and shipment dates.

PALL CORPORATION (JUL)

Sales for Fiscal Years Ended July 31 (000's omitted)

	Actual Sales					Forecasted Sales	Backlog at Beginning
Continuing Lines	1969	1970	1971	**1972**	**1973**	**1974**	**1974**
Aerospace	$11,100	$9,000	$7,900	$9,300	$11,000	$11,200	$6,150
*Process & Electric Power	10,600	11,900	12,800	13,350	15,400	16,800	5,350
Biomedical	100	600	400	1,000	1,500	2,000	400
Fluid Power	1,000	2,300	2,000	2,500	3,850	4,900	1,500
Total Continuing Lines	**22,800**	**23,800**	**23,100**	**26,150**	**31,750**	**34,900**	**13,400**
Discontinued Lines	3,400	2,900	1,400	100	---	---	---
Total	**$26,200**	**$26,700**	**$24,500**	**$26,250**	**$31,750**	**$34,900**	**$13,400**

*Marine market sales have been included with the major product line from which they were sold. They were previously included with Process & Electric Power.

For comparison:

	Backlog at Beginning of 1973	Orders Booked in 1973
Aerospace	$ 6,250	$10,900
Process & Electric Power	3,950	16,800
Biomedical	400	1,500
Fluid Power	1,300	4,050
	$11,900	**$33,250**

REXNORD INC. (OCT)

Review of Operations

	1973	1972
	($ thousands)	
POWER TRANSMISSION COMPONENTS		
Sales	$155,177	$130.843
% of total	35%	36%
Operating profit	$ 17,665	$ 12,418
% of total	60%	49%
Backlogs at Oct. 31	$ 72,922	$ 30,588
PROCESS MACHINERY		
Sales	$62,371	$50,475
% of total	14%	14%
Operating profit	$ 7,735	$ 6,079
% of total	26%	24%
Backlogs at Oct. 31	$36,166	$23,883
ENVIRONMENTAL CONTROL EQUIPMENT (ENVIREX INC.)		
Sales	$31,544	$23,924
% of total	7%	6%
Operating profit	$ 1,947	$ 1,630
% of total	7%	6%
Backlogs at Oct. 31	$25,654	$22,718
MATERIAL HANDLING EQUIPMENT		
Sales	$55,356	$50,919
% of total	13%	14%
Operating profit	$ 747	$ 1,515
% of total	3%	6%
Backlogs at Oct. 31	$28,770	$21,829
CONSTRUCTION MACHINERY		
Sales	$36,195	$32,685
% of total	8%	9%
Operating profit	$ 2,181	$ 2,123
% of total	7%	8%
Backlogs at Oct. 31	$13,398	$10,710
FOREIGN OPERATIONS		
Sales	$58,686	$35,061
% of total	13%	10%
Operating profit	$(3,039)	$ 220
% of total	(10%)	1%
Backlogs at Oct. 31	$20,828	$10,971

SEC REPORTING

The Securities and Exchange Commission, in its regulations governing solicitation of proxies, states in part in Rule 14a–3 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.

Fourteen companies referred to 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. One company (715) incorporated Form 10-K within its annual report. Another company (273) incorporated its annual report financial statements in its form 10-K.

Explanations given for the differences in treatment are summarized in Table 1-24.

Examples of some of the disclosures of differences between reporting to stockholders and reporting to the Securities and Exchange Commission follow.

TABLE 1-24: DIFFERENCES BETWEEN REPORTS TO STOCKHOLDERS AND REPORTS TO THE SEC

	1973	1972	1971	1970
Different classification of costs and expenses	6	7	9	10
Lease information required by ASR No. 147	4	--	--	--
Separate financial statements for affiliates	3	1	3	5
Other	1	2	2	2
Total Disclosures	14	10	14	17

Classification of Cash Discounts

ALBERTO-CULVER COMPANY (SEP)

Consolidated Statement of Earnings

	1973	1972
Net sales (note 7)	$184,420,140	$182,681,258

Note 7: Cash Discounts— Cash discounts allowed customers of $2,661,055 in 1973 and $2,407,298 in 1972 have consistently been reported as other deductions; in reports submitted to the Securities and Exchange Commission these amounts will be deducted from sales.

Classification of Costs And Expenses

GENERAL ELECTRIC COMPANY (DEC)

1973 Financial Summary

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 $8,515.2 million in 1973 and $7,509.6 million in 1972; and selling, general and administrative expenses of $2,105.3 million in 1973 and $1,915.2 million in 1972. Supplemental details required by the SEC are shown in the table below.

	(In millions)	
	1973	**1972**
SUPPLEMENTAL COST DETAILS		
Company funded research and development using National Science Foundation definitions	$330.7	$303.2
Maintenance and repairs	319.6	270.4
Social security taxes	225.8	167.5
Advertising and sales promotion	170.5	149.0
Rent	86.6	71.5

MARSHALL FIELD & COMPANY (JAN)

Notes to Financial Statements

Note 2: Total costs as reported to the Securities and Exchange Commission are classified as follows:

	Fiscal Year	
	1973	**1972**
Cost of goods sold, buying and occupancy expenses	$368,893,201	$345,456,865
Selling, general and administrative expenses	112,926,710	105,297,641
Interest expense	1,389,658	1,376,709
Interest (income)	(1,861,868)	(900,381)
	$481,347,701	**$451,230,834**

Lease Disclosure

PITNEY-BOWES, INC. (DEC)

Notes to Consolidated Financial Statements

Note 10: Leases— In addition to factory and office facilities owned outright, the company leases sales-service offices and other properties, generally under long-term lease agreements extending from 15 to 30 years.

Total rental expense included in the consolidated statement of income for 1973 and 1972 was $11,034,000 and $10,254,000, respectively. The minimum rental commitments under all non—cancelable leases as of December 31, 1973 are as follows: 1974, $8,828,000; 1975, $8,327,000; 1976, $7,306,000; 1977, $6,877,000; 1978, $5,873,000; 1979-83, $22,465,000; 1984-88, $18,071,000; 1989-93, $10,415,000; and, after 1993, $14,809,000.

In its Form 10-K for 1973, the company will report data relating to the present value of financing leases, as defined by the Securities and Exchange Commission, and the impact, if any, on net income if such leases were capitalized.

Separate Financial Statements for Investee in SEC Report

BUCYRUS-ERIE COMPANY (DEC)

Notes To Financial Statements

Ruston-Bucyrus, Limited— Summarized financial information of Ruston-Bucyrus, Limited follows:

	December 31	
	1973	**1972**
ASSETS		
Current assets	$30,538,957	$38,691,556
Other assets	11,397,865	728,713
Property, plant and equipment — net	10,130,420	9,660,634
	$52,067,242	**$49,080,903**
LIABILITIES AND SHAREHOLDERS' INVESTMENT		
Current liabilities	$7,711,786	$9,137,163
Deferred liabilities	1,073,295	839,519
Shareholders' investment	13,282,161	39,104,221
	$52,067,212	**$49,080,903**
Revenues	$40,859,787	$35,289,211

Separate financial statements of Ruston-Bucyrus, Limited are included in reports filed with the Securities and Exchange Commission.

General Reference To Differences

THE BENDIX CORPORATION (SEP)

Financial Review (Page 22)

Annual Report to the Securities and Exchange Commission on Form 10-K— The consolidated financial statements and related footnotes appearing on pages 23 through 31 of this report are substantially the same as those which appear in the Corporation's report to the Securities and Exchange Commission on Form 10-K. In compliance with the regulations of the Securities and Exchange Commission, the form 10-K report includes certain additional financial information.

The Annual Report on Form 10-K will be made available to interested stockholders upon written request to the Director—Investor Relations of The Bendix Corporation.

OPINIONS OF THE ACCOUNTING PRINCIPLES BOARD

Effective June 30, 1973 the Financial Accounting Standards Board replaced the APB as the source of authoritative accounting pronouncements but the APB opinions will retain their authority until amended or replaced by pronouncements of the FASB.

Table 1-25 summarizes references to APB Opinions. Examples of such references and of references to Industry Accounting Guides issued by the AICPA follow.

TABLE 1-25: REFERENCE TO APB OPINIONS

Subject of Opinion	1973	1972	1971	1970
Reporting results of operations	31	1	2	1
Intangible assets	26	28	12	2
Income taxes	22	38	7	6
Equity method	9	34	45	2
Earnings per share	6	4	9	26
Other	5	15	26	9
Total References	**99**	**120**	**101**	**46**

Intangible Assets

WALTER KIDDE & COMPANY, INC. (DEC)

Notes to Financial Statements

Significant Accounting Policies— All majority owned subsidiaries are consolidated and all intercompany items are eliminated in consolidation. For these purposes United States Lines is not considered to be a subsidiary (see "Contract to Sell United States Lines").

Asset, liability and income accounts carried in foreign currencies are translated into U.S. dollars at the rates of exchange prevailing at the end of the year except that land, buildings and equipment are translated at rates approximating those prevailing at dates of acquisition. Adjustments resulting from fluctuations in exchange rates were not significant.

Inventories are stated at the lower of cost, determined on a first-in, first-out basis, or market. Property is depreciated principally on a straight-line basis over the estimated useful lives of the related assets.

The excess of cost over related net assets applicable to businesses acquired prior to November 1, 1970 is not being amortized as it is believed to have continuing value; that applicable to businesses acquired after October 31, 1970 ($33,514,392) is being amortized on a straight-line basis over forty years in accordance with Accounting Principles Board Opinion No. 17.

The Equity Method of Accounting For Investments in Common Stock

RANCO INCORPORATED (SEP)

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of Accounting Policies: International Subsidiaries and Affiliates— The consolidated financial statements include the accounts of the Company and all of its wholly-owned subsidiaries. The Company accounts for its investments in affiliates, Ranco Japan Limited (45% interest), Australian Controls Limited (16.3% interest) and Controles Automaticos S.A. (40% interest) on the equity basis of accounting since management deems that its investment position in these affiliates is consistent with all of the requirements of Accounting Principles Board Opinion No. 18 (See Note 2).

STANDARD PRESSED STEEL CO. (DEC)

Summary of Significant Accounting Policies

Investment In Affiliates— In accordance with Opinion No. 18 of the Accounting Principles Board, as of January 1, 1972 the company changed its method of accounting for investments in affiliates, owned more than 20% but not in excess of 50%, from the cost to the equity method. Under the equity method of accounting, investments are recorded at cost increased by the company's share of unremitted earnings since date of acquisition. Prior to 1972, investments in affiliates which were 50%-owned were carried on the equity method, but investments less than 50%-owned were carried at cost. The effect of the change was to increase earnings before extraordinary item for 1972 by $190,000 (4 cents per share).

Interest on Receivables and Payables

METRO-GOLDWYN-MAYER INC. (AUG)

Notes to Financial Statements

Note 2 (in part): Summary of Accounting Policies: Discounting of Long-Term Receivables— In accordance with principles adopted by the accounting profession in 1971, the Company is discounting to present value long-term noninterest bearing receivables arising from television licensing agreements executed subsequent to September 30, 1971, using an interest factor related to the prime rate at the date of entering into the licensing agreements.

Income Taxes

ASHLAND OIL, INC. (SEP)

Accounting Policies

Income Taxes— Deferred income taxes are provided for all significant timing differences, including an additional amount for Canadian taxes ($2,847,000 for 1973 and $2,700,000 for 1972) provided in consolidation on income reported by Ashland Oil Canada Limited. Deferred income taxes are not provided for differences considered to be of a more permanent nature under Accounting Principles Board Opinion No. 11, such as statutory percentage depletion allowances, intangible development costs on productive wells and certain marine income (tax reduction of $1,314,000 in 1973 and $1.775.000 in 1972) set aside in statutory reserves.

In accordance with Accounting Principles Board Opinion No. 23, no provision has been made for U.S. income taxes on undistributed earnings of $25,900,000 (including $19,500,000 for Ashland Oil Canada Limited) of foreign subsidiaries as the Company has reinvested or intends to reinvest such undistributed earnings.

Investment tax credit is accounted for as a reduction of income tax expense under the flow-through method.

HARRIS-INTERTYPE CORPORATION (JUN)

Notes to Financial Statements

Summary of Significant Accounting Policies (in part) — Income taxes, which include United States, international, state and local income taxes, are reduced by benefits earned under DISC export sales legislation and by investment tax credits which are accounted for by the flow-through method. Deferred taxes are provided for timing differences arising primarily from the use, for income tax purposes, of the installment sales method of accounting and of completed contract accounting for long-term contracts. In accordance with Accounting Principles Board Opinion No. 23, United States income taxes were provided during 1973 for undistributed earnings of an international subsidiary; such taxes for prior years, which do not have a significant effect on any one year, have been charged to retained earnings. Current income tax liabilities include deferred taxes of $18,350,000 at June 30, 1973 and $20,520,000 at June 30, 1972. Provisions for income taxes in the statement of income include a deferred tax credit of $2,810,000 in 1973 and a deferred tax charge of $2,780,000 in 1972. Investment tax credits are not significant in either year.

KEYSTONE CONSOLIDATED INDUSTRIES, INC. (JUN)

Notes to Consolidated Financial Statements

Note A (in part): Income Taxes— The Company provides for income taxes currently payable and, in addition, provides for deferred income taxes resulting from timing differences between financial and taxable income. Since July 1, 1968, the investment tax credit has been recorded on the flow-through method of accounting. Credits for prior years, which were deferred, are being amortized over the useful lives of the related assets.

In compliance with Opinion 24 of the Accounting Principles Board, the Company retroactively changed its method of accounting to provide appropriate income taxes on undistributed earnings from investments in companies accounted for under the equity method. The 1972 financial statements have been restated to include this change, the effect of which was to reduce retained earnings at the beginning of fiscal 1972 and increase deferred federal income taxes by $785,000. Net earnings for 1972 have been decreased by $131,000 or $.07 per share; the effect on net earnings in 1973 was a decrease of $126,000 or $.07 per share. No provision has been made for income taxes on approximately $650,000 of cumulative undistributed earnings of foreign subsidiaries as provided in Opinion 23 of the Accounting Principles Board, since it is the Company's intention to permanently invest such earnings.

Stock Issued to Employees

AMP INCORPORATED and PAMCOR, INC. (DEC)

Notes to Combined Financial Statements

Note 8: Stock Plus Cash Bonus Plan and Treasury Stock— All of the Endorsed Shares held in the treasury (1973— 462,688; 1972— 502,971) are available for payment of stock bonuses under the incentive Stock Plus Cash Bonus Plan. The number of shares and cash (a fixed percentage of the value of the shares) distributed is determined by the appreciation in market value of the Company's stock.

For years prior to 1973, the Company's accounting for the Stock Plus Cash Bonus Plan had no effect on net income because the charges to pretax income were offset by reductions in income taxes, as the market value of the shares distributed (which was substantially in excess of cost) was, and is currently, allowable as a corporate tax deduction.

Due to the adoption of Accounting Principles Board Opinion No. 25 by the A.I.C.P.A., since January 1, 1973, generally accepted accounting principles restrict financial recognition of tax benefits resulting from stock compensation plans to only those tax benefits related to

recognized compensation expense. Tax benefits in excess of that amount are added to Other Capital. In 1973, additions to Other Capital and decreases in net income, as a result of the mandatory change in accounting were $1,274,000 (3 cents per share).

During the year ended December 31, 1973, treasury stock was increased through the purchase of 48,500 shares costing $1,892,000. Charges to income for distributions under the Plan totaled $3,111,00 in 1973 and $2,309,000 in 1972, and included shares and related costs of 88,783 and $1,611,000 in 1973 and 101,196 and $1,052,000 in 1972.

For awards granted before and outstanding on December 31, 1973, and based on the market price as of that date, 400,000 shares would be distributed in the years 1974 through 1981.

Reporting the Results of Operations

BELDING HEMINWAY COMPANY, INC. (DEC)

Notes to Financial Statements

Note H: The Company has changed its reporting of the results of operations to comply with Opinion 30 of the Accounting Principles Board of the American Institute of Certified Public Accountants. Therefore, in 1973, the loss on discontinuance of businesses referred to in Note A has been included under the caption, "Discontinued Operations," whereas such transactions would have been reported as Extraordinary Items prior to this change.

Opinion 30 generally prohibits restating the results of operations for 1972. Had the Opinion been in effect for 1972, net income would have been the same and the gain of $394,000 ($.13 per share) from the sale of warehouse would not have been reported as an Extraordinary Credit.

CELANESE CORPORATION (DEC)

Notes

Extraordinary Items (in part)— As required by Opinion No. 30 of the Accounting Principles Board, effective for events and transactions that occurred after September 30, 1973, the Corporation has changed its criteria for the types of items to be included in determining income before extraordinary items in the consolidated statements of income. As a result, goodwill written off in 1973 was not considered an extraordinary item. The Opinion prohibits restating earlier years' financial statements. However, had the Opinion been in effect for the years 1969 through 1972 and for all of 1973, all items reported as extraordinary in the accompanying financial statements would have been included in income before extraordinary items except the $20 million income tax benefit reported in 1970. The amounts reported as income before extraordinary items would have been the same as those reported as net income/(loss) for all years except 1970; for that year, net income would have been unchanged but income before extraordinary items would have been $33 million ($2.16 per common share, primary, and $2.14 per common share, fully diluted).

HUDSON PULP & PAPER CORP. (DEC)

Notes to Financial Statements

Summary of Significant Accounting Policies (in part): Extraordinary Credit— Based upon a bid accepted in July 1973, on September 4, 1973 the Company entered into a contract to sell a substantial portion of its Maine woodlands. The contract provided that the purchaser receive equitable title in timber operations from September 5, 1973, and closing was subject only to purchaser's satisfaction as to title; the transaction was closed on November 1, 1973. The woodlands, which had a net book value of $572,000, were formerly used to supply timber to the Company's mill in Maine which was sold in August 1968. The gain on the sale of woodlands is shown as an extraordinary credit in accordance with "Accounting Principles Board Opinion No. 9-Reporting the Results of Operations" because the sale had been substantially consumated on September 4, 1973. The Company has chosen not to retroactively apply the provisions of "Accounting Principles Board Opinion No. 30-Reporting the Results of Operations" effective for events and transactions occurring after September 30, 1973 which would require the reporting of the gain (before income taxes) as a separate component of income from operations and not as an extraordinary item because it believes the segregation of the gain as an extraordinary item to be the preferable treatment.

LIGGETT & MYERS INCORPORATED

Notes to Financial Statement

Note 7: Corporate Office Relocation— During 1973, the Company provided a charge against earnings of $3,040,000 for estimated costs to be incurred in the relocation of the Corporate office from New York to Durham, North Carolina. Accounting Principles Board Opinion No. 30, issued in 1973, required the changing of criteria for the types of items to be included in determining earnings before extraordinary items. Accordingly, the 1973 provision for estimated costs to be incurred in the relocation of the Corporate office was included in determining earnings before extraordinary credit in the accompanying statement of consolidated earnings. During 1972, the Company established a provision for a similar transaction and presented such transaction as well as certain other transactions as extraordinary items in conformity with accounting principles then generally accepted (see Note 4). Opinion No. 30 prohibits restating the 1972 financial statements included in the 1973 annual report. Had the Opinion been in effect for both 1973 and 1972, net earnings would have been the same, but earnings before extraordinary credit for 1972 would have been $27,816,680 ($3.22 primary per share and $3.18 fully diluted per share) computed as follows:

	Years Ended	
	Dec 31	**Dec 31**
Earnings before extraordinary credit	$29,234,523	$30,033,762
Closing and discontinuance of certain domestic operations	---	(2,758,900)
Discontinuance of operations and liquidation of investments in certain foreign subsidiaries	---	541,818
	$29,234,523	**$27,816,680**

Disclosure of Lease Commitments

GARLOCK INC. (DEC)

Notes to Financial Statements

Note 1 (in part): Lease Purchase Agreements— Agreements for the leasing of plant and equipment are treated in conformity with Accounting Principles Board Opinion No. 5 and all installment purchases are reflected as long-term liabilities with the related property capitalized. See Note 8 for disclosures required by Accounting Principles Board Opinion No. 31.

Note 8: Rent Expense and Lease Commitments— Rent expense amounted to $1,335,000 in 1973 and $1,046,000 in 1972. Rentals on noncapitalized financing leases included in these amounts were $426,000 and $360,000 in 1973 and 1972 respectively.

The approximate minimum rental commitments under noncancellable leases, principally real estate, are as follows:

	Total	Financing Leases	Other Leases
1974	$ 1,174,000	$ 487,000	$ 687,000
1975	903,000	501,000	402,000
1976	803,000	487,000	316,000
1977	630,000	370,000	260,000
1978	387,000	219,000	168,000
1979-1983	967,000	741,000	226,000
1984-1988	634,000	575,000	59,000
1989-1993	658,000	575,000	83,000
1993 and beyond	8,855,000	8,855,000	---
Total	$15,011,000	$12,810,000	$2,201,000

Included above are minor amounts of financing and other leases for machinery and motor vehicles.

There would not have been a significant effect on the accompanying financial statements if the financing leases shown above had been capitalized.

Accounting Guides

GULF+WESTERN INDUSTRIES, INC. (JUL)

Notes to Consolidated Financial Statements

Note A (in part): Significant Accounting Policies: Inventories— Inventories are generally determined using the lower of cost (primarily first-in, first-out method) or net realizable value.

Inventories produced for theatrical and television distribution (which include production and direct exploitation costs) are stated at the lower of cost less amortization or market. Such inventories are amortized on an individual product basis in the proportion that current revenues bear to estimated total revenues. Due to the recent publication of an accounting guide by the American Institute of Certified Public Accountants entitled Accounting for Motion Picture Films, the Company on August 1, 1972 was required to recognize revenues arising from television licensing agreements on the date the license period commences, rather than on the date of execution of such agreements which was used prior to August 1, 1972. This change in accounting policy did not have a material effect on the results of operations of the Company. Also to comply with the requirements of the accounting guide, the Company has classified inventory (primarily amounts allocated to secondary markets) which will not be realized within twelve months as a non-current asset and has reclassified the 1972 balance sheet and statement of changes in financial position to conform to this practice.

Inventories of sugar sold but not shipped are stated at estimated sales price less estimated costs of disposal.

INLAND STEEL COMPANY (DEC)

Statement of Accounting and Financial Policies

Housing and Commercial Development and Construction Income— Subsidiaries of the Company are engaged in the development and construction of residential and commercial properties. In accordance with the recently issued AICPA real estate accounting guide, income associated with development activities is deferred until the collectability of the sales price is reasonably assured and the earnings process is complete. Income associated with construction activities under contract is recognized under the percentage of completion method.

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:

> 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 but several of them disclosed, usually in sections of the annual report not covered by an auditors' opinion, the percentage or dollar impact of inflation on costs or operating results. The Financial Accounting Standards Board is currently studying whether there is a need to make the presentation of price level information a reporting requirement. Discussions of, or references to, economic price-level changes or inflation were included in 140 annual reports. Reference to the effects of various phases

of the Economic Stabilization Program were made by 198 companies. Examples of discussions of the impact of economic conditions on financial results follow.

ASG INDUSTRIES, INC. (DEC)

To the Shareholders

While the unfavorable effects of furnace rebuilds were foreseen, significant price increases of raw materials and supplies were not. We experienced severe material shortages as well as cost increases, and, in some instances, we were forced to pay more than double 1972 prices. Because some materials were not available in sufficient quantity, expensive substitutes were used which also created some operating problems.

We are convinced that the economic controls system initiated by our Government has outlived its usefulness. The hindrance and obstruction of these controls to our previously proven successful free enterprise system have assuredly led to material shortages which, in turn, increased the very inflationary pressures the controls were intended to combat. They have proven counterproductive. In our judgment, an early end to controls would be beneficial to the long-term health of our national economy.

Traditionally, natural gas has been the most economical fuel used in glass processing. Due to the scarcity of natural gas, we have supplemented same with fuel oil at a substantial premium in operating costs. At the present time, the Company has an adequate supply of fuel for all its operations, but the continued availability of this supply is directly dependent on any allocation program adopted by the Federal Government. Because virtually all products sold by the Company are dependent on these fuels, any reduction in their availability could have a negative effect on glass production.

To conserve energy, plans have been implemented to reduce the use of energy through computer monitoring and control of furnace temperatures, lowering thermostat settings during the winter at all locations, eliminating all but essential lighting, and encouraging the use of car pools.

In 1974, we expect a continuation of major cost increases for materials and supplies as well as material shortages. As examples, beginning in January 1974, natural gas prices were increased 17 percent and fuel oil was increased 36 percent. The glass industry cannot continue to absorb these cost increases without increasing the price of the finished product. We initiated action to increase prices of certain products at the end of 1973.

BETHLEHEM STEEL CORPORATION (DEC)

The Year in Review

The past year has to be viewed with mixed emotions. It was the best year in the history of Bethlehem in terms of steel production, shipments, sales and net income. In all those respects we made a strong comeback from the depressed levels of the three preceding years.

Compared with our performance in 1972, raw steel production in 1973 increased from 18.3 million to 23.7 million net tons, shipments of steel products rose from 12.5 million to 16.6 million net tons and revenues climbed from \$3.1 billion to \$4.2 billion. Net income for the year improved from \$134.6 million to \$206.6 million, or from \$3.02 to \$4.72 a share.

Nevertheless our earnings weren't what they could and should have been, and our profit margins remained disappointingly low. By way of illustration, net income was only about 8% higher than it was in 1957, our previous "record" earnings year — although we shipped some 3 million more tons last year than in 1957. In 1973 our return on revenues was 4.9%, as compared with 7.3% in 1957, and our return on stockholders' equity was 9.7%, as compared with 14.4% in 1957. In fact, our 1973 earnings were about 30% lower than 1957's in constant dollars — that is, adjusting the figures to compensate for the effects of inflation.

The cause of lagging margins in a year of booming demand and all-out production was the Federal price control program, which kept a tight rein on steel prices even though most of our costs increased dramatically.

With the rest of the steel industry, we argued our case for price relief throughout the year, but with little success. On two occasions I testified before the Cost of Living Council, pleading for at least a full pass-through of increased costs. Some relief was granted, but not nearly enough.

It's quite obvious that the steel industry needs additional price relief in order to reach even average levels of economic performance by manufacturing industries generally. For that reason, we've used every possible opportunity to advance our contention that steel prices should be freed from all forms of artificial, inhibiting and distorting controls. The fact that imported steel products commanded premiums far above domestic prices throughout the year clearly shows that the marketplace would have supported substantially higher prices for our products.

BORG-WARNER CORPORATION (DEC)

Financial and Operating Review (Page 3)

Borg-Warner Sets New Highs Despite Major Concerns— In 1973, Borg-Warner Corporation again achieved record sales and earnings. Results were improved over those of prior years by nearly every measure of performance.

Sales for the year rose 20.5 percent from the 1972 level, exceeding the \$1.5 billion mark for the first time. Net earnings rose 20.3 percent above those of 1972.

It is especially frustrating to realize that inflation was responsible for a large part of the improvement made by Borg-Warner and other corporations as well.

When adjusted for the GNP deflator factor, Borg-Warner 1973 net earnings show a real growth of 11 percent in terms of constant dollars.

A true growth of 11 percent is a respectable performance, particularly considering the problems faced: runaway prices despite price controls; almost runaway demand that in many cases outpaced the capacity of industry to deliver; and shortages of energy and materials. That the company was able to achieve record results in

spite of these problems is a great tribute to Borg-Warner employees everywhere.

E. I. DU PONT DE NEMOURS & COMPANY (DEC)

To the Stockholders (Page 3)

Inflation continued to be a serious problem in 1973, and impacted Du Pont in many ways. We continue to believe that inflationary pressures are best controlled through restraint in governmental spending, prudence in expansion of the money supply, and by the checks and balances inherent in a free market economy. Wage and price controls in the U.S. have proven counter-productive; inflation has not been checked and channels of distribution have been artificially distorted.

Among the consequences of inflation is the fact that Du Pont's 1973 performance, although a record in current dollars, must be viewed in a different light if the inflationary trends of recent years are taken into consideration. The 1973 earnings of $12.04 per share surpass the previous record ($8.88 in 1965) by 36 per cent, but over the same period the value of the dollar as measured by the Consumer Price Index declined by more than 40 per cent.

The near-term business outlook is threatened by shortages of raw materials and the downturn in housing starts and automotive production. It is apparent that Du Pont faces continuing substantial cost increases that cannot be recovered fully except through upward movement of its selling prices.

FALSTAFF BREWING CORPORATION (DEC)

Dear Shareowner (Page 3)

A return to profitable operation could not be achieved in 1973, because of a number of adverse factors which were wholly beyond our control and largely unpredictable. Among these was the incredible up-surge in the cost of agricultural products—particularly barley and corn — which are basic raw materials used in the brewing of beer and ale. The price of barley alone more than doubled in 1973 over historic levels. As a result of these commodity price jumps, production costs increased by over $5 million for the year.

Increased prices for cans, bottles, cartons, and other packaging materials added approximately $2.7 million to the cost of doing business in 1973. The increased costs of production attributable to utilities, transportation, insurance, taxes and wage rates were also substantial.

Still another negative factor affecting our financial performance in 1973 was the high cost of interest on the company's debt, which amounted to $2,464,000 in 1973 versus $1,588,000 in 1972, an additional cost factor of nearly $876,000.

We were also adversely affected by a 10-day strike of production workers at the Cranston, Rhode Island, brewery, a 30-day strike at the Company's malting plant in Chicago; and a greater than expected sales volume decline during the first nine months of 1973.

Price increases to offset the rising costs were small and very slow in coming, first, because of the price freeze, and, secondly, because of the reluctance of the brewing industry to institute sorely needed price increases even after the freeze was lifted.

FEDERATED DEPARTMENT STORES, INC. (JAN)

Notes to Consolidated Financial Statements

Note 2: Effect of Inflation— Inflation in the cost of goods sold reduced net earnings by $8,315,000 in 1973 and $1,452,000 in 1972. These amounts were calculated from the increase in the appropriate Bureau of Labor Statistics index used in determining the value of the year-end LIFO inventory.

INTERSTATE BRANDS CORPORATION (DEC)

To Our Shareholders (Page 2)

As reflected by the minimal profit earned for the year, 1973 was a most difficult year for your company. Throughout the year profits continued to be squeezed between rapidly rising costs and governmental price controls which did not permit adequate price relief. For example, flour costs for 1973 were up 40%; fats and oils increased 51% and eggs 71%, contributing to an overall ingredients cost increase of 28%. Similarly, fuel costs were up 25%, contributing to an overall fleet cost increase of 14%. Furthermore, the oil shortage has been reflected in sharply higher costs for polyethylene bags and other packaging materials.

THE PROCTER & GAMBLE COMPANY (JUN)

To Our Shareholders

Rising Costs and Price Controls— As the result of rapidly rising raw material costs and price controls which prevented our ability to cover these costs, our U.S. earnings were considerably below what they would otherwise have been.

We are, for example, a major user of agricultural products. Our cost of tallow, coconut oil, soybean oil and cottonseed oil all rose between 50% and 100% between January and June, 1973. Our cost of green coffee, wood pulp, peanuts, flour, potatoes, and other agricultural products which we buy in quantity also rose during the fiscal year. This upward movement in our raw material costs took place under price controls — including Phase II, Phase III, and the freeze following Phase III. Under price controls we were not able to recover our increased costs in higher prices for our own products. This had a substantial negative effect on our earnings during the fiscal year which ended on June 30.

It should be noted that Phase IV, which was announced just a few weeks ago on July 18, will not relieve the pressure on our earnings. The exact rules and regulations of this program have not yet been published as this letter goes to press and, of course, the exact cost as well as the availability of our raw materials cannot yet be ascertained. However, it now looks as if — at least for the next month or two — the unfavorable impact on our U.S. earnings could be magnified rather than diminished under this latest version of price controls.

A. O. SMITH CORPORATION (DEC)

1973 In Review/Finance

Price Controls— During 1973, the company's profit margins continued to be affected by price controls in that some cost increases experienced by the company were not passed on to the customer, as had been past practice, subject, of course, to the limitations placed upon the company by the free market place. Price control regulations requiring prior approval of all price increases cause the company to absorb the increased costs between the time they become effective and the time the Cost of Living Council permits higher selling prices. Even more serious, however, is the Phase IV regulation that requires a company to reduce its proven cost increases by a productivity factor which is established by the Cost of Living Council and may or may not bear a resemblance to what an individual company actually experiences in productivity improvements. In the case of A. O. Smith, 1973 saw several of the company's major businesses working beyond efficient capacity which tended to reduce productivity rather than improve it. The company is hopeful that in 1974 price controls will come to an end, thus permitting margins to return to more reasonable levels.

WEYERHAEUSER COMPANY (DEC)

Financial Review (Page 22)

Sales and Earnings— For the second year in a row, Weyerhaeuser Company reported record levels of sales, net earnings, earnings per common share and operating cash flow.

Net sales of $2.3 billion were up 37%, principally reflecting increases in both the volume and prices of pulp, paper and paperboard products and raw materials. These gains were achieved as a result of the continued recovery of the pulp and paper industry worldwide and strong price patterns in wood products resulting from a tight world supply coupled with the devaluation of the dollar.

Net earnings of $349 million were up from the $158 million reported last year and earnings per common share of $2.74 were more than double the $1.17 earned in 1972.

Although Weyerhaeuser Company achieved record financial results, it shares the growing concern that present financial accounting and reporting practices which are based on historical costs fail to reflect the increasingly adverse impact of inflation on many companies' results. This is particularly true in the case of capital intensive industries where property, plant and equipment have been held for many years. Current accounting practices mismatch allocated historical cost, such as depreciation of the original investment, against sales measured in today's inflated dollar. A better measure of real profits would result if historical costs were adjusted for changes in general price levels, thereby giving effect to the impact of inflation. This is a matter to which the company is giving increased attention in the evaluation of its operating results.

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

	1973	1972	1971	1970
Balance Sheet	527	522	530	518
Statement of Financial Position	57	58	49	57
Statement of Financial Condition	16	20	21	25
Other Titles	--	--	--	--
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

	1973	1972	1971	1970
Account form (*15, 77, 146)	580	578	577	570
Financial position form (*51, 126, 296)	16	18	20	26
Other (*434, 518)	4	4	3	4
Total Companies	**600**	**500**	**600**	**600**

*Refer to Company Appendix Section.

TABLE 2-3: CASH — BALANCE SHEET DESCRIPTION

	1973	1972	1971	1970
Cash	462	456	470	482
Cash includes certificates of deposit or time deposits	79	66	59	46
Cash combined with marketable securities	55	72	64	64
Cash in banks and on hand	4	6	7	8
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*. Sixty-six companies presented, in addition to a caption containing the word *cash*, a separate caption for cash items such as certificates of deposit or time deposits. One hundred twenty five companies referred to compensating balances. Examples of captions for cash and cash items follow. Examples of disclosures concerning compensating balances are presented below and in connection with Table 2-40.

AMP INCORPORATED AND PAMCOR, INC. (DEC)

CURRENT ASSETS:	
Cash	$6,717,000
Time deposits	3,393,000

BEMIS COMPANY, INC. (DEC)

CURRENT ASSETS:	
Cash (Note 9)	$8,529,000

Note 9: Compensating Balances— Under informal agreements with lending banks, the Company maintains on deposit with the banks compensating balances, generally 10% of unused lines of credit and 10% of outstanding loan balances.

At December 31, 1973, $4,647,000 of the cash balance shown in the balance sheet represented a compensating balance after adjusting for difference of "float" between the balance shown by the books of the Company and records of the banks.

BOISE CASCADE CORPORATION (DEC)

	1973	1972
	($ thousands)	
CURRENT ASSETS:		
Cash and short-term investments (Note 2)	$186,751	$75,176

Note 2: Cash, Short-term Investments and Notes Payable— The Company has informal arrangements with various banks under which average compensating balances are to be maintained equal to approximately 15% of certain loans and commitments. During the year ended December 31, 1973, the average amount of compensating balances was $39,000,000.

Cash and short-term investments at December 31, 1973 and 1972 consisted of the following:

	December 31	
	1973	1972
	($ thousands)	
Cash on hand and demand deposits	$40,623	$70,400
Time deposits and certificates of deposit	126,812	867
Short-term investments, at cost which approximates market	19,316	3,909
	$186,751	**$75,176**

BRIGGS & STRATTON CORPORATION (JUN)

CURRENT ASSETS:	
Cash	$ 4,710,000
Certificates of deposit, including accrued interest	38,696,000

CRANE CO. (DEC)

CURRENT ASSETS:	
Cash	$15,492,229

Financial Review

Long and Short-Term Financing— Long-term debt was reduced by $32,816,000 during 1973 compared with a net amount of $17,213,000 during 1972. The 1973 decrease was accounted for principally by a prepayment in December of $18,965,000 of the CF&I Steel Corporation first mortgage and collateral trust bonds.

At December 31, 1973, the principal amounts of long-term debt repayments required for the next five years were $6,312,000 in 1974; $5,695,000 in 1975; $7,955,000 in 1976; $15,348,000 in 1977; and $7,450,000 in 1978.

At December 31, 1973, there were $45,000,000 of unused short-term credit lines available with various domestic and foreign banks, and such lines are subject to annual review. The Company's cash management system is such that cash balances recorded in its accounts are substantially less than actual cash on deposit in banks. This excess, commonly referred to as float, is used by the Company to satisfy its informal practice of maintaining compensating balances on deposit with banks.

MILTON ROY COMPANY (DEC)

CURRENT ASSETS:	
Cash	$291,243

Notes to Consolidated Financial Statements

Note 4 (in part): Notes Payable— At December 31, 1973, after adjusting for differences of "float" between the balance shown by the books of the Company and the records of the bank, none of the cash shown in the balance sheet represented a compensating balance.

NORTH AMERICAN PHILIPS CORPORATION (DEC)

CURRENT ASSETS	
Cash	
Unrestricted	$ 12,918,611
Segregated (Note 2)	20,000,000
Time deposits	7,660,589
	40,579,200
Commercial paper, at cost (of which $20,000,000 was converted to cash January 2, 1974)	20,129,440
Accounts and notes receivable	
Sale of product, less estimate for doubtful accounts, allowances and returns— $7,270,336 ($5,214,264—1972)	137,804,904
Other	9,802,525
	147,607,429
Inventories, at the lower of cost or market	
Finished product	96,603,286
Work in process, materials, parts and supplies	62,484,263
	159,087,549
Prepaid expenses	3,018,879
Total current assets	**$370,422,497**

Note 2 (in part): Acquisitions— In connection with one of the aforementioned acquisitions, a contractual payment was made on January 2, 1974, and $20,000,000 of cash required therefor has been segregated in the 1973 consolidated balance sheet.

XEROX CORPORATION (DEC)

	($ thousands)
CURRENT ASSETS	
Cash	$ 24,204
Bank time deposits, interest bearing	94,191
Marketable securities, at cost which approximates market	106,493
Trade receivables (less allowance for doubtful receivables: 1973— $30,213; 1972— $28,192)	523,982
Accrued rentals	151,191
Inventories, at lower of average cost or market	301,699
Prepaid expenses and other current assets	77,320
Total current assets	**$1,279,080**

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.

TABLE 2-4: MARKETABLE SECURITIES

Basis of Valuation	**1973**	**1972**	**1971**	**1970**
Cost	251	259	244	225
Cost plus accrued interest	32	25	33	41
Lower of cost or market	10	7	11	14
Market value or approximate market value	7	4	4	6
Amortized cost	3	7	6	9
Other	1	3	3	3
Subtotal	**304**	**305**	**301**	**298**
Basis of valuation not set forth	70	73	76	83
Total presentations	**374**	**378**	**377**	**381**
Reference to Market				
Approximate market	235	235	216	211
Market value stated (above and below cost)	25	25	31	30
No reference to market	114	118	130	140
Total	**374**	**378**	**377**	**381**
Number of Companies				
Marketable securities in current assets	375	375	372	376
No marketable securities in current assets	225	225	228	224
Total	**600**	**600**	**600**	**600**

At Cost - Approximates Market

ARCHER DANIELS MIDLAND COMPANY (JUN)

CURRENT ASSETS	
Cash	$ 6,469,824
Marketable securities at cost less allowance of $136,000– approximately market	26,701,276

ARVIN INDUSTRIES, INC. (DEC)

CURRENT ASSETS	
Cash	$5,835,359
Marketable securities–at cost (approximates market):	
Unrestricted	3,066,053
Restricted	1,810,663

Notes to Financial Statements

Note C: Marketable Securities-Restricted– Marketable securities aggregating $1,810,663 at December 30, 1973, together with certain parcels of land purchased from proceeds of real estate project development short-term loans, were pledged as security for such short-term loans of $2,572,410.

THE BLACK AND DECKER MANUFACTURING COMPANY (SEP)

	($ thousands)
CURRENT ASSETS	
Cash	$9,267
Marketable securities–at cost which approximates market	234
Trade notes and accounts receivable, less allowances (1973–$2,774,000; 1972–$2,244,000) for doubtful accounts and discounts	94,699
Inventories–at the lower of cost (first-in, first-out) or market:	
Finished products	77,333
Work in process	31,699
Raw materials	39,496
	148,528
Prepaid expenses	7,543
Total current assets	**$260,271**

THE SHERWIN-WILLIAMS COMPANY (AUG)

	($ thousands)
CURRENT ASSETS	
Cash	$12,671
Short-term investments	4,101

Notes to Consolidated Financial Statements

Note A (in part): Short-Term Investments– Short-term investments are stated at cost which approximates market.

CARNATION COMPANY (DEC)

CURRENT ASSETS:	
Cash	$13,059,007
Short-term commercial obligations, at cost (approximately market)	95,613,875
Other marketable securities, at cost (quoted market value $14,241,000 and $17,036,000)	5,363,796
Accounts and notes receivable, less provisions of $5,196,702 and $4,386,446 for uncollectible accounts–	
Trade	136,273,958
Miscellaneous	14,294,108
Inventories, at lower of cost (principally first-in, first-out basis) or market	
Raw materials and supplies	86,935,246
Finished goods	155,234,648
Prepaid expenses and deposits	8,457,906
Total current assets	**$515,232,544**

Notes to Consolidated Financial Statements

Note 1 (in part): Marketable Securities and Dividend Income– The difference between cost and market value of securities as of July 31 has not been provided for in the accounts since management believes the decline in market value is of a temporary nature.

Dividends are recorded as of declaration date.

Note 3: (in part): Long Term Debt– During the year, the Company borrowed $10,000,000 from The Chase Manhattan Bank under a loan agreement which provides that the proceeds of the borrowings will be used to purchase or carry marketable securities listed on national securities exchanges. Borrowings are evidenced by unsecured notes due September 26, 1975; accordingly, ten million dollars of the investment portfolio has been classified as a noncurrent asset. The notes bear interest at rates ranging from the bank's prime rate in the first year to 110% of the bank's prime rate plus ½ of 1% in the third year. 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 an aggregate cumulative amount which does not exceed $1,500,000 plus 65% of net earnings subsequent to July 31, 1972, plus the cash proceeds received subsequent to July 31, 1972 from any sales of the Company's common stock. Retained earnings free of such restrictions amounted to approximately $1,960,000 at July 31, 1973.

THE PROCTER & GAMBLE COMPANY (JUN)

CURRENT ASSETS	
Cash	$13,631,000
Marketable securities, at cost (approximately market):	
Securities held to cover federal taxes on income	36,917,000
Other securities	344,256,000

At Cost—Market Value Stated

CHOCK FULL O'NUTS CORPORATION (JUL)

CURRENT ASSETS;			1973	1972
Cash			$2,368,514	$1,334,410
	1973	1972		
Investments (Note 3):				
Marketable securities, at cost:				
Public and common stocks–				
Public Utilities (market value 1973–14,245,294; 1972–$4,871,561)	$15,620,355	$5,006,038		
Industrials (market value 1973–$819,584; 1972–$1,663,049)	930,133	1,687,251		
Commercial paper and other (market value $2,020,000	---	2,000,000		
	16,550,488	8,693,289		
Due from brokers for securities sold (subsequently reinvested)	1,169,461	---		
Amount classified as non-current	(10,000,000)	---	7,719,949	8,693,289
Receivables, less allowance for doubtful accounts (1973–82,831; 1972–85,039)			3,692,122	2,341,333
Inventories			4,919,624	4,125,755
Prepaid expenses			274,123	153,642
Total current assets			**18,974,332**	**16,648,429**
Marketable Securities–amount invested with proceeds from long-term notes (Note 3)			10,000,000	---

GULF & WESTERN INDUSTRIES, INC. (AUG)

CURRENT ASSETS	
Marketable securities (estimated market value 1973–$84,000,000)–Note A	$96,057,000

Note A (in part): Marketable Securities—Marketable securities are carried at cost, unless the Company believes that a decline in market values represents a permanent impairment of the value of such securities.

MEREDITH CORPORATION (JUN)

	1973	1972
	($ thousands)	
CURRENT ASSETS:		
Cash	$5,810	$8,114
Marketable securities (at cost) (Market value 1973, $9,223; 1972, $10,515)	9,907	9,962

TIME INCORPORATED (DEC)

	1973	1972
CURRENT ASSETS		
Cash	$31,709,000	$27,521,000
Marketable securities–at cost:		
U.S. Government and other short-term securities (approximately market)	44,303,000	32,846,000
Preferred and common stocks–quoted market prices $31,800,000 in 1973 and $32,000,000 in 1972	27,236,000	26,887,000

WM. WRIGLEY JR. COMPANY (DEC)

	1973	1972
CURRENT ASSETS:		
Cash	$8,599,000	$10,180,000
Time deposits	7,556,000	6,077,000
Marketable securities, at cost (market value, 1973–$10,655,000; 1972–$10,735,000)	4,070,000	3,021,000

Cost Plus Accrued Interest

E.I. duPONT DE NEMOURS & COMPANY (DEC)

	1973	1972
	($ millions)	
CURRENT ASSETS:		
Cash and Marketable Securities	$343.7	$313.9

Summary of Significant Accounting Policies

Marketable Securities—Marketable securities are carried at amortized cost plus accrued interest, which is approximately equal to market value.

Notes to Financial Statements

Note 4: Cash and Marketable Securities

	December 31 1973	1972
Cash on hand and demand deposits	$ 74.2	$ 92.3
Interest-bearing time deposits	110.1	71.9
Interest-bearing negotiable certificates of deposit	125.0	.2
Other marketable securities	34.4	149.5
	$343.7	**$313.9**

A portion of the Company's cash balances serves to compensate banks for services and credit lines. Such balances are essentially unrestricted.

LOUISVILLE CEMENT COMPANY (DEC)

CURRENT ASSETS	
Cash	$ 942,712
U.S. Government securities—at cost and accrued interest—approximate market	10,149,359
Accounts and notes receivable, less allowance (1973–$169,329; 1972–$181,655)	3,477,914
Inventories—at lower of cost (first-in, first-out method) or market:	
Finished products, in-process and materials	3,082,385
Maintenance and operating supplies	2,727,079
	5,809,464
Prepaid expenses	86,074
Total Current Assets	**$20,465,523**

Lower Of Cost Or Market

GENERAL ELECTRIC COMPANY (DEC)

	($ millions)
CURRENT ASSETS	
Cash	$296.8
Marketable securities	25.3

1973 Financial Summary

Cash and marketable securities totaled $322.1 million at the end of 1973, an increase of $27.8 million from the end of 1972. Time deposits and certificates of deposit aggregated $134.4 million at December 31, 1973 and $113.7 million at December 31, 1972. Deposits restricted as to usage and withdrawal or used as partial compensation for short-term borrowing arrangements were not material.

Marketable securities are carried at the lower of amortized cost or market value. Carrying value was substantially the same as market value.

PPG INDUSTRIES, INC. (DEC)

	1973	1972
CURRENT ASSETS:		
Cash, including time deposits	$30,665,000	$29,454,000
United States Government and other marketable securities— at lower of cost or market	81,664,000	50,015,000

(Quoted market value: 1973, $81,762,000; 1972, $50,037,000)

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.

TABLE 2-5: TRADE RECEIVABLES — BALANCE SHEET CAPTION

	1973	1972	1971	1970
Accounts receivable	211	201	188	186
Receivables	170	170	176	173
Accounts and notes receivable	160	160	164	159
Trade accounts receivable	58	62	60	57
Other	1	7	12	25
Total Companies	**600**	**600**	**600**	**600**

TABLE 2-6: OTHER RECEIVABLES — TYPE

	1973	1972	1971	1970
Tax claims receivable (*5, 99, 666)	44	45	60	62
Installment notes or accounts (*33, 290, 401)	41	37	31	37
Due from government (*36, 276, 509)	28	22	22	24
Due from investees (*176,494,684)	27	25	22	21
Other— identified (*159, 505, 751)	62	62	52	58
"Other" etc.	103	103	109	109
Total Presentations	**305**	**294**	**296**	**311**

*Refer to Company Appendix Section.

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

COOK PAINT AND VARNISH COMPANY (NOV)

CURRENT ASSETS	
Cash	$ 1,671,071
Trade accounts receivable, less allowance of $350,000	8,531,749
Inventories of manufactured and semi-manufactured goods, jobbing goods, raw materials, and supplies—at lower of cost (first-in, first-out method) or market	16,765,635
Prepaid expenses	586,116
Recoverable Federal income taxes arising from overpayment of estimated tax	191,934
Total Current Assets	**$27,746,505**

TOBIN PACKING CO., INC. (OCT)

CURRENT ASSETS	
Cash	$ 1,042,171
Trade accounts receivable, net of allowance for collection losses (1973, $19,597; 1972, $21,075)	3,762,975
Inventories (Note 1)	
Livestock, meats and other merchandise	7,697,429
Manufacturing supplies	883,273
	8,580,702
Refundable income taxes (Note 1)	507,656
Prepayments and other current assets	742,732
Total current assets	**$14,636,236**

Note 1 (in part): Accounting Policies

Inventories— Inventories are valued at the lower of cost (determined on the first-in, first-out method) or market, which is not in excess of net realizable value.

Refundable income taxes— Refundable income taxes of the Company include loss and investment tax credit carrybacks to a prior year, and deposits on declarations made in excess of tax liabilities. The Company and its subsidiaries file separate Federal income tax returns.

The Company and its subsidiaries recognize investment tax credits on the flow-through method. Investment tax credits for 1973 and 1972 amounted to $52,204 and $50,364, respectively.

FOOTE MINERAL COMPANY (DEC)

	1973	1972
CURRENT ASSETS:		
Cash	$ 5,315,154	$ 2,889,566
Accounts receivable, less $100,000 provision for losses	15,427,824	14,355,145
Notes receivable	776,510	---
Recovery of Federal income taxes (note 3)	2,300,000	605,000

Note 3 (in part): Income Tax— Recovery of Federal income taxes for the years 1973 and 1972 consists of the following:

	1973	1972
Carryback of net operating loss to 1970 and 1969	$2,300,000	465,000
Overpayment of estimated income taxes	---	140,000
	$2,300,000	**605,000**

Installment Notes and/or Accounts

BRUNSWICK CORPORATION (DEC)

	($ thousands)
CURRENT ASSETS:	
Cash	$ 11,050
Bank time deposits	8,501
Notes and accounts receivable—	
Installment notes (Note 2)	$ 60,958
Unearned interest	(11,686)
Accounts	105,093
Allowance for possible losses on receivables	(10,660)
	$143,705

Note 2: Installment Notes Receivable— The maturities of installment notes, as of December 31, 1973, are (in thousands of dollars):

1974	$16,581
1975	12,209
1976	9,581
1977	7,395
1978	5,685
1979	4,425
1980	3,151
1981, etc.	1,931
	$60,958

Amounts due after one year are classified as current assets in conformity with usual trade practices. Installment notes receivable include add-on interest equivalent to simple interest of 6% to 12%.

HARRIS-INTERTYPE CORPORATION (JUN)

CURRENT ASSETS	
Trade accounts and notes receivable:	
Accounts receivable	$105,406,245
Installment notes (including $20,900,000 in 1973 and $28,100,000 in 1972 due after one year)	43,764,134
	149,170,379
Less deferred interest income (4,566,000 in 1973 and $6,984,000 in 1972) and allowances for collection losses	7,300,972
Total Trade Accounts and Notes Receivable	**$141,869,407**

OXFORD INDUSTRIES, INC. (MAY)

	1973	1972
CURRENT ASSETS:		
Cash	$ 2,168,975	$ 2,692,223
Receivables (Notes A and B)	36,053,273	31,093,587
Inventories (Notes A and C)	59,525,585	44,794,584
Prepaid expenses	631,277	206,555
Total Current Assets	**$98,379,110**	**$78,786,949**

Note A (in part): Summary of Significant Accounting Policies—Installment Contract Receivables— Unearned finance charges applicable to installment contracts are amortized by the straight-line method over the life of the related contract.

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

Note B: Receivables:

	June 1, 1973	June 2, 1972
Trade accounts	$29,195,637	$24,542,908
Installment contracts	10,024,374	8,867,099
Claims for income tax refunds	454,831	261,396
Employees and other	191,643	814,120
	39,866,485	**34,485,523**
Less:		
Allowance for doubtful accounts	864,835	727,142
Unearned finance charges applicable to installment contracts	2,948,377	2,664,794
	$36,053,273	**$31,093,587**

The installment contract receivables include amounts due after one year of approximately $6,000,000 in 1973 and $5,400,000 in 1972. The contracts are collateralized by the equipment sold.

SMC INDUSTRIES, INC. (AUG)

CURRENT ASSETS:	
Cash	$ 463,634
Notes and accounts receivable (Note 1):	
Installment notes receivable, less unearned finance charges of $532,188 in 1973 and $527,819 in 1972	2,582,154
Trade accounts receivable	977,702
	3,559,856
Less allowance for losses	299,927
	3,259,929
Other accounts receivable	134,909
	3,394,838
Refundable Federal income tax deposits	29,309
Inventories (Notes 1 and 3)	1,748,524
Prepaid expenses	153,410
Total current assets	**$5,789,715**

Note 1 (in part): Summary of Significant Accounting Policies:

Installment notes receivable— Following a generally recognized trade practice, installment notes receivable maturing more than one year from the date of the balance sheet are included in current assets. Installment notes, generally, are not made to mature over a longer period than eighteen to twenty-four months.

THE WURLITZER COMPANY (MAR)

CURRENT ASSETS:	
Trade receivables:	
Notes and accounts	$19,635,609
Installment accounts (estimated installments due after one year—1973, $10,600,000; 1972, $9,000,000)	22,140,398
Total receivables	**41,776,007**
Less:	
Allowance for doubtful accounts	1,938,000
Unearned discount and carrying charges	3,123,210
Total	**5,061,210**
Trade receivables—net	**$36,714,797**

Notes to Financial Statements

Note 1 (in part): Carrying Charges and Discounts— Carrying charges and discounts on installment accounts receivable are recognized as earned on an accrual basis using the sum-of-the-months-digits method.

Other Receivables—Described

THE AMERICAN SHIP BUILDING COMPANY (SEP)

CURRENT ASSETS:	
Note receivable from Great Lakes Towing disposition (Note 4)	$4,500,000

Note 4: Income (Loss) of Operating Units Sold— In May, 1972, the Company acquired all of the outstanding stock of Great Lakes Towing Company. After extended negotiations with representatives of the Anti-Trust Division of the U. S. Department of Justice, the Company was required to dispose of its interest in Great Lakes

Towing. In August, 1973, the Company sold the Great Lakes Towing Company and received, in exchange, a promissory note payable in November, 1973, (which note has been paid in full) in the amount of $4,500,000, resulting in a gain of $14,000 after taxes.

Gross revenues of Great Lakes Towing Company in 1973 and 1972 and the Bridge Division in 1972 have amounted to approximately $8,000,000 in 1973 and $20,000,000 in 1972, and have been appropriately excluded from the accompanying consolidated statements of income.

LEE ENTERPRISES, INCORPORATED (SEP)

CURRENT ASSETS	
Cash and certificates of deposit	$ 6,898,713
Trade receivables, less allowance for doubtful accounts— 1973, $140,943; 1972, $131,894	4,286,998
Dividends receivable from associated companies	140,504
Inventories, at lower of cost (last-in, first-out method) or market	565,240
Prepaid expense	470,781
Deferred income tax charges, current portion	308,410
Total current assets	**$12,670,646**

NATIONAL TEA CO. (MAR)

CURRENT ASSETS:	
Cash	$ 5,866,514
Receivables—	
Trade	8,490,039
Due from sale of Loblaw Inc.	26,042,122
Income taxes recoverable from loss carrybacks	8,150,740

Notes to Consolidated Financial Statements

Note 2 (in part): Sale of Loblaw Inc.— As of March 31, 1973, the company sold for approximately $26,000,000 its investment (73% of the outstanding common stock) in Loblaw Inc. to Loblaw Groceterias Co., Limited which owns 55% of the outstanding common shares of the company. The price was equivalent to the net book value of the company's investment in Loblaw Inc.

Loblaw Inc. is a food chain headquartered in Buffalo, New York, which had sales of $329,662,000 and $329,688,000 in fiscal years 1973 and 1972 respectively. The company's share of Loblaw Inc.'s net loss for 1973 was $128,000 and net income for 1972 was $2,343,000.

SEABOARD ALLIED MILLING CORPORATION (MAY)

CURRENT ASSETS:	
Cash	$ 7,235,898
Receivables, less allowance for doubtful accounts of $112,300 (1972, $12,800)	15,034,896
Due from 50% owned joint venture and foreign subsidiaries	871,600
Margin deposits and advances on grain purchases	5,945,119

RECEIVABLES USED FOR FINANCING

The reports of 87 survey companies disclosed 92 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

AMF INCORPORATED (DEC)

	1973	1972
	($ thousands)	
CURRENT ASSETS:		
Notes and accounts receivable (Note 4)	$216,300	$213,744

Note 4: Receivables— Notes and accounts receivable at December 31 include the following:

	1973	1972
	($ thousands)	
Customer obligations due within one year	$225,636	$221,415
Customer obligations due beyond one year	32,352	29,988
	257,988	**251,403**
Less:		
Unearned interest on installment obligations	9,288	8,679
Allowance for possible losses	32,400	28,980
	$216,300	**$213,744**

Amounts due beyond one year relate largely to the Company's bowling products business and are included in current assets in accordance with industry practice.

The Company is contingently liable on approximately $2,100,000 of long term installment notes and mortgages sold with recourse and has guaranteed $5,700,000 related to dealer floor plan arrangements.

ASSOCIATED DRY GOODS CORPORATION (JAN)

	1974	1973
CURRENT ASSETS:		
Accounts receivable	$176,985,000	$152,012,000

The Year In Review

Accounts Receivable— Accounts receivable are comprised of the following:

	Feb. 2 1974	Feb. 3 1973
Regular Accounts	$ 28,588,000	$ 29,063,000
Less net amount sold to Associated Dry Goods Credit Corporation	25,494,000	26,472,000
Net regular accounts	3,094,000	2,591,000
Deferred payment accounts	171,638,000	146,073,000
	174,732,000	148,664,000
Less allowance for doubtful accounts	8,622,000	7,604,000
Total net customer accounts receivable	166,110,000	141,060,000
Other accounts receivable	10,875,000	10,952,000
Total net accounts receivable	**$176,985,000**	**$152,012,000**

TABLE 2-7: RECEIVABLES USED FOR FINANCING

Number of References	1973	1972	1971	1970
Sold – with contingent liability	67	70	57	62
Sold – without recourse	9	8	8	11
Used as collateral	16	21	23	26
Total	**92**	**99**	**88**	**99**
Number of Companies:				
Using receivables for financing	87	98	81	88
Not referring to use of receivables for financing	513	502	519	512
Total	**600**	**600**	**600**	**600**

Other receivables include such items as amounts due from manufacturers and insurance claims.

Bad debts written off, net of recoveries on accounts previously charged off, were $3,893,000 or .5% of credit sales compared to $3,809,000 or .6% of credit sales for the prior year.

The allowance for doubtful accounts at year-end in the amount of $8,622,000, or 4.3% of customers' accounts receivable balances, was arrived at by applying established percentages to the balances of customers accounts receivable aged according to the degree of delinquency. Income from carrying charges received from customers on deferred payment accounts was $17,350,000 in 1973, or 2.4% of credit sales, versus $15,306,000, or 2.3% in 1972. The cost of operating credit departments in our stores, including net bad debt losses but excluding clerical costs of writing credit sales on the selling floor, auditing such sales, and interest on the outstanding balances, exceeded the carrying charge income.

Summary of Accounting Policies

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.

BORG-WARNER CORPORATION (DEC)

Notes to Financial Statements

Contingent Liabilities– Borg-Warner Corporation has guaranteed $53.0 million of receivables sold to its financial services companies. The receivables are substantially related to Borg-Warner's air conditioning business.

The company has also guaranteed borrowings of $54.9 million of its financial services companies and $36.2 million of other unconsolidated subsidiaries and affiliates.

It is the opinion of management and counsel that various claims and litigation in which Borg-Warner is currently involved will not materially affect the company's financial position or earnings.

CENTRAL SOYA COMPANY, INC. (AUG)

	1973	1972
	($ thousands)	
CURRENT ASSETS:		
Cash	$ 24,376	$ 11,558
Notes and accounts receivable (less allowance of $5,435,000 in 1973 and $4,000,000 in 1972)	104,304	88,558

Notes to Consolidated Financial Statements

Notes and Accounts Receivable– Notes and accounts receivable at August 31, 1973 include $13,324,000 ($22,889,000 at August 31, 1972) of notes due on demand or within one year.

At August 31, 1973 the Company was contingently liable for receivables discounted aggregating approximately $17,443,000 ($12,540,000 at August 31, 1972).

HECK'S, INC. (DEC)

	1973	1972
CURRENT ASSETS		
Cash	$8,042,516	$8,034,402
Trade accounts receivable – net (Note 3)	6,942,073	6,032,686
Note receivable from Heck's Credit Corporation	2,000,000	---

Note 3: Trade Accounts Receivable– Heck's, Inc. and certain of its subsidiaries sell on "revolving credit" charge account plans requiring minimum monthly payments of 10% of the unpaid balance. Two subsidiaries sell on both installment and open account basis. In 1973, the Company formed Heck's Credit Corporation (see Note 4) to finance certain accounts. The accounts sold to Heck's Credit Corporation are shown on their balance sheet.

The balances of the accounts at December 31 were:

	1973	1972
Revolving credit accounts	$3,349,955	$2,976,416
Installment accounts	1,337,076	1,359,028
Open accounts	4,825,188	1,922,403
	9,512,219	**6,257,847**
Less: Allowance for doubtful accounts	(318,062)	(225,161)
Accounts sold to credit subsidiary net of allowance for doubtful accounts of $150,000	(2,252,084)	---
	$6,942,073	**$6,032,686**

Note 4: Investment in Credit Subsidiary Not Consolidated— In 1973, the Company formed Heck's Credit Corporation to finance customer accounts receivable. The Company and its operating subsidiaries may sell their accounts to the credit subsidiary. The credit subsidiary is intended to operate at a break even level and may be paid a fee by Heck's, Inc. sufficient to cover any losses.

Note 3: 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.

Receivables Sold Without Recourse

CARRIER CORPORATION (OCT)

	1973	1972
CURRENT ASSETS		
Cash	$ 10,066,000	$ 8,104,000
Marketable securities, at cost which approximates market value	26,020,000	38,866,000
Receivables, including $3,650,000 and $15,850,000 from Carrier Distribution Credit Corporation in 1973 and 1972, respectively	174,046,000	142,252,000

Notes to Consolidated Financial Statements

Carrier Distribution Credit Corporation— Carrier Distribution Credit Corporation (CDCC), a wholly owned finance subsidiary, purchases certain trade notes from the Corporation without recourse. At October 31, 1973, CDCC held $19,106,000 of such notes, compared with $15,244,000 at October 31, 1972.

The net profit of CDCC, included in consolidated earnings on the equity basis, was $671,000 in 1973 and $512,000 in 1972. The balance sheets of CDCC as of October 31, 1973 and 1972, are set forth on page 45.

THE DUPLAN CORPORATION (SEP)

CURRENT ASSETS:	
Cash	$ 3,573,440
Marketable securities, at cost, including accrued interest (approximates market) (note 2)	4,694,401
Accounts and notes receivable, principally trade:	
Due from factors (Note 3)	17,000,287
Other, less allowance for doubtful accounts and cash discounts:	
1973, $539,725; 1972, $544,062	14,750,091
Federal income tax refund receivable	2,994,000
Inventories, at lower of cost (principally average cost) or market:	
Raw materials and supplies	11,208,359
Work in process	6,502,967
Finished goods	10,686,561
Prepaid expenses	929,475
Total current assets	**$72,339,581**

THE GOODYEAR TIRE & RUBBER COMPANY (DEC)

	1973	1972
	($ thousands)	
CURRENT ASSETS:		
Accounts and notes receivable	$840,906	$826,750

Financial Review

Goodyear Financial Corporation— In October 1973, the Company formed a wholly-owned finance subsidiary, Goodyear Financial Corporation (GFC), to purchase certain receivables from Goodyear and its domestic subsidiary companies. The pretax income of GFC is included in the consolidated income statement as a reduction of interest expense and its provision for income taxes is included in the consolidated income tax provision. Following is a condensed balance sheet of GFC at December 31, 1973:

	($ thousands)
Assets:	
Customer receivables purchased from The Goodyear Tire & Rubber Company and domestic subsidiary companies without recourse	$264,848
Cash	24
	$264,872
Liabilities and Equity:	
Notes payable	$199,626
5% Holdback on receivables purchased, pending collection	13,243
Accrued taxes and expenses	1,628
Equity of The Goodyear Tire & Rubber Company	50,375
	$264,872

Accounts and Notes Receivable

	1973	1972
	($ thousands)	
Total accounts and notes receivable	$1,119,170	$965,704
Less:		
Allowance for doubtful accounts	24,155	23,691
Receivables sold–		
To Goodyear Financial Corporation, less 5% holdback	251,605	---
To banks	2,504	115,263
	$ 840,906	**$826,750**

Reference is made to preceding comments concerning Goodyear Financial Corporation. The sale of receivables to banks in 1972 was made to enable the Company to extend the installment method of reporting income for tax purposes in 1973.

Revenues from installment sales are recognized in the financial statements at the time of delivery but on the installment method for Federal income tax purposes.

Under this method, income from installment sales is not taxable until collections are made, and accordingly, the current tax liability includes taxes deferred as a result of this timing difference between financial and taxable income.

Receivables Used as Collateral

THE PANTASOTE COMPANY (DEC)

CURRENT ASSETS:	
Cash— demand deposits (Note 4)	$ 5,405,564
Operating funds	823,370
Notes and accounts receivable— trade, after allowance for uncollectible accounts of $396,043 in 1973 and $380,302 in 1972 (Note 4)	$12,308,830

Note 4 (in part): Long-Term Debt— Long-term debt consists of the following obligations:

Revolving Bank Loan: The loan balances have been drawn against a credit line not to exceed $9,500,000, which expires August 1, 1976. Interest is payable monthly on outstanding loan balances at 3¾% above the lender's prime commercial rate. Effective January 1, 1974, the interest rate was reduced to 2½% above the lender's prime commercial rate.

In connection with this obligation, the lender has a continuing first lien and security interest in assets of the Company aggregating $16,529,000, which consists of all domestic receivables ($10,933,000), securities ($190,000) and demand deposits with the lender ($5,406,000). At December 31, 1973, required collateral for this obligation was $9,672,732, consisting of domestic trade receivables ($8,818,222) and demand deposits with the lender ($854,510).

The agreement requires in part that the Company maintain minimum working capital of $4,000,000, minimum consolidated net worth of $10,000,000 and places limitations on acquisition of fixed assets, long-term borrowings and dividends. As of December 31, 1973, retained earnings available for cash dividends amounted to $1,172,000.

THE RATH PACKING COMPANY (SEP)

CURRENT ASSETS:	
Cash	$ 626,000
Receivables (Note 2):	
Trade accounts	16,137,000
Notes	1,000,000
Other	838,000
	17,975,000
Less— Allowance for doubtful accounts, etc.	200,000
	$17,775,000

Note 2 (in part): Debt Agreements: Financing Agreement— All receivables and inventories have been pledged as collateral forborrowingsunder the Financing Agreement. The lender is a commercial finance company; however, a bank was a 50% participant in such borrowings from December 15, 1971 to January 31, 1973 up to an aggregate amount of $11,000,000. During the period of the bank's participation, interest rates were 6% over the prime bank rate with respect to 50% of the outstanding borrowings and 1.5% over the prime bank rate with respect to the other 50% of the outstanding borrowings, and the average interest rate ranged from 8.5% to 9.8%. In addition, the Company was required, during the period of the bank's participation, to maintain a compensating balance of $825,000. Effective March 1, 1973 the interest rate on the borrowings was changed to 5% over the prime bank rate. The interest rate has ranged from 11.3% to 14.8% from February 1 to September 29, 1973.

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. 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 *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.

Sixty-three 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*	1973	1972	1971	1970
A. Allowance	418	412	401	389
B. Reserve	53	62	64	74
C. Provision	11	12	16	17
D. Estimate	13	13	12	16
Subtotal	**495**	**499**	**493**	**496**
Other terms	5	8	4	2
Accounts receivable (net)	9	3	7	4
No uncollectible accounts indicated	91	90	96	98
Total Companies	**600**	**600**	**600**	**600**
***1973 Term Used With**	**A**	**B**	**C**	**D**
Doubtful	244	10	5	6
Losses	44	–	4	3
Other phrases	15	1	2	4
Subtotal	**303**	**11**	**11**	**13**
Used alone	115	42	--	--
Total	**418**	**53**	**11**	**13**

INVENTORY

Only one of the companies did not show a caption entitled *inventories*. Of the 599 companies presenting inventories, 175 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	1973	1972	1971	1970
Used alone	253	237	214	214
Combined	101	115	106	99
Name of product (used alone)	66	69	54	47
Name of product (combined)	10	7	17	15
Total Captions	**430**	**428**	**391**	**375**
Merchandise (alone or combined)	10	17	12	17
Work in Process				
Used alone	203	188	167	159
Combined	117	111	121	113
Other terms	43	61	50	49
Total Captions	**363**	**360**	**338**	**321**
Raw Materials				
Used alone	107	112	100	99
Combined with supplies and/or parts	202	194	185	175
Combined- other	43	46	43	43
Other terms	57	53	51	58
Total Captions	**409**	**405**	**379**	**375**
Supplies				
Used alone	56	49	49	58
Combined	64	68	71	94
Other terms	15	12	15	26
Total Captions	**135**	**129**	**135**	**178**
Number of Companies				
Presenting details of inventory	425	415	399	389
Not presenting details of inventory	175	185	201	211
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	1973	1972	1971	1970
Lower of cost or market	541	530	530	513
Cost				
No mention of market	57	69	79	86
"Not in excess of market"	32	37	31	42
"Less than market"	24	24	25	29
Market, or less than market	21	23	22	24
Various other bases	11	6	18	10
Total Disclosures	**686**	**689**	**705**	**704**
Number of Companies				
Stating one basis only	511	511	510	503
Stating more than one basis	86	85	89	92
Not stating basis, or no inventories	3	4	1	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 2-12 shows the extent of the use of the LIFO method. Of the 150 companies using LIFO as a method for determing the cost of inventories, 8 use LIFO for all inventories, 49 use LIFO for a major portion of inventories (more than 50 percent), 68 use LIFO for less than 50 percent of inventories, and 25 mention the use of LIFO but do not disclose the amount of inventories involved. During 1973, two companies completely or par-

TABLE 2-11: METHOD OF DETERMINING INVENTORY COST

Methods	1973	1972	1971	1970
First-in first-out (fifo)	394	377	333	292
Average cost	235	242	220	203
Last-in first-out (lifo)	150	150	144	146
Standard Costs	52	54	36	30
Retail method	39	35	31	27
Specific or "actual" cost	23	26	15	17
Accumulated or production cost	18	25	24	23
Replacement or current cost	10	8	13	16
Other	6	3	6	11
Total Disclosures	**927**	**920**	**822**	**765**
Number of Companies:				
Stating cost method(s) for entire inventory	570	559	515	480
Stating cost method(s) for only part of inventory	18	18	30	31
Omitting cost methods	12	23	55	89
Total	**600**	**600**	**600**	**600**

TABLE 2-12: USE OF LIFO INVENTORY METHOD

	1973	1972	1971	1970
LIFO used for all inventory classes	8	10	9	9
LIFO used for certain inventory classes	142	140	135	137
No mention of use of lifo	450	450	456	454
Total Companies	**600**	**600**	**600**	**600**

tially abandoned the use of LIFO and 7 companies extended the use of LIFO.

Table 2-13 shows the number and percentage of companies using LIFO in each industrial classification; 1972 numbers and percentages are shown for comparison.

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

First-In First-Out

AMERICAN BEEF PACKERS, INC. (MAY)

	1973	1972
CURRENT ASSETS:		
Inventories (Note 3)	$32,387,000	$8,967,000

Note 1 (in part): Inventories— The dressed carcasses, offal and by-products, and fabricated and portion cuts are stated at market, less allowances for selling expenses. Livestock, other food products, and material and supplies are stated at lower of cost (first-in, first-out method) or market.

Note 4: Inventories— The classes and amounts of inventories are as follows:

	June 2 1973	June 3 1972
Livestock	$16,783,000	$3,002,000
Dressed beef and pork carcasses	3,346,000	2,517,000
Fabricated and portion cuts	6,486,000	1,868,000
Offal and by-products	3,326,000	1,194,000
Other food products	1,206,000	---
Material and supplies	1,240,000	386,000
	$32,387,000	**$8,967,000**

Included in the cost of the livestock is interest capitalized in the amount of $324,000 and $43,000 for 1973 and 1972 respectively.

TABLE 2-13: COMPANIES REFERRING TO LIFO

	1973		1972	
Industrial Classification*	No.	%**	No.	%**
Foods:				
Meat products (362)	2	18	3	23
Dairy products	–	–	–	–
Canning, etc. (116, 527)	4	44	2	50
Packaged and bulk (34)	3	14	5	24
Baking (582)	1	20	1	20
Sugar, confections, etc. (44, 596)	5	71	5	71
Beverages (398)	3	43	3	33
Tobacco products (470)	2	25	2	25
Textiles (147, 267)	8	28	9	31
Paper products (87, 312)	10	63	10	63
Printing, publishing (763)	2	29	1	17
Chemicals (202, 660)	5	20	4	15
Drugs, cosmetics, etc. (146)	2	11	3	17
Petroleum (273, 455)	16	64	15	60
Rubber products (379)	2	20	2	17
Shoes– manufacturing, merchandising, etc.(307)	2	25	1	13
Building:				
Cement (335)	1	20	1	14
Roofing, wallboard (399,564)	6	50	4	36
Heating, plumbing (522)	3	43	2	29
Other (62)	3	18	3	21
Steel and iron (89,308)	14	64	14	61
Metal– nonferrous (35, 326)	9	50	10	63
Metal fabricating (485, 610)	4	33	5	29
Machinery, equipment and supplies (107, 126)	6	15	9	22
Electrical equipment, appliances (247)	1	6	2	17
Electrical, electronic equipment (17, 463)	6	16	3	9
Business equipment and supplies	–	–	–	–
Containers (163)	2	25	2	22
Autos and trucks (including parts, accessories	–	–	–	–
Aircraft and equipment, aerospace (413)	1	6	1	5
Railway equipment, shipbuilding, etc.	–	–	–	–
Controls, instruments, medical equipment, watches and clocks, etc. (474, 524)	4	31	3	23
Merchandising:				
Department stores (68, 226)	8	75	9	100
Mail order stores, variety stores	–	–	–	–
Grocery stores (228)	2	12	4	20
Other	–	–	–	–
Motion pictures, broadcasting	–	–	–	–
Widely diversified, or not otherwise classified (58, 541)	13	19	12	16
Total	150	25	150	25

*Refer to Company Appendix Section.

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

ANCHOR COUPLING CO. INC. (JUN)

CURRENT ASSETS:	
Cash	$ 885,977
Receivables (less allowance of $78,500 for doubtful accounts)	4,590,881
Inventories, at lower of cost (first in, first out) or market:	
Work-in-process and finished goods	7,611,052
Raw materials	3,592,341
	$11,203,393
Prepaid expenses	53,357
Total current assets	**$16,733,608**

Notes to Consolidated Financial Statements

Summary of Accounting Policies (in part): Inventories— Inventories used in computing cost of sales were determined by the Company on the basis of physical inventories taken at or near year-end, priced at the lower of cost, less allowances for excess and obsolete items, or market. Cost is determined on a first-in, first-out basis.

In 1973, management discontinued the sale of certain products and reevaluated the potential excess and obsolete items in its existing products. A charge was made to cost of goods sold of $443,000 in 1973 and $114,000 in 1972 for the discontinued products and the excess and obsolete items. The Company has physically disposed of such products and items charged to cost of goods sold.

ARMSTRONG CORK COMPANY (DEC)

	1973	1972
	($ thousands)	
CURRENT ASSETS:		
Cash	$14,073	$8,243
Short-term securities (at cost, which approximates market)	2,412	12,382
Accounts and notes receivable (less allowance for discounts and losses: 1973-$5,892,000; 1972-$4,866,000)	100,525	89,751
Inventories	149,009	124,074
Prepaid expenses	5,198	4,652
Total current assets	**$271,217**	**$239,102**

Financial Review

Classification of Inventories

	1973	1972
	($ thousands)	
Finished goods	$84,302	$71,545
Goods in process	20,152	17,256
Raw materials and supplies	44,555	35,273
	$149,009	**$124,074**

Inventories are summarized at left. The $24.9 million increase in inventories reflects the year's increased business activity as well as generally inflated cost levels.

Inventories are valued at cost or market, whichever is lower. Cost is generally determined on a first-in, first-out (FIFO) basis except for furniture inventories valued on a last-in, first-out (LIFO) basis. LIFO-valued inventories amounted to $22,077,000 at December 31, 1973, and $21,602,000 at December 31, 1972. The excess of replacement cost over the LIFO value was $11,136,000 at the end of 1973 ($5,624,000 at the end of 1972).

INMONT CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Inventories—Inventories are valued at the lower of cost or market. The major portion of the inventories in the United States is costed on the last-in, first-out (LIFO) method. All other inventories are on the first-in, first-out (FIFO) method.

Note 4: Inventories—

	1973	1972
Raw Materials	$28,675,000	$23,085,000
Work-In-Process	18,366,000	15,713,000
Finished Goods	33,603,000	32,906,000
	$80,644,000	**$71,704,000**

Inventories costed on the last-in, first-out (LIFO) method in 1973 amounted to $33,915,000 ($33,155,000 in 1972); the remainder in both years was costed on the first-in, first-out (FIFO) method.

If the FIFO method had been used in costing those inventories which were actually costed on the LIFO method:

(a) The reported net income for 1973 and 1972 would have been higher by $819,000 ($0.10 per share) and $132,000 ($0.02 per share), respectively.

(b) Year-end inventories would have been higher by $5,510,000 in 1973 and $3,936,000 in 1972.

(c) Income retained for use in the business at December 31 would have been $2,678,000 higher in 1973 and $1,859,000 higher in 1972.

(d) Additional Federal income taxes of approximately $2,832,000 would have been incurred from the date of adoption in 1950, to 1973.

NORTON SIMON INC (JUN)

	1973	1972
CURRENT ASSETS		
Inventories	$243,402,000	$257,418,000

Notes to Financial Statements

Summary of Significant Accounting Policies (in part)—Inventories are stated at the lower of cost or market. Inventory costs of publication materials, soft drinks, wines and distilled spirits, glass and metal containers, cosmetics and fragrances, supplies, etc. are determined by the first-in, first-out method. Remaining inventory costs, relating to inventories of vegetable oils and their by-products and packaged foods, are determined by the last-in, first-out method.

Inventories— Inventory costs aggregating $216,533,000 and $200,008,000 at June 30, 1973 and 1972, respectively, were determined by the first-in, first-out method. Remaining inventory costs were determined by the last-in, first-out method. The major categories of inventories are as follows:

	1973	1972
Finished goods	$142,848,000	$139,376,000
Work in process	27,752,000	53,118,000
Raw materials and supplies	72,802,000	64,924,000
Total	**$243,402,000**	**$257,418,000**

Average Cost

ALLIED MILLS, INC. (MAR)

	1973	1972
CURRENT ASSETS:		
Cash	$1,862,000	$4,244,000
Receivables, less allowance for doubtful accounts of $1,657,000 in 1973 and $1,340,000 in 1972	38,820,000	30,515,000
Refundable income taxes		1,000,000
Inventories	70,824,000	43,583,000
Prepaid expenses and deferred income taxes	1,234,000	877,000
Total current assets	**$112,740,000**	**$80,219,000**

Statement of Accounting Policies

Inventories— The carrying values of the components of inventory are determined as follows: raw materials, soybean products and supplies—principally at the lower of average cost or market; finished animal feeds—at the market price of ingredients plus manufacturing costs; poultry—at accumulated cost, not in excess of market.

Financial Review

Inventories— Components of inventory at March 31, 1973 and June 30, 1972 were:

	1973	1972
Soybeans and soybean products	$33,423,000	$11,502,000
Grains and other ingredients	10,518,000	6,056,000
Poultry products	8,746,000	9,751,000
Feed products	5,327,000	4,520,000
Other	12,810,000	11,754,000
	$70,824,000	**$43,583,000**

The accompanying consolidated financial statements at March 31, 1973 do not include unrealized appreciation (based on quoted market prices) at that date relative to inventories and net future purchase and sales commitments for commodities. The amount of such appreciation which will actually be realized will depend on commodity price changes during the period when the inventories and commitments are liquidated. In recent months, due to unusual market conditions, price changes for commodities have been frequent and of substantial amounts.

CROWN ZELLERBACH (DEC)

	1973	1972
CURRENT ASSETS:		
Cash	$3,238,000	$5,677,000
Short-term investments, at cost (approximates market)	149,099,000	65,362,000
Accounts receivable, net of allowances for losses ($4,377,000 in 1973; $3,594,000 in 1972)	130,881,000	132,149,000
Inventories	206,529,000	176,555,000
Prepaid expenses	14,061,000	14,757,000
Total current assets	**$503,808,000**	**$394,500,000**

Notes to Financial Statements

Summary of Significant Accounting Policies (in part): Inventories— Inventories are valued at the lower of cost or market. Cost has been determined by the moving average method for all items except purchased finished products determined by the first-in, first-out method.

Inventories— Inventories are as follows:

December 31,	1973	1972
Finished products	$115,578,000	$104,669,000
In process	13,318,000	14,705,000
Raw materials	59,252,000	42,333,000
Supplies	18,381,000	14,848,000
	$206,529,000	**$176,555,000**

KEYSTONE CONSOLIDATED INDUSTRIES, INC. (JUN)

	($ thousands)
CURRENT ASSETS:	
Cash	$ 4,013
Notes and accounts receivable, net of allowances	30,430
Inventories, at the lower of principally average cost or market:	
Raw materials	18,006
Semifinished products	19,336
Finished products	21,632
Supplies	6,554
	65,528
Prepaid expenses	2,035
Total current assets	**$102,006**

Last-In First-Out

DEL MONTE CORPORATION (MAY)

	1973	1972
	($ thousands)	
CURRENT ASSETS:		
Inventories	$188,242	$227,470

Notes to Consolidated Financial Statements

Summary of Accounting Policies (in part): 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 and when current packs approximate current sales, this method of inventory valuation normally presents 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.

Inventories— As summarized below, year-end inventories were reduced substantially in 1973. Most of the reductions occurred in LIFO inventories which had been valued at costs lower than replacement or "current" costs. (See description of LIFO inventories in "Summary of Accounting Policies.") Because of the inventory reductions, cost of products sold and earnings were favorably affected by sales of merchandise packed in prior years to the extent of the difference between the LIFO carrying value and current production costs. However, this favorable effect was offset for the most part by higher unit costs of our smaller pack in fiscal 1973, compared to normally larger packs. Consequently, cost of products sold and earnings in 1973 were not significantly different from what they would have been had all merchandise sold been charged to earnings at current costs.

	1973	1972
Merchandise		
Valued at LIFO	$ 47,484,000	$ 77,015,000
Valued at FIFO	61,922,000	67,859,000
	109,406,000	**144,874,000**
Materials and supplies		
Valued at LIFO	18,492,000	22,545,000
Valued at FIFO	60,344,000	60,051,000
	78,836,000	**82,596,000**
	$188,242,000	**$227,470,000**

If LIFO inventories had been valued at current costs, they would have been greater by $29,503,000 for 1973 and $32,302,000 for 1972.

ALUMINUM COMPANY OF AMERICA (DEC)

	1973	1972
	($ thousands)	
CURRENT ASSETS:		
Cash	$67,014	$ 46,975
Short-term investments, at cost approximating market	4,149	---
Receivables from customers, less allowances: 1973, $2,714; 1972, $2,226	350,665	284,770
Other receivables	27,410	35,803
Inventories (A)	452,170	432,811
Prepaid insurance and taxes	3,887	4,065
Total current assets	**$905,295**	**$804,424**

Summary of Significant Accounting Polices

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 1973	Dec. 31 1972
Finished goods	$119,365	$115,584
Work in process	219,184	218,916
Bauxite and alumina	42,801	44,052
Purchased raw materials	42,846	31,936
Operating supplies	27,974	22,323
	$452,170	**$432,811**

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 $169,802 and $140,148 higher at December 31, 1973 and 1972, respectively. With substantially all inventories determined under the LIFO method, there are no significant "inventory profits" included in net income.

ARMCO STEEL CORPORATION (DEC)

	($ thousands)
CURRENT ASSETS	
Cash	$ 11,167
Marketable securities (at cost, approximates market)	105,614
Accounts and notes receivable	
Trade (less allowance for doubtful accounts of $4,567 for 1973 and $3,864 for 1972)	300,207
Other	21,317
Inventories (Page 22)	
Finished and semi-finished products	251,043
Raw materials and supplies	163,717
Total Current Assets	**$853,065**

Financial Summary

Summary of Significant Accounting Policies (in part): Inventories— Inventories of domestic operations are valued at the lower of cost (principally on the last-in, first-out basis) or market. Effective January 1, 1973, pursuant to permission granted by the Internal Revenue Service on December 26, 1973, Armco changed to a "single-pool" method of determining the costs of its Steel Group inventories on a last-in, first-out ("LIFO") basis. In 1972 and prior years the LIFO cost of inventories was determined using separate pools for five different inventory cost elements. The change was made in order to better recognize the inflationary impact on inventory, to facilitate the automation of the LIFO inventory calculation, and to obtain timely forecasts of this significant cost element. The effect of this change in method of computation had no material effect on 1973 net income. The cumulative effect on income retained in the business at January 1, 1973 and disclosure of proforma amounts for prior years have been omitted because they are not determinable.

Under LIFO, inventories are valued at approximately $123,000,000 and $89,000,000 below average costs for 1973 and 1972, respectively.

Inventories of foreign subsidiaries are valued at the lower of average cost or market.

HERFF JONES CO. (JUN)

	1973	1972
CURRENT ASSETS:		
Cash, including certificates of deposit of $1,500,000 and $2,200,000	$ 2,601,393	$ 3,756,370
Accounts and notes receivable, less allowances of $114,000 and $57,000 for doubtful accounts	6,516,255	4,794,632
Inventories	7,768,633	6,401,711
Prepaid expenses	662,017	540,826
Total current assets	**$17,548,298**	**$15,493,539**

Notes to Consolidated Financial Statements

Note 3: Inventories— The inventories at June 30 are as follows:

	1973	1972
Raw materials and supplies	$3,568,293	$2,979,289
Work in process	3,059,386	2,398,519
Finished products	275,468	195,372
Gold content of samples	865,486	828,531
	$7,768,633	**$6,401,711**

Inventories are stated at the lower of cost or market. All inventories except gold are determined under the first-in, first-out (FIFO) method.

Gold inventories are determined under the last-in, first-out (LIFO) method with the 1972 change in such method described in the following paragraph. These inventories and their approximate replacement cost at June 30 are as follows:

	LIFO Cost	Replacement Cost
1973	$2,441,183	$7,766,000
1972	$2,622,486	$4,317,000

Effective in 1972 the Company elected to change from the FIFO to the LIFO method of accounting for gold inventories in reporting taxable income for federal income tax purposes. In order to make this election the Company must comply with Internal Revenue Service regulations which require inventories on the LIFO method to be the same for financial statements and federal income tax purposes. Accordingly, while the Company has previously accounted for its gold inventories for financial statement purposes by the LIFO method and will continue to do so, it was necessary to adjust such gold inventories at July 1, 1971 to the federal income tax basis. This adjustment was $130,955, net of related federal income taxes of $131,000 and has been included as a separate item in 1972 net income. This change does not have a material effect on the comparability of the results of operations for the years 1968 to date.

Gold inventories at June 30, 1973 were lower than the level prevailing at June 30, 1972. This liquidation of gold inventories, which are valued under the LIFO method, had the effect of increasing 1973 net income by approximately $150,000 under the assumption that the decrease in gold would have been replaced at the price at which the Company last purchased gold in fiscal 1973. A similar liquidation of gold inventories at June 30, 1972 resulted in an increase of approximately $100,000 in 1972 net income.

HERSHEY FOODS CORPORATION (DEC)

CURRENT ASSETS:	
Cash	$7,326,279
Accounts receivable (less allowances for discounts and bad debts of $842,262 and $772,886)	27,325,712
Inventories: (Note 1)	
Raw materials	29,944,118
Goods in process	4,922,231
Finished goods	27,587,701
	62,454,050
Total current assets	**$97,106,041**

Note 1 (in part): Summary of Significant Accounting Policies

Inventories— A substantial portion of the company's major raw materials, together with such materials and certain wage costs included in finished goods and goods in process are stated at cost, under the LIFO (last-in, first-out) method. Such LIFO inventories amounted to approximately 38% in 1973 and 50% in 1972 of total inventories. The remaining inventories are stated at lower of cost or market under the "first-in, first-out" or "average cost" method. The excess replacement or market value over LIFO cost was $39,100,000 at December 31, 1973 and $19,100,000 at December 31, 1972.

During 1973, the Company reduced inventory quantities, primarily cocoa beans. This reduction resulted in a liquidation of LIFO inventory quantities carried at lower costs prevailing in prior years as compared with the average unit cost of 1973 procurements, the effect of which reduced cost of sales by $4,500,000 and increased net income by approximately $2,140,000 or $.16 per share.

THE MAY DEPARTMENT STORES COMPANY (JAN)

	1974	1973
	($ thousands)	
CURRENT ASSETS		
Cash	$ 15,986	$ 18,559
Marketable securities—at cost which approximates market	11,000	20,000
Accounts and notes receivable (less allowances for doubtful accounts, etc.: 1974—$11,642; 1973—$10,489)	377,142	324,659
Merchandise inventories	186,826	195,519
Supplies and prepaid expenses	13,113	13,082
Total Current Assets	**$604,067**	**$571,819**

Summary of Significant Accounting Policies

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

Inventories at February 2, 1974, and February 3, 1973, are stated at $39,898,000 and $28,557,000, respectively, less than they would have been if the last-in, first-out principle had not been applied.

Inflation in the cost of goods sold reduced earnings before income taxes by $11,341,000 in 1973 as compared with $2,703,000 in 1972. These amounts were calculated from the increase in the appropriate Bureau of Labor Statistics Index used in determining the value of our year-end LIFO inventory.

Standard Cost

AKZONA INCORPORATED (DEC)

	($ thousands)
CURRENT ASSETS:	
Inventories:	
Finished goods	$41,550
Work in process	27,024
Raw materials	25,245
General stores	16,081
	$109,900

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of Significant 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.

CORNING GLASS WORKS (DEC)

	1973	**1972**
	($ thousands)	
CURRENT ASSETS		
Cash	$10,465	$ 13,755
Short term investments, at cost which approximates market value	40,233	52,983
Receivables, after provision for doubtful accounts and allowances —$6,247/1973; $5,030/1972	169,582	128,714
Inventories	177,034	121,231
Prepaid expenses including deferred taxes on income	16,262	10,272
Total current assets	**$413,577**	**$326,955**

Statement of Accounting Policies

Inventories— Finished and in process inventories are valued at the lower of standard cost (which approximates actual cost), or market. Raw materials, supplies and packing materials are valued at standard cost which approximates current purchase price.

Notes to Consolidated Financial Statements

Inventories— Inventories used in the determination of cost of sales were:

	Dec. 30, 1973	**Dec. 31,** 1972	**Jan. 2,** 1972
	($ thousands)		
Finished goods	$70,250	$53,106	$47,891
Work in process	54,539	35,873	32,652
Raw materials and accessories	35,292	22,506	22,450
Supplies and packing materials	16,953	9,746	8,551
	$177,034	**$121,231**	**$111,544**

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

CURRENT ASSETS:	
Cash	$7,742,423
Accounts receivable, after allowances of $1,144,659 and $565,983	36,656,264
Inventories, at standard cost, which approximates actual cost (first-in, first-out), or replacement market, whichever is lower (note 6):	
Finished products and work in process	26,424,629
Raw materials and supplies	20,421,363
	46,845,992
Prepaid expenses and other current assets	2,645,465
Total current assets	**$93,890,144**

Note 6 (in part): Taxes on Income— During 1973, the Internal Revenue Service issued new regulations on the valuation of inventories and the Company has elected to adopt these regulations effective January 1,1974. Accordingly, the Company will change its inventory valuation methods to include the full absorption of variances and manufacturing overhead in the valuation of its inventories. The effect of this change on earnings is not presently determinable since the Company has not completed the compilation of the data necessary to determine the effect on inventories as of January 1, 1974.

In a prior year, the Service had asserted certain adjustments relating to inventory valuation for the three years ended December 31, 1968. As a result of the issuance of the new regulations and the Company's election, the Service has stipulated that there would be no deficiency in or overpayment of taxes for such years. Also, no adjustments are to be made to the Company's inventory valuation for the years prior to 1974 since the Company has elected to adopt the new regulations.

PITNEY-BOWES, INC. (DEC)

	1973	1972
CURRENT ASSETS		
Cash	$ 10,798,000	$ 7,076,000
Marketable securities, at cost (approximates market)	8,466,000	25,390,000
Accounts receivable, less allowance: 1973, $3,950,000; 1972, $4,815,000	82,894,000	83,731,000
Inventories	83,232,000	78,063,000
Estimated tax recoverable on discontinued operations	27,462,000	---
Other current assets and prepayments	7,560,000	5,014,000
Total current assets	**$220,412,000**	**$199,274,000**

Notes to Consolidated Financial Statements

Note 1 (in part): Statement of accounting policies

Inventory Valuation— Inventories are valued at the lower of cost or market. Raw materials, work in process, and service parts and supplies are valued at standard costs, which approximate actual costs on a first-in, first-out basis. Finished equipment is valued at standard costs, which approximate actual costs. Standard costs are reviewed and adjusted annually.

Note 3: Inventories

	1973	1972
Raw materials and work in process	$40,766,000	$38,117,000
Supplies and service parts	15,532,000	13,995,000
Finished products	26,934,000	25,951,000
Total inventories	**$83,232,000**	**$78,063,000**

WARNACO INC. (DEC)

	1973	1972
CURRENT ASSETS:		
Inventories, at the lower of cost or market	$72,571,000	$62,425,000

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of Accounting Policies: Inventories— Generally, inventories are stated at standard costs which approximate current actual costs. In 1973 one division changed to this method from the last-in first-out method it previously followed. See Note 10 for the effect of this change which was made to conform with the inventory costing method used in other apparel divisions. In accordance with Accounting Principles Board Opinion No. 20 the accompanying financial statements have been restated to apply the new method retroactively.

Note 10: Inventories— Inventories are comprised as follows:

	1973	1972
Finished goods	$36,804,000	$33,552,000
Work in process	13,213,000	11,316,000
Raw materials	22,554,000	17,557,000
	$72,571,000	**$62,425,000**

The effect of the retroactive change in 1973 from the LIFO to the standard cost method of accounting for inventory of one division is:

	Increase	
	1973	1972
At the end of the year:		
Inventory	$1,229,000	$1,081,000
Deferred income taxes	542,000	569,000
Retained income	582,000	512,000
For the year:		
Net income	70,000	58,000
Earnings per common share:		
Assuming no dilution	$.02	$.01
Assuming full dilution	$.02	$.01

WINNEBAGO INDUSTRIES, INC. (FEB)

	1972	1973
CURRENT ASSETS		
Cash	$ 4,079,308	$ 6,038,783
Marketable securities, at cost (approximates market) (Schedule I)	16,585,456	---
Trade receivables, less allowance for doubtful accounts 1972 $150,000; 1973 $200,000	12,931,907	16,892,584
Inventories (Note 2)	26,998,994	42,765,197
Prepaid and deferred expenses	468,770	1,469,248
Deferred income tax charges	265,000	2,104,800
Total current assets	**$61,329,435**	**$69,270,612**

Note 1 (in part): Significant Accounting Policies

Inventory Pricing— Inventories are valued at the lower of standard cost (which approximates actual cost on a first-in, first-out basis) or market.

Note 2: Composition of Inventories

	Feb. 27 1971	Feb. 26 1972	Feb. 24 1973
Finished goods	$ 6,482,703	$13,361,045	$22,525,706
Work in process	1,520,305	2,081,917	4,007,132
Raw materials	4,812,284	11,556,032	16,232,359
	$12,815,292	**$26,998,994**	**$42,765,197**

Retail Method

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

CURRENT ASSETS	
Merchandise inventories	$1,137,973,715

Summary of Accounting Policies

Inventories— Merchandise inventories in stores are stated at the lower of cost or market, determined by the retail method. Other inventories in warehouses or with manufacturers are stated at the lower of cost (first-in, first-out) or replacement market.

GOLDBLATT BROS., INC. (JAN)

CURRENT ASSETS:	
Merchandise Inventories (Note 8)	$43,255,006

Summary of Significant Accounting Policies

Merchandise Inventories— Retail store inventories are valued by use of the retail inventory method which involves pricing of individual items at current selling prices and the reduction of the amounts so determined to the lower of cost or market by the application of departmental markup ratios. A portion (70% at January 26, 1974 and 72% at January 27, 1973) of inventories have been reduced from the lower of cost or market on a FIFO (first in, first out) basis to convert to a LIFO (last in, first out) cost basis for financial reporting purposes. All other inventories are stated at the lower of FIFO (first in, first out) cost or market.

Notes to Consolidated Financial Statements

Note 8: The merchandise inventories have been reduced from the lower of cost or market on a FIFO (first in, first out) basis by approximately $5,199,000 at January 26, 1974, $3,657,000 at January 27, 1973, and $3,247,000 at January 29, 1972, to convert to a LIFO cost basis.

SAFEWAY STORES, INCORPORATED (DEC)

CURRENT ASSETS	
Merchandise inventories	$591,543,250

Summary of Accounting Policies

Inventories— As in prior years, year-end inventories in warehouse, raw materials and supplies have been valued by the lower of cost (first-in, first-out) or replacement market method; and substantially all store inventories by the retail inventory method. These inventories represent approximately 54% and 46% respectively, of 1973 year-end inventories.

Specific or Identified Cost

ENGELHARD MINERALS & CHEMICALS CORPORATION (DEC)

	($ thousands)
CURRENT ASSETS:	
Cash	$ 68,189
Marketable securities, at cost which approximates market	60,662
Receivables, less allowance for doubtful items	347,798
Advances on materials in transit and for future delivery	29,062
Inventories *(Note 1)*	393,274
Prepaid expenses	2,894
Total current assets	**$901,879**

Note 1 (in part): Inventories— Inventories are stated at the lower of cost or market. Cost prices primarily are determined on the specific lot basis; however, a substantial portion of precious metals inventories of the Engelhard Industries Division is carried at cost prices determined under the last-in, first-out (LIFO) method of valuation. At December 31, 1973 the market value of such precious metals inventories exceeded the carrying value by approximately $72,600,000 (1972 — $42,000,000). Taxes on income would become payable on any realization of this excess upon reduction of precious metals inventories.

MONFORT OF COLORADO, INC. (AUG)

	1973	1972
CURRENT ASSETS		
Cash	$ 4,833,300	$ 4,402,466
Accounts receivable, less allowance (1973— $629,284; 1972— $640,214)	18,647,980	14,228,299
Inventories— Notes A and B	76,157,465	70,120,714
Advances on cattle and lamb purchases	1,028,990	1,391,048

Note A (in part)— Inventories are stated at the lower of cost or market except for dressed meat and by-products which are stated principally at market less allowances for distribution and selling expenses. Cost has been determined for live feeder cattle and feed by the last-in, first-out method, for live sheep and supplies by the first-in, first-out method, and for live range cattle by the principally identified cost method.

Note B: Inventories— Inventories stated in accordance with the methods described in the preceding note are as follows:

	Sep. 1, 1973	Sep. 2 1972
Live feeder cattle	$56,401,472	$56,242,260
Live range cattle	4,133,823	425,569
Live sheep	2,757,562	3,307,585
Feed	3,296,358	3,110,950
Dressed meat	7,890,429	5,772,596
By-products	879,337	514,830
Supplies	798,484	746,924
	$76,157,465	**$70,120,714**

Had all live feeder cattle and feed inventories been stated at principally identified cost, the amount of inventories would have been $39,908,316 greater at September 1, 1973, $19,232,336 greater at September 2, 1972, and $10,208,859 greater at August 31, 1971.

Production Cost

THE AMERICAN DISTILLING COMPANY (SEP)

CURRENT ASSETS:	
Cash	$4,473,832
Accounts receivable—trade, less allowance of $600,000 for doubtful accounts (1972—$547,000)	28,169,925
Inventories, at lower of cost or market:	
Bulk whiskies and spirits	23,832,374
Case goods—tax paid and in bond	2,177,802
Work in process, raw materials and supplies	2,874,504
Total current assets	**$61,528,437**

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of Significant Accounting Policies: Inventories— Bulk whiskies and spirits produced by the Company are stated at production cost plus storage and those purchased from others are stated at cost plus storage. Bulk whiskies and spirits are stored under government bond with cost thereof determined by specific identification and, following generally recognized industry practices, are included in current assets regardless of the duration of the aging process.

Case goods produced by the Company and those purchased from others are stated at lower of cost on the first-in, first-out basis or market.

Work in process is stated at production cost, and raw materials and supplies are stated at the lower of average cost or market.

Federal taxes on whiskies and spirits in bond constitute a lien on these goods that is not payable until the goods are bottled and sold; therefore, no liability for such lien is recorded until withdrawal from bond. Such of these taxes as are applicable to goods sold are treated as reductions of sales.

Current Cost

NORTH AMERICAN PHILIPS CORPORATION (DEC)

CURRENT ASSETS	
Inventories, at the lower of cost or market	
Finished product	$96,603,286
Work in process, materials, parts and supplies	62,484,263
	$159,087,549

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of Significant Accounting Polices: Inventories— Inventories are stated at the lower of cost or market. Costs used are the most recent costs as to material and labor, burden being stated at standard or actual cost. Market prices represent quotations current at the inventory date. Adequate provisions for slow-moving and obsolete inventories are made.

SCOTT PAPER COMPANY (DEC)

	1973	1972
	($ thousands)	
CURRENT ASSETS		
Inventories	$121,483	$115,788

Financial Review

Inventories— Inventories, at lower of cost (principally latest production or purchase cost) or market, consisted of:

	Dec. 31, 1973	Dec. 31, 1972
	($ thousands)	
Finished products	$42,937	$47,754
Work in process	18,572	17,376
Pulp, logs and pulpwood	20,377	19,184
Other materials and supplies	39,597	31,474
	$121,483	**$115,788**

Accumulated Cost

THE STANDARD REGISTER COMPANY (DEC)

	1973	1972
CURRENT ASSETS		
Inventories, at lower of cost or market (Note 2)	$18,923,963	$13.652,543

Note 2: Inventories— Inventories are stated at the lower of cost or market value. Cost of materials and supplies is determined on a first-in, first-out basis. Jobs in process are valued at actual costs accumulated by production orders. Stock forms, mechanical finished products and parts are valued at standard costs which approximate actual costs. Market is considered as replacement value or estimated realizable value, whichever is lower.

Inventories were divided between printed and mechanical products at the respective year ends as follows:

	Dec. 30, 1973	Dec. 31, 1972
Printed:		
Finished products	$5,850,369	$4,497,471
Jobs in process	3,335,282	2,747,474
Materials and supplies	6,255,825	3.817,502
Total	**15,441,476**	**11,062,447**
Mechanical:		
Finished products	791,520	460,317
Jobs in process and parts	2,486,609	2,034,676
Materials and supplies	204,358	95,103
Total	**3,482,487**	**2,590,096**
Total inventories	**$18,923,963**	**$13,682,543**

DETERMINATION OF "MARKET"

Table 2-14 shows that 144 companies defined market when discussing inventory valuation. Examples of terms used to describe or amplify *market* follow.

TABLE 2-14: INVENTORY "MARKET"

Description of Market	1973	1972	1971	1970
Realizable value	110	96	47	41
Replacement value	73	68	37	35
Hedging procedure	7	6	5	5
Other	–	1	–	2
Total References	**190**	**171**	**89**	**83**
Number of Companies				
Defining market	144	128	75	62
Referring to but not defining market	437	457	508	498
No reference to market in inventory pricing data	19	15	17	40
Total	**600**	**600**	**600**	**600**

Market Based On Replacement Concept

EASTMET CORPORATION (JUN)

	($ thousands)
CURRENT ASSETS	
Cash	$ 1,900
Receivables, less allowance for doubtful accounts of $285 and $286 respectively	16,586
Inventories, at lower of cost (First-in, first-out) or market Finished products	13,134
Work in process	8,318
Raw materials and supplies	7,990
	29,442
Prepaid expenses	264
Total current assets	**$48,192**

Notes to Consolidated Financial Statements

Note 2 (in part): Inventory— Inventories are stated at the lower of cost (first-in, first-out method) or market. Market is defined as the current replacement cost.

REEVES BROTHERS, INC. (JUN)

CURRENT ASSETS:	
Cash	$ 4,972,329
Due from factor	32,276,931
Accounts receivable, less allowances of $166,000 and $154,495	4,787,800
Inventories:	
Raw materials	8,537,523
Work in process	5,466,878
Manufactured goods	15,601,240
	29,605,641
Prepaid expenses	1,875,317
Total Current Assets	**$73,518,018**

Notes to Financial Statements

Note A (in part): A Summary of Significant Accounting Policies follows: Inventories— Inventories are stated at the lower of cost or market. The cost of raw materials is determined principally on the first-in, first-out basis, and the cost of work in process and manufactured goods is based substantially on normal average manufacturing cost. Market is determined on the basis of replacement costs or selling prices.

INTERNATIONAL HARVESTER COMPANY (OCT)

	1973	1972
	($ millions)	
CURRENT ASSETS		
Cash	$ 71,019	$ 94,316
Marketable securities, at lower of cost or market	1,733	20,687
Notes and accounts receivable, less allowances	542,767	489,455
Inventories (Page 10)	1,279,954	1,122,218
Total current assets	**$1,895,473**	**$1,726,676**

Summary of Accounting Policies

Inventory Valuation— Inventories are valued generally at the lower of cost or market. Cost is determined substantially 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— Inventories increased $158 million during 1973. Inventories by major classifications and by geographical area are as follows:

	1973	1972
	($ thousands)	
Finished goods	$ 548,281	$ 552,256
Raw materials and supplies	434,888	313,199
Work in process	247,562	214,756
Sub-total	**1,230,731**	**1,080,211**
IH equipment on short-term rental	49,223	42,007
Total	**$1,279,954**	**$1,122,218**
United States	$ 957,790	$ 856,129
Canada	85,446	66,975
Europe and Africa	148,481	124,106
Latin America	14,095	14,386
Pacific area	74,142	60,622
Total	**$1,279,954**	**$1,122,218**

Market Based on Realization Concept

FEDDERS CORPORATION (AUG)

CURRENT ASSETS:	
Inventories:	
Finished goods	$47,836,000
Work in process	9,173,000
Raw materials and supplies	41,032,000
	$98,041,000

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of Significant Accounting Policies: Inventories— Inventories are stated at the lower of first-in, first-out cost or market. Market is replacement cost for raw materials and supplies and estimated realizable value for finished goods and work in process, after allowing for costs of completion and selling expenses.

GENERAL MOTORS CORPORATION (DEC)

CURRENT ASSETS	
Inventories	$5,176,896,457

Notes to Financial Statements

Note 1 (in part): Significant Accounting Policies: Inventories— Inventories are stated at the lower of cost or market. Cost is determined substantially by the first-in, first-out or the average cost method. Market value is current sales price less distribution cost for finished product and replacement cost for other inventories. Physical inventories are taken at all locations.

POTLATCH CORPORATION (DEC)

Summary of Principal Accounting Policies

Inventories— Inventories are stated at the lower of cost or market. The last-in, first-out method is used to determine the cost of logs, pulpwood, and certain lumber and plywood. Either the first-in, first-out or the average cost method is used to determine the cost of all other inventories. Generally, with respect to logs, materials, and supplies, "market" means replacement cost; and, with respect to all other items, "market" means estimated selling price less cost of marketing. These cost methods have been consistently applied.

Notes to Financial Statements

Note 2: Inventories— Inventory components are valued at the balance sheet dates as follows:

	1973	1972
Logs, pulpwood, and chips	$ 4,758,356	$ 6,921,650
Lumber and other manufactured wood products	8,689,321	11,781,681
Pulp, paper, and converted paper products	26,399,648	23,082,214
Materials and supplies	12,636,865	10,919,658
	$52,484,190	**$52,705,203**
Valued at lower of cost or market:		
First-in, first-out basis	$ 9,156,628	$ 6,187,414
Last-in, first-out basis	10,526,235	13,553,343
Average cost	32,801,327	32,964,446
	$52,484,190	**$52,705,203**

THE L. S. STARRETT COMPANY (JUN)

Notes to Financial Statements

Inventories— Inventories are valued on the lower of cost or market (net realizable value) basis, cost in general being average cost, except that the principal materials used in the U.S. manufacture of flat stock and saws are valued on the last-in, first-out method. Inventories at June 30 consisted of:

	1973	1972
Finished Goods	$ 4,499,421	$ 4,500,558
Goods in Process and Finished Parts	7,408,569	6,948,677
Raw Materials and Supplies	2,747,785	2,616,568
	$14,655,775	**$14,065,803**

Hedging Procedure

INTERNATIONAL MULTIFOODS CORPORATION (FEB)

CURRENT ASSETS:	
Inventories:	
Grain	$32,213,668
Other raw materials	15,656,400
Finished and in process goods	26,596,046
Packages and supplies	3,959,515
Total inventories	**$78,425,629**

Statement of Accounting Policies

Inventory Valuation— U.S. inventories of grain (excluding durum), flour and millfeeds are valued on the basis of replacement market prices of grain and feed prevailing at fiscal year-ends. Such inventories are further adjusted by the amount of gain or loss on open grain and flour contracts, which has the effect of adjusting the inventory values to cost for that portion of the inventory related to open grain and flour contracts. All other significant inventories, including Canadian inventories of grain, flour and millfeeds, are stated at the lower of cost (first-in, first-out) or replacement market.

Canadian inventories of grain, flour and millfeeds, and U.S. inventories of durum were previously valued on the same basis as similar U.S. inventories. The change in valuation method results in no material effect for 1973, and is not expected to result in any future material effect.

MESA PETROLEUM CO. (DEC)

CURRENT ASSETS:	
Inventories (Note 1)	
Feed, grain, and cattle	$46,488,927
Other	2,841,675

Note 1 (in part): Inventories and Cattle and Grain Futures— Cattle inventories are stated at the lower of actual cost (excluding interest) or market. At December 31, 1973, the Company owned 125,000 head of cattle, of which 66,000 head were in the Company's feedlots and 59,000 head were on pasture for future delivery to the Company's feedlots. In addition, as of December 31, 1973, the Company had entered into feeding arrangements, as described in Note 6, with feedlot customers relating to 48,000 head of cattle whereby the Company

guarantees these customers against losses in excess of certain amounts. Based on the applicable cattle market prices on February 27, 1974 and sales of cattle through that date, the Company provided for estimated losses of $4,500,000 on its cattle inventory and guaranty feeding arrangements existing as of December 31, 1973 by reducing its inventory carrying values and charging cost of cattle sales.

In order to substantially eliminate fluctuations in the sales price of fat cattle for its own account, the Company at times partially or wholly hedges its inventory of cattle by selling cattle futures contracts on the commodity exchange. The cattle futures contracts are repurchased at approximately the same time the cattle are sold. The Company sometimes purchases cattle futures contracts on the commodity exchange when the costs of such cattle contracts are less than the estimated cost to acquire and feed cattle. In addition, the Company at various times purchases grain futures contracts as a hedge against increases in the cost of grain fed to its cattle. As a result of the foregoing transactions, net operating income from feed, grain and cattle operations was decreased by $599,000 in 1972 and increased by $6,688,000 in 1973. On December 31, 1973, the Company owned futures contracts for the purchase of approximately 6,800 head of cattle at 45 cents per pound, and had 14,000 head of its cattle in the feedlots hedged at an average sales price of 49 cents per pound.

Other inventories are stated at average cost which is not in excess of market.

VALMAC INDUSTRIES, INC. (MAR)

	1973	1972
CURRENT ASSETS		
Cash	$3,813,032	$2,498,812
Trade receivables—Note B	19,701,915	15,988,833
Less allowances	592,830	484,723
	19,109,085	**15,504,110**
Inventories—Notes B and C	31,730,982	25,044,581
Prepaid expenses	598,169	540,939
Total current assets	**$55,251,268**	**$43,588,442**

Note B: Long Term Debt— Property, plant, and equipment with a net carrying amount of $4,098,951, trade receivables of $7,087,057, and inventories of $223,311,561 are pledged, assigned, or mortgaged as collateral to current and long-term debt.

Note C: Inventories—

	1973	1972
Cotton:		
Replacement market or net realizable values, whichever is lower	$13,605,283	$13,480,876
Average cost or market, whichever is lower	5,081,618	3,491,014
Coffee—at the lower of average cost or market	2,764,498	508,605
Food products, feed, and supplies—at the lower of cost (first-in, first-out method) or market	7,106,187	6,736,909
Condominium development in progress—at cost, including interest and taxes	1,946,023	365,463
Other—at cost	1,245,373	461,714
	$31,730,982	**$25,044,581**

Inventories of cotton include the adjustment of open hedged purchase commitments, unfilled sales contracts, and futures contracts to market. Results of hedging operations in the Food Division are recognized in the period being protected. Net losses are recognized during the current period.

INVENTORY VALUATION ACCOUNTS

Table 2—15 summarizes the nature of inventory valuation accounts disclosed by the survey companies. Chapter 6 of *ARB No. 43* and *APB Opinion No. 12* discuss the subject of valuation accounts.

TABLE 2-15: INVENTORY VALUATION ACCOUNTS

Purpose	1973	1972	1971	1970
Reduction to lifo cost	8	10	8	6
Obsolescence	6	4	2	2
Possible future price declines or losses	2	3	2	5
Other	5	4	5	7
Subtotal	**21**	**21**	**17**	**20**
No reference to inventory valuation accounts	579	579	583	580
Total Companies	**600**	**600**	**600**	**600**

LIFO Replacement

ARCHER DANIELS MIDLAND COMPANY (JUN)

	1973	1972
CURRENT ASSETS		
Cash	$6,469,824	$6,815,610
Marketable securities at cost less allowance of $136,000—approximately market	26,701,276	15,032,986
Receivables—Note 3	77,400,181	47,932,481
Inventories—Note 4	144,970,654	97,619,082
Prepaid expenses	4,612,665	4,306,155
Total current assets	**$260,154,600**	**$171,706,314**

Notes to Consolidated Financial Statements

Note 1 (in part): Inventories— Inventories of wheat and other grains, flour and meal are valued on the basis of market prices at June 30, including appropriate adjustments of open purchase and sale contracts. The Company generally follows a policy of hedging its transactions in these and certain other commodities to minimize risk due to market fluctuations.

Inventories of soybeans and other raw materials, sun-

dry products and supplies are valued at the lower of cost (generally the first-in, first-out method) or market prices.

Inventories of soybean oil, linseed oil, sperm oil, crude fish oil and certain grains of a subsidiary company are valued at cost (last-in, first-out method) which is not in excess of market prices.

Note 4: Inventories

	1973	1972
At market:		
Wheat and other grains, flour and meal	$78,952,679	$36,678,445
At lower of cost (generally the first-in, first-out method) or market:		
Soybeans and other raw materials	28,404,450	39,731,171
Sundry products	13,926,979	9,801,533
Supplies	2,045,712	1,511,193
	44,377,141	51,043,897
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	21,640,834	9,896,740
Total	**$144,970,654**	**$97,619,082**

Inventories at LIFO have a FIFO cost in excess of the inventory basis used in the financial statements of $9,708,000 at June 30, 1973 and $4,140,000 at June 30, 1972. In addition, provision has been made in the amount of $3,657,000 ($2,375,000 for 1972) for the anticipated cost in excess of LIFO basis of replacing quantities of certain LIFO inventories by December 31, 1973, the end of the reporting year for income tax purposes.

Reduction to LIFO Cost

HAUSERMAN, INC. (JUN)

	1973	1972
CURRENT ASSETS		
Cash	$ 2,351,000	$ 1,863,000
Trade accounts receivable, less allowance of $211,000 in 1973 and $136,000 in 1972	10,258,000	9,219,000
Recoverable federal income taxes	19,000	905,000
Inventories:		
Finished goods, work-in-process and raw materials (net of LIFO reserve of $3,199,000 in 1973 and $2,995,000 in 1972)– Note B	8,202,000	6,502,000
Less estimated costs applicable to billings on uncompleted construction contracts	5,208,000	4,346,000
	2,994,000	2,156,000
Prepaid expenses	315,000	266,000
Total Current Assets	**$15,937,000**	**$14,409,000**

Notes to Consolidated Financial Statements

Note A (in part): Accounting Policies: Inventories– Inventories are valued at the lower of cost or market. Cost at E. F. Hauserman (a subsidiary) is determined by the last-in, first-out cost method and at other companies cost is generally determined by the first-in, first-out cost method.

Note B: Inventories– The major components of inventory at June 30, 1973 and 1972, were as follows:

	1973	1972
At first-in, first-out cost method:		
Raw materials	$ 3,091,000	$ 2,369,000
Work-in-process	7,288,000	6,201,000
Finished goods	1,022,000	927,000
	11,401,000	9,497,000
Less amount to reduce inventory at E. F. Hauserman to last-in, first-out cost method	3,199,000	2,995,000
Totals	**$ 8,202,000**	**$ 6,502,000**

The LIFO (last-in, first-out) value of inventory at E. F. Hauserman Company included above amounted to $5,410,000 and $3,526,000 at June 30, 1973 and June 30, 1972, respectively.

Obsolescence Allowance

ADDRESSOGRAPH MULTIGRAPH CORPORATION (JUL)

Financial Review and Summary of Accounting Policies

Inventories– Inventory values are determined on the basis of lower of cost – mainly first-in, first-out – or market.

	1973	1972
Raw materials and supplies	$ 11,732,000	$ 12,970,000
Work in process	29,748,000	26,654,000
Finished parts, machines & supplies	118,803,000	83,128,000
	160,283,000	122,752,000
Less allowance for slow-moving, surplus and obsolete inventory	20,597,000	10,001,000
	$139,686,000	$112,751,000

Inventories of $139,686,000 (after deducting the $20,597,000 allowance) are $26,935,000 greater than inventories at July 31, 1972. This increase is attributable principally to a buildup to accommodate higher sales volumes; to new products developed and obtained through businesses purchased; and to the translation of foreign inventories at new exchange rates reflecting the U.S. dollar devaluation.

Reference is made to Special Expenses for information on the $13,675,000 provision in 1973 for surplus and obsolete inventories.

Special Expenses– The expense item of $20,175,000 for 1973 is comprised of (a) $13,675,000 for unusual write-offs of inventory resulting from the application of a more conservative policy for determining surplus and obsolete parts and components, together with the availability of better information on inventories as a result of recent implementation of a computer-based inventory system which provides for the identification, measurement and control of obsolete and surplus parts and components, and (b) $6,500,000 for additional provision for doubtful and uncollectable accounts receivable resulting from a statistical analysis of the accounts.

TABLE 2-16: UNBILLED COSTS

	1973	1972	1971	1970
Shown as separate balance sheet caption	28	26	29	24
Included in receivables	9	10	10	11
Included in inventories	7	8	9	15
Companies Presenting Unbilled Costs in Balance Sheet	**44**	**44**	**48**	**50**

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.

EMERSON ELECTRIC CO. (SEP)

CURRENT ASSETS	($ thousands)
Unbilled costs and estimated earnings under defense contracts, less progress billings of $3,626,000 (1972—$3,491,000)	$3,841

GENERAL SIGNAL CORPORATION (DEC)

CURRENT ASSETS:	
Contract work in process, at estimated billing amount	$3,166,000

HARRIS-INTERTYPE CORPORATION (JUN)

	1973	1972
CURRENT ASSETS		
Unbilled costs and accrued earnings on fixed price contracts based on percentage-of-completion accounting (less progress payments of $29,250,000 in 1973 and $19,600,000 in 1972)	$19,099,999	$13,911,884

J. RAY McDERMOTT & CO., INC. (MAR)

	1973	1972
CURRENT ASSETS:		
Costs of uncompleted contracts (in excess of related billings, 1973, $12,663,012; 1972, $14,329,568)	$18,122,139	$14,477,918
CURRENT LIABILITIES:		
Billings on uncompleted contracts (in excess of related costs, 1973, $65,185,746; 1972, $33,119,410)	$24,462,379	$17,385,041

A. C. NIELSEN COMPANY (AUG)

	1973	1972
	($ thousands)	
CURRENT ASSETS:		
Cash and certificates of deposit	$17,777	$16,660
Marketable securities, at cost (quoted market value, $9,014,000 in 1973 and $16,974,000 in 1972)	9,336	16,447
Accounts receivable (less allowance of $526,000 in 1973 and $507,000 in 1972 for doubtful accounts)	33,091	26,034
Unbilled expenditures for clients (Note 1)	11,654	6,218
Prepaid expenses	3,954	2,429
Total current assets	**$75,812**	**$67,788**

Note 1 (in part): Unbilled Expenditures for Clients—Payments on behalf of clients for coupons purchased in connection with Clearing House activities are billed after the required coupon processing is completed.

TRW INC. (DEC)

CURRENT ASSETS	($ thousands)
Reimbursable costs, fees and claims to be billed under contracts	$31,858

PREPAID EXPENSES

Of the 600 survey companies, 463 presented prepaid items in their 1973 balance sheets. Table 2-17 summarizes the nature of such items. Examples illustrating captions used to describe prepaid items follow.

ALLIED CHEMICAL CORPORATION (DEC)

CURRENT ASSETS	
Prepaid expenses and other current assets	$11,654,000

AMETEK, INC. (DEC)

CURRENT ASSETS:	
Deposits and prepaid expenses	$849,737

AMPEX CORPORATION (APR)

	($ thousands)
CURRENT ASSETS:	
Cash	$ 10,951
Notes and accounts receivable, less allowances of $10,134,000 and $12,270,000	67,613
Inventories, at lower of average cost or net realizable market value (Note 3)	84,666
Prepaid royalties, less amortization	4,463
Other prepaid expenses	5,942
Total current assets	**$173,635**

ALUMINUM COMPANY OF AMERICA (DEC)

	($ thousands)
CURRENT ASSETS:	
Prepaid insurance and taxes	$3,887

BELL & HOWELL COMPANY (DEC)

	($ thousands)
CURRENT ASSETS:	
Prepaid expenses	$4,140
Prepaid taxes	$6,926

THE BUDD COMPANY (DEC)

	($ thousands)
CURRENT ASSETS:	
Prepaid insurance, taxes, plant rearrangement expenses, etc.	$7,770

BURROUGHS CORPORATION (DEC)

CURRENT ASSETS	
Prepaid taxes and other expenses	$29,971,787

TABLE 2-17: PREPAID ITEMS

Nature	1973	1972	1971	1970
"Prepaid expenses"	296	294	288	305
"Prepaid expenses and other current assets"	60	55	54	52
Prepaid expenses and taxes paid in advance	31	28	24	17
Taxes paid in advance	20	21	25	33
Unexpired insurance	11	12	18	14
Supplies and prepaid expenses	14	13	15	16
Expenses applicable to future periods	7	7	8	6
Other captions indicating prepaid expenses	57	60	56	56
Total Captions	**496**	**490**	**488**	**499**
Number of Companies				
Presenting prepaid items	463	463	460	454
Not presenting prepaid items	137	137	140	146
Total	**600**	**600**	**600**	**600**

CADENCE INDUSTRIES CORPORATION (DEC)

	1973	1972
CURRENT ASSETS:		
Prepaid expenses and other current assets (note 2)	$4,329,000	$3,236,000

Note 2: Prepaid Expenses— Prepaid expenses consist of:

	1973	1972
Mailing and advertising costs	$ 2,348,000	$ 1,742,000
Film rental and production costs	493,000	302,000
Commissions and other selling costs	369,000	346,000
Discount store catalogs	370,000	318,000
Insurance	255,000	120,000
Other	494,000	408,000
	$ 4,329,000	**$3,236,000**

DEL MONTE CORPORATION (MAY)

CURRENT ASSETS:	
Costs allocable to future operations	$9,989,000

Notes to Consolidated Financial Statements

Summary of Accounting Policies (in part): 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.

SQUARE D COMPANY (DEC)

CURRENT ASSETS:	
Insurance and other prepaid expenses	$960,989

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.

TABLE 2-18: OTHER CAPTIONS IN CURRENT ASSETS

Nature	1973	1973	1971	1970
Deferred income tax	67	69	55	52
Advances and/or deposits	21	26	21	25
Property held for resale	15	13	15	13
Other– identified	19	23	10	16
"Other current assets"	48	49	42	46
Total Captions	**170**	**180**	**143**	**152**
Number of companies				
Presenting other captions	155	155	129	134
Not presenting other captions	445	445	471	466
Total	**600**	**600**	**600**	**600**

Advances And/Or Deposits

ASHLAND OIL, INC. (SEP)

	($ thousands)
CURRENT ASSETS:	
Recoverable advances on leased facilities	$35,578

CROWN CENTRAL PETROLEUM CORPORATION (DEC)

CURRENT ASSETS:	
Advances on oil purchase contract (Note B)	$14,000,000

Note B: Advances on Oil Purchase Contract— On December 28, 1973 the Company made advances in the amount of $14,000,000 under an agreement to purchase crude oil. The agreement requires delivery of the crude oil to the Company during 1974 at applicable prices allowable under the Economic Stabilization Program. The advances consist of $2,000,000 in cash and six promissory notes of $2,000,000 each at 12% interest, maturing the first day of each month from February 1, 1974 through July 1, 1974.

STOKELY-VAN CAMP, INC. (MAY)

CURRENT ASSETS:	
Cash	$ 8,051,432
Accounts receivable, less allowance for doubtful accounts, ($273,000, 1973; $222,000, 1972)	26,151,449
Inventories	
Finished goods and in process	41,359,721
Raw materials and supplies	32,101,802
Advances to growers and deferred costs	2,104,292
Prepaid expenses	1,782,293
Total current assets	**$111,550,989**

Notes to Financial Statements

Note 1 (in part): Inventories— Inventories are stated at the lower of cost or market. Cost is determined as follows:

Finished goods and in process (except cans) are determined on the first-in, first-out method. Raw materials and supplies (except cans) are determined on the average cost method. Cans are principally determined on the last-in, first-out method (Note 5).

Advances to Growers and Deferred Costs— Advances and incurred costs in connection with growing crops are deferred until the crops are harvested.

WINN-DIXIE STORES, INC. (JUN)

CURRENT ASSETS:	
Cash, including certificates of deposit	$ 18,276,125
Marketable securities, at cost plus accrued interest, which approximates market	24,288,378
Receivables, less allowance for doubtful items of $202,388 ($116,638 in 1972)	6,720,296
Merchandise inventories (Note 1)	144,275,568
Prepaid expenses	3,306,393
Construction advances (Note 1)	4,971,894
Total current assets	**$201,838,654**

Note 1 (in part): Inventories— Inventories are stated substantially at the lower of cost (first-in first-out) or current replacement market.

Construction Advances— Construction advances represent expenditures for operating facilities developed for use by the Company and for which commitments have been received for sale and leaseback within one year.

Property Held For Sale

ACME MARKETS, INC. (MAR)

CURRENT ASSETS:	
Properties to be developed and sold within one year	$4,865,000

LEAR SIEGLER, INC. (JUN)

CURRENT ASSETS	
Cash	$ 5,224,567
Notes and account receivable	
Commercial and other	94,860,813
Government	14,306,859
	109,167,672
Less allowances	3,036,667
	106,131,005
Inventories—at lower of cost (principally first-in, first-out) or market	
Raw materials	41,775,613
Work in process	34,138,723
Finished goods	30,689,783
	106,604,119
Costs recoverable under government contracts	28,042,653
Less progress billings	12,070,422
	15,972,231
Current portion of real estate held for sale (note A3)	21,185,676
Prepaid expenses	6,205,560
Total current assets	**$261,323,158**

Note A3: Real Estate Held for Sale— The current portion of real estate held for sale represents primarily those properties that have entered the development stage. The period required for completion of development and sale of properties may extend beyond twelve months which is the typical operating cycle of manufacturing operations. The noncurrent portion of real estate held for sale consists of those properties that have not entered the development stage.

UNIFI, INC. (JUN)

CURRENT ASSETS:	
Equipment held for resale	$803,169

Notes to Financial Statements

Note 3: Equipment Held for Resale— The equipment held for resale was made available from discontinued operations (See Note 8) and is stated at the amount expected to be realized currently. Related debt has been reclassified from long-term to current liabilities.

WARD FOODS, INC. (DEC)

CURRENT ASSETS:	
Estimated realizable value of net assets of discontinued operations, current	$3,080,000

Notes to Consolidated Financial Statements

Note 3 (in part): Discontinued Operations— In January 1973 and October 1973, the Company decided to divest its food equipment and restaurant groups under plans which are now expected to be completed by the end of 1974. In accordance with Accounting Principles Board Opinion No. 30 issued in June 1973, such operations have been classified as discontinued operations in the accompanying financial statements. Under Opinion No. 30 the Company is required to segregate continuing operations from discontinued and to provide for all anticipated costs from the decision date to discontinue until final disposal date.

The Consolidated Statements of Operations for 1973 and 1972 reflect results of discontinued operations as a single line item on a comparative basis. However, the Consolidated Balance Sheet at December 30, 1972 includes the assets and liabilities of discontinued operations at their cost basis in their traditional classification, while the Consolidated Balance Sheet at December 29, 1973 includes such items at their estimated net realizable value. Proceeds from the sale of discontinued operations, as formally agreed upon by the Company's debt holders, are committed to prepay specific debt. Accordingly, the estimated net realizable values have been reclassified in the Consolidated Balance Sheet at December 29, 1973 in line with the committed disposition of such funds as follows:

	Per Books	Reclassification	Per Annual Report
Current Assets	$26,653,348	$(23,573,348)	$ 3,080,000
Current Liabilities	(14,443,355)	14,443,355	---
	12,209,993	**(9,129,993)(a)**	**3,080,000**
Non-current Assets	13,395,972	7,713,338	21,109,310
Non-current Liabilities	(1,416,655)	1,416,655	---
	$24,189,310	**$24,189,310**	---

(a) Working capital reclassified to non-current classification of net assets of discontinued operations.

Results of discontinued operations include interest not previously allocated to individual Company units.

Interest expense is allocated to discontinued operations based on the principal amount of debt being prepaid with the estimated proceeds from the sale of discontinued operations.

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: PROPERTY, PLANT AND EQUIPMENT — VALUATION BASES

	1973	1972	1971	1970
Cost	595	586	579	577
Substantially at cost	2	6	6	7
Other	2	3	3	1
Subtotal	**599**	**595**	**588**	**585**
Valuation basis not disclosed	1	5	12	15
Total Companies	**600**	**600**	**600**	**600**

Table 2—19 shows that practically all of the survey companies state property, plant, and equipment at cost.

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.

Tables 2—20 and 2—21 show the property, plant, and equipment captions presented by the survey companies. The average number of captions used per company was 3.

The committee on terminology of the American Institute of Certified Public Accountants recommended that use of the word *reserve* should be avoided in connection with accounts such as accumulated depreciation. Table 2—22, a summary of the terminology used to describe accumulated depreciation, shows that only 20 of the 600 companies use the term *reserve*. The first section of Table 2—22 shows the frequency of the primary terms, such as *reserve, accumulated, allowance,* etc., as used in the balance sheets. The second section of the table classifies the various secondary terms used in balance sheet descriptions and the frequency of their combination with the primary terms. In addition to accumulated depreciation, 24 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 allowances follow.

Breakdown by Nature of Property

DAYCO CORPORATION (OCT)

Statement of Consolidated Financial Condition

PROPERTY, PLANT, AND EQUIPMENT—ON THE BASIS OF COST	
Land and land improvements	$3,458,470
Buildings	27,991,047
Machinery and equipment	96,462,813
Allowances for depreciation and amortization (deduction)	(58,155,326)
	$69,757,004

Statement of Changes in Consolidated Financial Position

SOURCE OF FUNDS	
From operations:	
Earnings before extraordinary items	$9,535,852
Add—expenses not requiring outlay of working capital:	
Depreciation and amortization	7,255,206
Increase in deferred taxes on non-current accounts	572,564
Working capital provided from operations exclusive of extraordinary items	**$17,363,622**

Notes to Consolidated Financial Statements

Property, Plant, and Equipment— Property, plant, and equipment are stated at cost. 70% of the depreciation expense is calculated on the straight-line method and the remainder on accelerated methods. The depreciation methods are designed to amortize the cost of the assets over their estimated useful lives.

Maintenance and repairs are charged to expense as incurred. When facilities are retired or otherwise disposed of, the cost is removed from the asset accounts and the related depreciation reserve is adjusted with the difference being charged to income.

TABLE 2-20: LAND

Captions Presented	1973	1972	1971	1970
Land (*34, 233, 400)	403	404	400	395
Land and land improvements (*113, 378, 487)	85	82	80	80
Land and buildings	36	41	42	40
Land and/or specific type of land and/or rights (*33, 314, 611)	22	28	28	31
Other or no caption for land	21	12	9	11
Subtotal	**567**	**567**	**559**	**557**
Line of business breakdown (*235, 538, 553)	33	30	33	34
No breakdown of property	—	3	8	9
Total Companies	**600**	**600**	**600**	**600**
Timberlands, mineral lands, etc. (*218, 299, 676)	68	67	62	74

*Refer to Company Appendix Section.

TABLE 2-21: DEPRECIABLE PROPERTY

Captions Presented	1973	1972	1971	1970
Buildings (*6, 100, 116)	296	301	302	295
Buildings and improvements (*127, 198, 291)	146	135	130	128
Buildings combined with land or equipment	84	71	84	91
Buildings– other captions (*18, 19, 716)	36	45	23	34
Subtotal	**562**	**552**	**539**	**548**
Machinery and/or equipment (*160, 541, 716)	436	439	430	420
Machinery and/or equipment combined with other (*58, 549, 615)	97	91	76	72
Machinery or equipment for rental or lease (*86, 251, 510)	43	43	41	31
Construction in progress (*23, 163, 760)	197	190	191	192
Leasehold improvements (*4, 255, 376)	108	113	97	94
Furniture, fixtures, etc. (*32, 213, 453)	70	67	71	72
Automobiles, marine equipment, etc. (*13, 310, 742)	83	66	81	57
Tools, dies, etc. (*107, 250, 485)	13	13	18	12
Other captions	74	76	72	110
Total Captions	**1683**	**1650**	**1616**	**1608**
Number of Companies				
Presenting above captions	555	545	535	535
Line of business breakdown (*3, 175, 455)	37	39	38	38
Not presenting details of depreciable property	8	16	27	27
Total	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section

DEL MONTE CORPORATION (MAY)

Consolidated Statement of Financial Position

	1973	1972
Plant and equipment, net	$190,907,000	$173,588,000

Consolidated Statement of Changes in Financial Position

WORKING CAPITAL PROVIDED FROM:
Operations:

Earnings for year	$26,014,000	$23,592,000
Depreciation	17,227,000	15,965,000

Notes to Consolidated Financial Statements

Summary of Accounting Policies (in part): 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 depreciations is deducted from the original cost, and any gain or loss arising from its disposal is credited or charged to earnings.

Plant and Equipment— At year-end, the Corporation's investment in plant and equipment (at cost) consisted of:

	1973	1972
Land, other than Ranch Land	$12,747,000	$11,930,000
Buildings	95,043,000	87,800,000
Ships and Marine Equipment	10,040,000	10,642,000
Machinery and Equipment	210,966,000	200,896,000
Ranch Land, Improvements and Equipment	44,021,000	33,141,000
Construction in Progress	9,426,000	9,930,000
	382,234,000	354,339,000
Less—Accumulated Depreciation	191,327,000	180,751,000
	$190,907,000	**$173,588,000**

THE DOW CHEMICAL COMPANY (DEC)

Consolidated Balance Sheet

PLANT PROPERTIES	$3,301,341,698
Less—accumulated depreciation	1,522,917,360
	$1,778,424,338

Consolidated Statement of Changes in Financial Position

SOURCE OF WORKING CAPITAL

Net income before extraordinary items	$271,148,000
Charges (credits) to income not involving working capital:	
Depreciation	263,114,000

Accounting Principles

Plant Properties and Depreciation— Land, buildings and equipment are carried at cost less accumulated

TABLE 2-22: ACCUMULATED DEPRECIATION

Primary Descriptive Terms*	1973	1972	1971	1970
A. Accumulated, etc.	486	475	466	473
B. Allowance, etc.	71	74	80	68
C. Reserve	20	26	26	26
D. Depreciation, etc., used alone, or other	23	25	28	33
Total Companies	**600**	**600**	**600**	**600**
Property valuation accounts	24	28	19	11
***1973 Term Used With**	**A**	**B**	**C**	**D**
Depreciation	300	36	9	9
Depreciation and amortization	132	21	2	6
Depreciation and depletion	22	7	3	2
Depreciation, depletion and amortization	30	7	4	3
Other	2	–	2	3
Total Companies	**486**	**71**	**20**	**23**

depreciation. Depreciation is based on the estimated service lives of depreciable assets, using the declining balance method in the United States and Canada. In other countries, the straight-line method is used.

Expenditures for renewals and betterments are capitalized, and maintenance and repairs are charged to income.

Prior to 1972, assets that were fully depreciated were eliminated from property and the reserve for depreciation at the end of each year. In 1972, the Company adopted the practice of retaining on the books those assets which became fully depreciated but still remain in use. In the case of disposals, the assets and related reserves are removed from the accounts and the net amount, less proceeds from disposal, is charged or credited to income.

Notes to Financial Statements

Note B: Plant Properties— Properties and accumulated depreciation at December 31, 1973 were:

	($ thousands)	
Classifications	Cost	Accumulated Depreciation
Land	$74,167	
Land and waterway improvements	88,365	34,133
Buildings	332,496	148,799
Machinery and other equipment	2,475,898	1,280,217
Wells and brine systems	49,540	27,110
Furniture and fixtures	39,423	21,542
Other	22,395	11,116
Construction in progress	219,058	
Total	**$3,301,342**	**$1,522,917**

ESMARK, INC. (OCT)

Consolidated Statement of Financial Position

	1973	1972
	($ thousands)	
Property and operating facilities	$427,386	$376,625

Consolidated Statement of Changes in Financial Position

SOURCES OF WORKING CAPITAL AND OTHER CHANGES IN FINANCIAL POSITION:		
Operations—		
Net earnings	$ 48,802	$37,003
Charges (credits) not involving working capital:		
Depreciation and depletion, including $7,223 ($647 in 1972) for unrecoverable costs of oil and gas properties	47,244	35,914
Deferred income taxes (noncurrent portion)	2,909	4,817
Pensions and other noncurrent amounts	945	(2,935)
Facility realignment allowance adjustments		(1,365)
Nonconsolidated subsidiaries and affiliated companies	1,156	(1,393)
Minority interests in subsidiaries' earnings	1,280	2,887
Other	377	242
Total from operations	**$102,713**	**$75,170**

Financial Comments

Financial Position: Property and Operating Facilities — The cost of property and operating facilities and related allowances, in millions of dollars, are detailed as follows:

	1973	1972
Buildings and land improvements	$166.8	$160.4
Machinery and equipment	321.5	302.5
Automotive equipment	37.4	36.4
	525.7	**499.3**
Accumulated depreciation	(255.9)	(235.7)
	269.8	**263.6**
Land	23.0	20.7
Oil and gas properties, less accumulated depletion of $13.8 (1972—$16.0)	92.6	64.2
Agricultural chemical mining properties, less accumulated depletion of $6.6 (1972—$6.0)	17.2	17.7
Construction in progress	24.8	10.4
Net property and operating facilities	**$427.4**	**$376.6**

Lease and well equipment, previously included in oil and gas properties, has been included in machinery and equipment in 1973. The 1972 amounts have been restated to conform to this classification.

New investments in property and operating facilities totaled $102.3 million in 1973 as compared to $52.0 million in 1972. Additions in 1973 include $39.8 million ($5.3 million in 1972) invested by TransOcean Oil in oil and gas properties, primarily leases in offshore Louisiana. The improvement, expansion or replacement of existing facilities accounted for the remainder of the 1973 additions. In November 1973, Swift Chemical Company, a subsidiary of Estech, exercised its option to acquire in early 1976 a nitrogen manufacturing facility from Mobil Oil Corporation. This facility has been the company's principal supplier of nitrogen products since 1969.

Oil and gas properties include $45.0 million ($32.0 million in 1972) relating to nonproducing properties, primarily newly acquired leases. Exploratory drilling is currently in progress on most of the nonproducing properties.

In 1972, the company discontinued operations at its Stockton, California beef plant and sold that facility and certain real estate in Hamburg, Germany resulting in a small net gain.

The facility realignment program was essentially concluded in 1972. Properties held for sale at October 28, 1972, were written down by $17.4 million to expected net realizable value of $1.8 million and classified as "other assets" in the consolidated statement of financial position. Unpaid obligations for separation payments of $3.2 million were included in current liabilities. Other losses and costs incurred in 1972 and charged to the allowances provided in prior years included $5.2 million of separation payments, demolition and other related costs; $5.0 million of losses, less gains, on facility disposals and write-offs; and $1.8 million of depreciation on closed facilities. The $1.4 million of allowances remaining was credited to 1972 earnings.

Principal Accounting Policies

Property and operating facilities— The field cost

method of accounting is used for oil and gas exploration and development activities. Under this method, costs 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 and capitalized costs applicable to fields which prove to be nonproductive are charged against operations by additional provisions for depreciation and depletion when such determinations are made. Capitalized costs and related accumulated depreciation and depletion are removed from the accounts when the company's interest in a field is abandoned or sold. Costs of lease and well equipment are depreciated on the straight line method.

Depletion provisions on agricultural chemical mining properties are determined on the unit-of-production method.

Depreciation provisions on all other property and operating facilities are determined primarily on the straight line method.

Provisions were made in prior years for significant direct costs and losses to be incurred under the facility realignment program adopted in 1966, substantially expanded in 1968, and essentially concluded in 1972. During the period of the program, the allowances so established were charged as the costs and losses were incurred and credited as gains were realized. Gains and losses on unusual facility dispositions and closings, other than dispositions and closings under the facility realignment program, are reflected in earnings in the year of disposition for gains and in the year in which the decision is made to close for losses. Gains and losses on normal dispositions of facilities and equipment are included in accumulated depreciation except as to certain foreign subsidiaries which include such amounts in earnings.

GENERAL ELECTRIC COMPANY (DEC)

Statement of Financial Position

	1973	1972
	($ millions)	
Plant and equipment	$2,360.5	$2,136.6

1973 FINANCIAL SUMMARY

Depreciation amounted to $334.0 million in 1973 and $314.3 million in 1972.

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 United States, are depreciated on a straight-line basis. Special depreciation is provided where equipment may be subject to abnormal economic conditions or obsolescence.

Plant and equipment represents the original cost of land, buildings and equipment less estimated cost consumed by wear and absolescence. Plant additions were substantially greater in 1973 than in 1972 principally due to major additions to capacity in the Industrial Components and Systems category. Details of plant and equipment and accumulated depreciation are shown in the table below. Additions, dispositions, provisions for depreciation and other changes in plant and equipment, analyzed by major classes, are included in the 10-K Report. Expenditures for maintenance and repairs are charged to operations as incurred.

	1973	1972
	($millions)	
PLANT AND EQUIPMENT		
Major classes at December 31:		
Land and improvements	$ 104.4	$ 103.0
Buildings, structures and related equipment	1,445.9	1,347.5
Machinery and equipment	3,138.5	2,828.2
Leasehold costs and plant under construction	231.0	170.5
	$4,919.8	**$4,449.2**
Cost at January 1	$4,449.2	$4,134.2
Additions	598.6	435.9
Dispositions	(128.0)	(120.9)
Cost at December 31	**$4,919.8**	**$4,449.2**
ACCUMULATED DEPRECIATION		
Balance at January 1	$2,312.6	$2,108.5
Current year provision	334.0	314.3
Dispositions	(95.8)	(107.6)
Other changes	8.5	(2.6)
Balance at December 31	**$2,559.3**	**$2,312.6**
Plant and equipment less depreciation at December 31	$2,360.5	$2,136.6

GENERAL MOTORS CORPORATION (DEC)

Consolidated Balance Sheet

PROPERTY	
Real estate, plants and equipment (Note 7)	$15,615,898,926
Less accumulated depreciation (Note 7)	9,945,321,053
Net real estate, plants and equipment	5,670,577,873
Special tools—less amortization	580,657,543
Total Property	**$ 6,251,235,416**

Statement of Consolidated Income

COSTS AND EXPENSES	
Cost of sales and other operating charges, exclusive of items listed below	$28,114,073,825
Selling, general and administrative expenses	1,328,085,680
Depreciation of real estate, plants and equipment	902,853,471
Amortization of special tools	1,081,020,914
Provision for the Incentive Program (Note 11)	112,823,495
United States, foreign and other income taxes (Note 3)	2,115,000,000
Total	**$33,653,857,385**

Notes to Financial Statements

Note 1 (in part): Significant Accounting Policies: Property, Depreciation and Amortization— Property is

stated at cost. Maintenance, repairs, rearrangement expenses and renewals and betterments which do not enhance the value or increase the basic productive capacity of the assets are charged to costs and expenses as incurred.

The annual group (composite) rates of depreciation are, with minor exceptions, as follows:

Classification of Property	**Annual Group Rates**
Land improvements	5%
Buildings	3½%
Machinery and equipment	8⅓% (Average)
Furniture and office equipment	6% (Average)

Depreciation is not provided in excess of 100% of the gross book amount of a given group as a whole. Depreciation on groups which are not 100% depreciated is, with minor exceptions, accrued at 150% and 100% of the applicable rate shown above for the first and second thirds, respectively, of estimated useful life and thereafter at 50% of such rate for the balance of time the assets remain in service. Use of this accelerated method accumulates depreciation of approximately two-thirds of the depreciable cost during the first half of the estimated lives of the property.

Expenditures for special tools are amortized, with the amortization applied directly to the asset account, over short periods of time because the utility value of the tools is radically affected by frequent changes in the design of the functional components and appearance of the product. Replacement of special tools for reasons other than changes in products is charged directly to cost of sales.

Note 7: Real Estate, Plants and Equipment and Accumulated Depreciation

REAL ESTATE, PLANTS AND EQUIPMENT:	
Land	$ 236,608,135
Land improvements	515,723,635
Leasehold improvements—less amortization	24,312,032
Buildings	3,889,687,534
Machinery and equipment	10,211,856,100
Furniture and office equipment	234,844,708
Construction in progress	502,866,782
Total	**$15,615,898,926**
ACCUMULATED DEPRECIATION:	
Land improvements	$ 305,376,415
Buildings	2,177,974,915
Machinery and equipment	7,249,030,699
Furniture and office equipment	163,608,894
Extraordinary obsolescence	49,330,130
Total	**$9,945,321,053**

GENERAL RESOURCES CORPORATION (OCT)

Balance Sheet

	1973	1972
PROPERTY, PLANT AND EQUIPMENT	$1,868,564	$2,359,204

Consolidated Statement of Changes in Financial Position

SOURCE OF FUNDS:		
Operations:		
Earnings (loss) before extraordinary items	$206,534	$(612,445)
Less:		
Depreciation	54,440	170,777
Amortization of patents	152,024	129,482
Total funds provided by (used in) operations, exclusive of extraordinary items	**$412,998**	**$(312,186)**

Notes to Consolidated Financial Statements

Note A (in part) Summary of Significant Accounting Policies— 4. 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).

Depreciation lives used during the periods were as follows:

Buildings used in manufacturing operations	30 years
Buildings used in rental operations	12-33 years
Machinery and equipment used in manufacturing operations	10-20 years
Machinery and equipment used in rental operations	3-10 years
Transportation equipment	3-10 years
Furniture and fixtures	5-10 years
Leasehold improvements	5-10 years

Maintenance, repairs and renewals are charged to expense, except that renewals which extend the useful lives of the property are capitalized. The cost, less accumulated depreciation, of assets sold or retired is elimated from the accounts in the year of disposal; the related gain or loss is included in the statement of operations.

Note G: Property, Plant and Equipment— Property, plant and equipment, at cost less accumulated depreciation and amortization, is summarized as follows:

	1973	1972
Used in Manufacturing Operations:		
Land	$ 2,249	$ 91,565
Buildings	757,539	1,494,219
Machinery, equipment and fixtures	1,026,241	2,262,671
	1,786,029	**3,848,455**
Less allowance for depreciation	815,420	1,498,178
	970,609	**2,350,277**
Used in Rental Operations:		
Land	123,207	
Buildings and improvements	836,474	
Furniture, fixtures and equipment	94,443	
	1,054,124	
Less allowance for depreciation	271,060	
	783,064	
Other:		
Building	20,944	
Transportation equipment	77,536	
Leasehold improvements	51,751	
Office furniture and fixtures	90,048	12,834
	240,279	**12,834**
Less allowance for depreciation and amortization	125,388	3,907
	114,891	**8,927**
	$ 1,868,564	**$ 2,359,204**

During 1973, the Company revised the estimated service lives of certain of the plant and equipment used in manufacturing operations. This change had the effect of reducing depreciation expense in 1973 by $40,000.

GUARDIAN INDUSTRIES CORP. (DEC)

Consolidated Balance Sheet

PROPERTY, PLANT AND EQUIPMENT	$60,438,800
Less accumulated depreciation	10,698,000
	$49,740,300

Consolidated Statement of Income

COSTS AND EXPENSES:	
Costs, excluding items listed below	$58,090,200
Depreciation and amortization	3,345,000
Selling and administrative	9,542,800
Employee retirement plans	197,300
	$71,175,300

Notes to Consolidated Financial Statements

Note 1 (in part): Propery, Plant, Equipment and Depreciation— Property, plant and equipment are carried at cost. Provisions are made for depreciation of property, plant and equipment over the estimated useful lives of assets using straight-line and declining-balance methods. Maintenance, repair and rearrangement costs are charged to income as incurred. All betterments and renewals which increase the value, productive capacity or lives of assets are capitalized, as are costs associated with the research, engineering and design of new facilities.

The cost and related accumulated depreciation are removed from the respective accounts when assets are retired. Gain or loss resulting from the sale of assets is included in income.

Note 6: Property, Plant and Equipment and Accumulated Depreciation— A summary of the property, plant and equipment at December 31, 1973 and related accumulated depreciation, depreciation methods and lives is as follows:

Classification	Methods	Lives (Years)	Cost	Accumulated Depreciation
Land			$ 454,000	
Land improvements	Straight-line	8-25	122,300	$ 34,000
Building and building additions	Straight-line and declining-balance	15-33⅓	15,232,800	1,871,700
Leasehold improvements	Straight-line	3-33⅓	623,100	299,500
Machinery and equipment	Straight-line and declining-balance	8-25	42,025,900	7,398,500
Molds and fixtures	Declining-balance	5	436,900	429,200
Office furniture and equipment	Straight-line and declining-balance	5-10	484,600	255,800
Transportation equipment	Straight-line and declining-balance	3-8	1,058,700	409,300
			$60,438,300	**$10,698,000**

ELI LILLY AND COMPANY (DEC)

Consolidated Balance Sheet

PROPERTY AND EQUIPMENT	
Land	$15,765,668
Buildings	227,035,850
Equipment	280,003,782
Allowances for depreciation (deduction)	(203,274,085)
Total Property and Equipment	**$319,531,215**

Statement of Changes in Consolidated Financial tion

SOURCES OF WORKING CAPITAL	
From operations:	
Net income for the year	$155,519,910
Noncash charges (credits) to income for:	
Depreciation	26,438,899

Notes to Consolidated Financial Statements

Note A (in part): Summary of Significant Accounting Policies: Property and Equipment— Property and equipment are stated on the basis of cost. Provisions for depreciation of property and equipment have been computed generally by the straight-line method at rates based on their estimated useful lives. For tax purposes, depreciation deductions for selected items of buildings and equipment are computed by accelerated methods; income taxes on the resulting differences are deferred.

OLIN CORPORATION (DEC)

Consolidated Balance Sheets

	1973	1972
PROPERTY, PLANT AND EQUIPMENT	$563,354,000	$516,485,000

Statements of Consolidated Income

COSTS AND EXPENSES:		
Cost of sales ...	$923,349,000	$824,901,000
Selling, general, administrative and research ...	177,704,000	158,898,000
Depreciation, depletion and amortization .	55,876,000	50,798,000
Interest ...	21,444,000	17,672,000
	$1,178,373,000	**$1,052,269,000**

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 a composite unit of 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:

(000 omitted)	**1973**	**1972**
Land and improvements to land ...	$46,451	$41,218
Timber and timberlands ...	55,133	47,279
Building and building equipment ...	182,385	177,378
Machinery and equipment ...	717,128	666,751
Leasehold improvements ...	10,716	11,843
Construction in progress ...	103,476	84,844
	$1,115,289	**$1,029,313**
Less accumulated depreciation, depletion and amortization ...	551,935	512,828
	$563,354	**$516,485**

ROCKWELL INTERNATIONAL CORPORATION (SEP)

Consolidated Balance Sheet

PROPERTY—AT COST	
Land ...	$48,957,000
Improvements to land and leaseholds ...	41,519,000
Buildings ...	304,964,000
Machinery and equipment ...	735,457,000
Furniture, fixtures, and office equipment ...	80,827,000
Construction in progress ...	68,058,000
Total ...	**1,279,782,000**
Less accumulated depreciation amortization ...	706,529,000
Net property ...	**$573,253,000**

Consolidated Changes in Financial Position

RESOURCES PROVIDED BY	
Income before extraordinary credit ...	$126,163,000
Add (deduct) items not requiring use of working capital:	
Depreciation and amortization:	
Property ...	71,309,000
Intangibles ...	2,279,000
Equity in income of unconsolidated subsidiaries and affiliates ...	(9,406,000)
Deferred income taxes, etc. ...	8,752,000
Total from operations, excluding extraordinary credit	**$199,097,000**

Notes to Financial Statements

Note 1 (in part): Depreciation and Amortization of Property— Depreciation and amortization of property of the North American 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. Depreciation and amortization of property of the Utility & Consumer Products Group (formerly Rockwell Manufacturing Company) prior to the merger in February 1973 of Rockwell Manufacturing Company into the Company (see Note 2) was based principally on accelerated methods; however, effective with the merger depreciation and amortization of property acquired after that date is based on the straight-line method. This change in method to conform accounting practice did not have a material effect on consolidated net income.

THE SINGER COMPANY (DEC)

Balance Sheet

	1973	1972
	($ millions)	
Property, plant and equipment—net ...	$412.4	$369.2

Summary of Accounting Policies

Property, Plant and Equipment— Land, buildings, equipment, and improvements which signficantly extend the useful life of existing plant and equipment are carried at cost. Depreciation generally is recorded on a straight-line basis over the estimated useful lives of the assets. Maintenance and repair costs are expensed as incurred. Gains or losses on sale or retirement are reflected in income.

Notes to Financial Statements

Property, Plant and Equipment— Gross additions in 1973 amounted to $122.2 million. Disposals of property, plant and equipment (net of accumulated depreciation) amounted to $8.3 million. The provision for depreciation in 1973 was $70.7 million compared with $59.3 million in 1972. Balances at December 31, 1973 and 1972 are:

	1973	1972
	($ millions)	
Property, plant and equipment, at cost:		
Land	$ 16.3	$ 16.2
Buildings, less accumulated depreciation of $69.5 in 1973 and $67.7 in 1972	106.0	85.6
Machinery and equipment, less accumulated depreciation of $351.6 in 1973 and $316.6 in 1972	238.9	205.3
Equipment for lease, less accumulated depreciation of $37.2 in 1973 and $28.4 in 1972	32.0	24.2
Construction in progress	19.2	37.9
	$412.4	**$369.2**

THE VENDO COMPANY (DEC)

Consolidated Balance Sheet

PLANT AND EQUIPMENT, AT COST (NOTE1):	
Land	$820,979
Buildings	6,565,584
Machinery and equipment	12,004,203
Transportation and office equipment	1,727,332
Leasehold improvements	311,614
Less–Accumulated depreciation and amotization	(13,766,111)
Net plant and equipment	$7,663,601

Consolidated Statement of Changes in Financial Position

WORKING CAPITAL WAS PROVIDED BY:	
Operations	
Net income before extraordinary item	$2,618,144
Charges not requiring expenditure of working capital	
Depreciation and amortization	1,317,647
Increase in deferred income taxes	233,075
Minority interest in earnings of subsidiaries	218,147
Provided by operations before extraordinary item	**$4,387,013**

Notes to Consolidated Financial Statements

Note 1 (in part): Significant Accounting Policies: Depreciation policies— Depreciation of plant and equipment is provided by charges to operations over the estimated useful lives of the assets by the sum-of-the-years-digits method for new domestic assets purchased after January 1, 1954, and, generally, by the straight-line method for all other assets. The lives used for the more important items within each property classification are as follows:

Buildings	25 years
Machinery and equipment	12½ years
Transportation equipment	4 years
Office equipment	10 years
Leasehold improvements	Lease period

Breakdown by Function

FREEPORT MINERALS COMPANY (DEC)

Balance Sheets

	1973	1972
PROPERTY, PLANT AND EQUIPMENT, AT COST (NOTE 3):		
Land and leaseholds	$45,942,000	$46,234,000
Plant and equipment	248,946,000	242,161,000
	294,888,000	**288,395,000**
Less, Accumulated depreciation and amortization	152,066,000	140,443,000
	$142,822,000	**$147,952,000**

Statements of Income

COSTS AND EXPENSES		
Production and delivery costs	$115,422,000	$101,537,000
Exploration and development costs	3,461,000	3,990,000
Depreciation and amortization	12,998,000	13,787,000
Selling, general and administrative expenses	7,632,000	7,458,000
Taxes	13,011,000	12,084,000
	$152,704,000	**$138,856,000**

Notes To Financial Statements

Note 1 (in part): Summary of Significant Accounting Policies :Depreciation and Amortization— The Company computes depreciation and amortization of property, plant and equipment over estimated useful lives, generally on the unit-of-production method for producing mineral properties and on the straight-line method for other assets.

Note 3: Major categories of property, plant and equipment at December 31 were as follows (amounts in thousands):

	Land and Lease holds	Plant and Equip ment	Total	Un amor tized Balance
1973				
Sulphur	$6.022	$121,739	$127,761	$51.925
Phosphate	7,886	70,109	77,995	53,495
Kaolin	3,617	28,856	32,473	24,860
Potash	11,524	17,667	29,191	3,469
Oil and gas	12,750	6,345	19,095	4,410
Other	4,143	4,230	8,373	4,663
Total	**$45,942**	**$248,946**	**$294,888**	**$142,822**
1972				
Sulphur	$6,038	$118,727	$124,765	$52,808
Phosphate	8,087	67,928	76,015	56,342
Kaolin	3,607	27,320	30,927	24,189
Potash	11,587	17,616	29,203	5,324
Oil and gas	12,769	6,329	19.098	4,134
Other	4,146	4,241	8.387	5,155
Total	**$46,234**	**$242,161**	**$288,395**	**$147,952**

UI INTERNATIONAL CORPORATION (DEC)

Consolidated Balance Sheets

	1973	1972
	($ thousands)	
PROPERTY, PLANT AND EQUIPMENT (NOTE 7)	$1,435,346	$1,313,722
Less accumulated depreciation and amortization	431,367	386,525
Net property, plant and equipment	**$1,003,979**	**$927,197**

Statements of Consolidated Income

COSTS AND EXPENSES:		
Cost of products sold and other operating costs and expenses, excluding depreciation and amortization	$1,110,116	$ 876,286
Selling, general and administrative expenses, excluding depreciation and amortization	196,186	166,867
Depreciation and amortization	66,285	59,145
Interest and debt expense	60,942	39,537
Income taxes	32,514	23,586
Minority interests	8,659	8,717
	$1,474,702	**$1,174,138**

Summary of Significant Accounting Policies

Property, Plant and Equipment— Property, plant and equipment are recorded at cost. Depreciation is provided principally on the straight-line basis, except for certain ocean shipping subsidiaries which use the declining-balance method, over the estimated useful lives of the related assets. Upon sale or retirement of non-utility properties, costs and related depreciation are eliminated and gains or losses are recorded. Upon sale or retirement of depreciable utility properties, costs are transferred to accumulated depreciation and no gain or loss is recognized. Interest and other overhead costs incurred during construction are added to cost of utility plant and ocean vessels.

Notes to Financial Statements

Note 7: Property, Plant and Equipment— Property, plant and equipment is summarized as follows:

	1973	1972
Ocean Shipping	$214,044,000	$205,642,000
Electric and Gas Services	437,103,000	402,398,000
Energy Systems	65,780,000	59,969,000
Transportation Services	157,049,000	147,106,000
Distribution Services	85,620,000	73,722,000
Water Management	22,073,000	209,673,000
Waste Management	44,130,000	41,559,000
Land Management and Tourism	149,196,000	134,386,000
Other	55,351,000	39,267,000
	$1,435,346,000	**$1,313,722,000**

SHELL OIL COMPANY (DEC)

Balance Sheet

	1973	1972
PROPERTIES, PLANT AND EQUIPMENT	$3,526,924,000	$3,438,870,000

Statement of Changes in Financial Position

FUND PROVIDED		
Net income	$332,694,000	$260,480,000
Depreciation, depletion, amortization and retirements	369,078,000	345,759,000
Dry hole costs (included in capital expenditures)	72,617,000	51,046,000
Deferred credits—federal income taxes (related to write-offs)	10,735,000	11,332,000
Total Provided From Operations	**$785,124,000**	**$668,617,000**

Accounting Policies

Depreciation, Depletion and Amortization— Depreciation, depletion and amortization of the capital cost of producing properties, both tangible and intangible, are provided for on a unit of production basis. Developed reserves are used in computing unit rates for tangible and intangible development costs and proved reserves for depletion of leasehold costs. In all cases the unit determination is by field. Other plant and equipment are depreciated on a straight line basis over their estimated useful lives. On a cycle basis asset lives are reviewed for propriety of estimated useful life. Changes in depreciation rates, if any, are prospective only. Differing rates or deductions are used for tax purposes.

Maintenance, Repairs and Retirement of Properties— Major renewals and betterments are charged to the property accounts while minor replacements, maintenance and repairs which do not improve or extend life are expensed currently. At the time properties are retired or otherwise disposed of in the normal course of business, the cost is charged against the accumulated provision; however, if the retirement relates to a casualty or material obsolescence, the loss or gain is reflected in current income.

Notes to Financial Statements

Note 4: Properties, Plant and Equipment

	1973 Capital Expenditures		Investment December 31, 1973			Investment December 31, 1972		
	Amount	%	Cost	Net	%	Cost	Net	%
					(Thousands of Dollars)			
Exploration and Production:								
Producing properties (incl. drilling)	$245,841	42	$2,992,855	$1,236,408	35	$2,869,565	$1,225,186	36
Unproven leaseholds	46,568	8	240,935	181,914	5	237,218	209,755	6
Other facilities	4,704	1	53,731	17,184	--	52,417	17,620	1
Oil Refineries	46,506	8	1,254,498	626,617	18	1,215,948	619,731	18
Chemical Plants	67,888	12	735,845	427,031	12	704,999	394,038	11
Service Stations	47,981	8	722,355	576,556	16	709,074	573,385	17
Other Marketing Facilities	20,885	4	259,040	129,653	4	237,970	115,123	3
Pipelines	46,099	8	403,798	201,232	6	368,881	177,289	5
Other Transportation Facilities	10,549	2	31,760	24,258	1	21,325	15,154	--
Miscellaneous Facilities	43,560	7	141,310	106,071	3	140,258	91,589	3
Total	**$580,581**	**100**	**$6,836,127**	**$3,526,924**	**100**	**$6,557,655**	**$3,438,870**	**100**

THE STANDARD OIL COMPANY (AN OHIO CORPORATION)

Balance Sheet

	1973	1972
	($ thousands)	
PROPERTY, PLANT, AND EQUIPMENT (NET)-NOTE B	$1,138,437	$1,128,890

Statement of Income

	1973	1972
COSTS AND EXPENSES		
Crude oil, products, merchandise and material costs, and operating expenses	$1,062,526	$944,853
Selling, general, and administrative expenses	265,034	277,129
Depreciation and depletion	67,019	70,876
	$1,394,579	**$1,292,858**

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

Depreciation and Depletion— Depreciation of property, plant, and equipment (except for that associated with oil and gas production, coal mine development costs, mineral lands, and leaseholds) is provided principally by the straight-line method. Rates are 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 based on experience, except for Alaska where no amortization is being provided until production commences.

Property Retirements— Upon sale or retirement of property, plant and equipment, the costs and related accumulated depreciation are eliminated from the respective accounts. The resulting gain or loss is included in current operations.

Note B: Property, Plant, and Equipment— on the basis of cost

	December 31, 1973			December 31, 1972		
	Cost	Accumulated Depreciation and depletion	Net	Cost	Accumulated depreciation and depletion	Net
Petroleum		($ thousands)			($ thousands)	
Production	$487,217	$146,410	$340,807	$424,284	$142,909	$281,375
Refining	387,322	172,157	215,165	377,967	163,317	214,650
Marketing	414,028	118,984	295,044	465,415	118,096	347,319
Transportation	184,484	21,882	162,602	177,881	21,820	156,061
Coal	98,311	47,946	50,365	93,†089	42,449	50,640
Chemicals	92,199	38,958	53,241	88,553	31,254	57,299
Plastics	26,757	12,902	13,855	26,667	13,010	13,657
Other	15,178	7,820	7,358	15,913	8,024	7,889
	$1,075,496	**$567,059**	**$1,138,437**	**$1,669,769**	**$540,879**	**$1,128,890**

THE SUPERIOR OIL COMPANY (DEC)

Consolidated Balance Sheet

	1973	1972
PROPERTIES, PLANT AND EQUIPMENT, AT COST		
Undeveloped oil and gas properties	$43,935,000	$46,259,000
Producing oil and gas properties	76,197,000	68,812,000
Wells and related production equipment (exclusiveof intangible development costs)	232,221,000	223,691,000
Gas plants and related facilities	23,973,000	22,951,000
Agricultural properties and related facilities (Notes 2 and 6)	103,235,000	46,724,000
Other properties and equipment	46,923,000	45,958,000
	526,484,000	**454,395,000**
Less—Accumulated depletion, depreciation and amortization	210,348,000	196,678,000
	$316,136,000	**$257,717,000**

Consolidated Statements of Income and Retained Earnings

OPERATING EXPENSES		
Operating costs	$42,336,000	$35,349,000
General and administrative	13,326,000	12,475,000
Geological and geophysical	16,442,000	19,019,000
Intangible development costs	32,735,000	34,260,000
Nonproductive leases and other properties abandoned	9,992,000	10,304,000
Depletion, depreciation and amortization	19,975,000	19,097,000
Taxes (other than income)	11,329,000	11,114,000
	$146,135,000	**$141,618,000**

Summary of Significant Accounting Policies

Undeveloped leases— The acquisition costs of undeveloped oil and gas properties are capitalized. Subsequently, such acquisition costs are either: (a) transferred to producing oil and gas properties when a lease becomes productive, or (b) charged to expense prior to or when a lease is surrendered or relinquished. Rentals of undeveloped oil and gas properties are charged to expense when paid.

Depletion and Depreciation— Depletion and depreciation of producing oil and gas properties and related equipment are calculated on an individual property basis using the unit-of-production method, Depreciation of other plant and equipment is calculated on the straight-line method in amounts which, in the opinion of management, are adequate to allocate the cost of such properties over the established useful lives.

Exploratory and Development Costs— Exploratory and development costs, including intangible development costs on productive and nonproductive wells and geological and geophysical costs, are charged to expense in the year incurred. Tangible equipment is capitalized and depreciated as set forth under Depreciation and Depletion above.

Agricultural Operations— Expenditures incurred in the development or acquisition of productive permanent crops (such as citrus, nuts and fruits) are capitalized until the trees and vines reach maturity. Beginning with the first year of commercial production, development costs are amortized on the straight-line method over the estimated productive lives of the groves and vineyards.

Expenses required to maintain the groves and vineyards and to harvest the crops are matched with appropriate sales and revenues. Crop expenses that relate to harvests of a future period are included in prepaid expenses on the consolidated balance sheet.

Note 6: Purchase of Agricultural Properties— On May 18, 1973; Superior Farming Company, a wholly owned subsidiary of Superior, acquired certain farm lands, permanent crops and related farming equipment for $12,165,000 cash and assumed $37,509,000 of 6½ percent and 8¾ percent long-term notes payable. The purchase price was allocated to the assets acquired, including the value of growing crops, based on appraisals by the Company's personnel and independent appraisers.

Property Valuation Accounts

ALLIED MILLS, INC. (MAR)

Consolidated Balance Sheet

	1973	1972
Property, plant and equipment—net	$52,884,000	$53,149,000

Consolidated Statement of Changes in Financial Position

SOURCE OF WORKING CAPITAL		
Operations:		
Net earnings	$4,881,000	$1,986,000
Charges (credit) not requiring working capital:		
Depreciation	4,181,000	5,203,000
Deferred income taxes—noncurrent	(585,000)	293,000
Other	463,000	322,000
Provision for loss on disposition of facilities, including writeoff of intangibles	3,325,000	
Total provided from operations	**$12,265,000**	**$7,804,000**

Statement of Accounting Policies

Property, Plant and Equipment— Property, plant and equipment are carried at cost. Expenditures for property renewals and improvements are capitalized. When properties are retired or otherwise disposed of, the cost and related depreciation are removed from the accounts and any resulting gain or loss is reflected in earnings. Amounts expended for maintenance and repairs are charged to operations as incurred.

Depreciation— Depreciation of property, plant and equipment is computed principally on the straight line method over average lives of 26 years for buildings and improvements and 13 years for machinery and equipment.

Financial Review

Closing of Facilities— In fiscal 1973, the Company provided for losses and costs in connection with the discontinuance of the business formerly conducted by its Polo Food Products Division and the closing of two feed processing facilities, including the writeoff of intangibles of $1,194,000. Such charges, net of applicable tax benefits, reduced fiscal 1973 net earnings by approximately $2,060,000.

Property, plant and equipment— Additions to property plant and equipment during the nine months ended ended March 31, 1973 amounted to $7,111,000 and were $11,492,000 for the year ended June 30, 1972. Net property, plant and equipment at March 31, 1973 and June 30, 1972 consisted of the following:

	1973	1972
Land	$1,722,000	$1,763,000
Buildings	37,514,000	37,763,000
Machinery and equipment	66,244,000	62,643,000
Construction in progress	2,517,000	2,188,000
	107,997,000	**104,357,000**
Accumulated depreciation	(53,335,000)	(51,208,000)
Allowance for closing of facilities	(1,778,000)	
	$52,884,000	**$53,149,000**

HYGRADE FOOD PRODUCTS CORPORATION (OCT)

Consolidated Balance Sheet

PROPERTY, PLANT AND EQUIPMENT, AT COST:	
Land	$ 6,744,522
Buildings and leasehold improvements	12,310,819
Machinery and equipment	16,640,367
Delivery equipment	179,653
Construction in progress	775,482
	36,650,843
Less accumulated depreciation	11,832,589
	24,818,254
Less allowance for revaluation of closed plants (Note 2)	6,112,568
	$18,705,686

Consolidated Statement of Changes in Financial Position

WORKING CAPITAL PROVIDED FROM:	
Earnings before extraordinary items	$4,538,648
Add (deduct) items not affecting working capital:	
Depreciation	1,480,499
Deferred income taxes	(106,000)
Other	(270,199)
Working capital provided by operations, exclusive of extraordinary items	**5,642,948**

Note 2: Allowance for Revaluation of Closed Plants— The allowance for revaluation of closed plants represents an accrual for the estimated future expenses of closed plants and estimated losses on their disposition, which have been computed by management based on probable proceeds and time required to effect disposals. Details of the changes in the allowance for revaluation of closed plants are as follows:

Beginning balance		$6,011,590
Add extraordinary charge to operations:		
Correction of prior years estimates regarding losses and expenses to be incurred upon disposition of plants and equipment	$400,000	
Provision for current year plant closings and terminated operations	904,956	1,304,956
		7,316,546
Less expenses and net disposition losses incurred during the year		1,203,978
Ending balance		**$6,112,568**

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 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

	1973	1972	1971	1970
Domestic and Canadian				
Cost plus equity in accumulated earnings	111	80	72	43
Equity in net assets	38	80	80	88
Other, or basis not set forth	18	26	37	57
Subtotal	**167**	**186**	**189**	**188**
Foreign (excluding Canada):				
Cost plus equity in accumulated earnings	79	48	44	29
Equity in net assets	22	43	45	42
Cost (or substantially at cost)	18	26	49	64
Other, or basis not set forth	11	12	20	24
Subtotal	**130**	**129**	**158**	**159**
Total Presentations	**297**	**315**	**347**	**347**
Number of Companies				
With investment account for unconsolidated subsidiaries	203	234	241	259
With no such account	397	366	359	341
Total	**600**	**600**	**600**	**600**

TABLE 2-24: 50% OWNED COMPANIES — VALUATION

	1973	1972	1971	1970
Domestic and Canadian:				
Cost plus equity in accumulated earnings	71	43	45	31
Equity in net assets	25	18	32	32
Cost (or substantially at cost)	3	4	9	28
Other, or basis of valuation not set forth	2	1	8	14
Subtotal	**101**	**66**	**94**	**105**
Foreign (excluding Canada):				
Cost plus equity in accumulated earnings	41	33	35	18
Equity in net assets	20	11	13	24
Cost (or substantially at cost)	–	–	7	19
Other, or basis of valuation not set forth	8	1	6	6
Subtotal	**69**	**45**	**61**	**67**
Total presentations	**170**	**111**	**155**	**172**
Number of Companies				
With investment account for 50%-owned companies	127	101	121	132
With no such account	473	499	479	468
Total	**600**	**600**	**600**	**600**

AMERICAN ELECTRONIC LABORATORIES, INC. (FEB)

Consolidated Balance Sheet

	1973	1971
Investments and advances (Notes 1, 2, 3 and 5)	$3,428,662	$1,896,862

Consolidated Statement of Operations

Income (loss) before income taxes, equity in income of unconsolidated affiliates and extraordinary item	$(2,165,057)	$ 750,973
Provision for (reduction of) income taxes (Note 6)	(181,850)	445,071
	(1,983,207)	**305,902**
Equity in income of unconsolidated affiliates, net of applicable income taxes, excluding extraordinary item (Note 3)	160,730	18,112
Income (loss) before extraordinary item	**$(1,822,477)**	**$ 324,014**

Note 1 (in part): Significant Accounting Policies: Investments in Unconsolidated Affiliates— The Company accounts for its investments in A.E.L. Israel Limited (AEL Israel) and Butler Aviation International, Inc. (Butler) on the equity method (Note 3).

Note 2: Change of Fiscal Year— By action of the Board of Directors on October 18, 1972, the Company changed its financial reporting period from a year ending November 30 to a 52 or 53 week period ending on the last Friday of February.

The results of operations for the transition period, December 1, 1971 to February 25, 1972 (which are not indicative of results of a complete fiscal year), were as follows:

Sales	$5,947,069
Retained earnings, December 1, 1971	$1,244,970
Net loss – ($.04 per share)	(59,904)
Retained earnings, February 25, 1972	$1,185,066

In order to facilitate the change in the Company's year-end, the net loss for the transition period does not include amounts related to the Company's equity in the respective net income of AEL Israel and Butler. These companies have not changed their fiscal years. See Note 3 as to fiscal periods of the affiliates included in the accompanying financial statements.

Note 3: Investments

(a) The Company's investment in the capital stock of AEL Israel has decreased from 74% at November 30, 1971 to 50% at February 23, 1973. Accordingly, the financial statements for the year ended November 30, 1971, which previously included the accounts of AEL Israel on a consolidated basis, have been restated to reflect the Company's investment on the equity method. In applying the equity method the Company has used the financial statements of AEL Israel at November 30, 1972 and 1971 and for the years then ended.

(b) In December, 1969, the Company exchanged all of the shares of a then wholly-owned subsidiary, Mooney Aircraft Corporation (Mooney), for 143,900 unregistered shares of Series B voting convertible preferred stock of Butler. The underlying net asset value of the shares of Mooney at the time of the exchange ($737,953) was assigned to the Butler shares.

During 1971, the Company exchanged the above shares for an equivalent amount of Butler's unregistered common stock which the Company has the right to request Butler to register. Subsequently, the Company purchased 81,630 additional shares of Butler common stock at a cost of $712,982, bringing the Company's aggregate cost to $1,450,935. The 225,530 shares of Butler stock owned by the Company represent approximately 21% of the voting stock of Butler. The market value of Butler common stock at February 23, 1973 was $8.625 per share.

The Company has adopted the equity method of accounting for its investment in Butler in accordance with Opinion No. 18 of the Accounting Principles Board of the AICPA. In this connection, the excess of the carrying value of Butler over the underlying equity in the net assets ($352,520) is being amortized over forty years. The financial statements for the year ended November 30, 1971 have been restated to reflect this change which resulted in an increase in net income of $74,138 ($.04 per share). In applying the equity method, the Company has used the financial statements of Butler at December 31, 1972 and 1971 and for the years then ended.

(c) During 1970, Butler withdrew from the aircraft manufacturing business and is negotiating for the sale of the related assets. The ultimate realization of Butler's aircraft manufacturing assets in the amount of $2,812,000 at December 31, 1972 and $3,377,000 at December 31, 1971 (less a credit of $2,096,000 resulting from settlement of a debt) is not presently determinable. Butler also had outstanding purchase order commitments of $1,100,000 at December 31, 1972 and $2,680,000 at December 31, 1971, and was contingently liable on additional purchase orders of $754,000 and a note payable of $260,000 at December 31, 1972. Butler management does not anticipate further losses resulting from the discontinuance and ultimate disposition of all its aircraft manufacturing assets. As a result of the foregoing, the Company's equity in the net income of Butler is subject to such adjustment, if any, as may result from the ultimate resolution of these matters.

TABLE 2-25: OTHER UNCONSOLIDATED COMPANIES — VALUATION

Domestic and Canadian:	1973	1972	1971	1970
Cost plus equity in accumulated earnings	155	95	39	30
Equity in net assets	29	74	51	
Cost (or substantially at cost)	11	21	49	98
Valuation basis not set forth	3	3	8	14
Subtotal	**198**	**193**	**147**	**142**
Foreign (excluding Canada):				
Cost plus equity in accumulated earnings	88	53	34	9
Equity in net assets	19	37	39	–
Cost (or substantially at cost)	6	16	37	75
Valuation basis not set forth	3	1	6	14
Subtotal	**116**	**107**	**116**	**98**
Total Presentations	**314**	**300**	**263**	**240**
Number of Companies				
With investment account for less than 50% owned companies	237	228	192	188
With no such account	363	372	408	412
Total	**600**	**600**	**600**	**600**

TABLE 2-26: INVESTMENTS IN COMMON STOCK OF INVESTEE COMPANIES

Balance Sheet Caption	1973	1972	1971	1970
Investments	206	191	180	193
Investments and advances	117	109	118	125
Investments and receivables	21	21	20	7
Investments and other assets	40	30	31	21
Caption does not include term "Investments"	11	40	30	31
Total Captions	**395**	**391**	**379**	**377**
Number of Companies				
Presenting caption for investment in common stock of investees	327	325	330	327
Not presenting such a caption	273	275	270	273
Total	**600**	**600**	**600**	**600**

(d) Summarized financial information of AEL Israel at November 30, 1972 and 1971 and Butler at December 31, 1972 and 1971 and for the respective years then ended is as follows:

AEL Israel

	1972	1971
Assets	$5,207,446	$3,449,230
Liabilities	2,478,064	2,149,269
Net income	73,517	46,579

Butler

	1972	1971
Assets	$24,431,000	$24,793,000
Liabilities	17,532,000	19,693,000
Income before extraordinary item	996,000	343,000
Extraordinary item	1,061,000	665,000
Net income	2,057,000	1,008,000

CORNING GLASS WORKS (DEC)

Consolidated Balance Sheets

	1973	1972
	($ Thousands)	
INVESTMENTS		
Associated companies, at equity	$87,275	$81,010
Other, at cost	3,977	3,299
	$91,252	**$84,309**

Consolidated Statements of Income and Retained Earnings

Income before equity in earnings of associated companies and extraordinary items	$52,564	$43,881
Equity in earnings of associated companies	17,818	9,565
Income before extraordinary items	**$70,382**	**$53,446**

Statement of Accounting Policies

Principles of Consolidation— The consolidated financial statements include the accounts of all significant subsidiary companies.

The equity method of accounting is used 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.

Notes to Consolidated Financial Statements

Investments— Investments in associated companies accounted for at equity amounted to $87,275,000 at December 30, 1973, and $81,010,000 at December 31, 1972. Of these amounts, $71,800,000 and $62,725,000, respectively, represented Corning's equity in the combined net assets of Dow CorningCorporation and Pittsburgh Corning Corporation, 50 percent owned joint ventures. The combined financial position and results of operations of these joint ventures is summarized as follows:

	1973	1972
	($ thousands)	
Working capital	$83,044	$70,485
Property, plant and equipment—net	95,063	87,409
Other assets—net	8,862	9,320
Loans payable beyond one year	(43,369)	(41,7650
Net assets	$143,600	$125,449
Corning's equity in net assets	$71,800	$62,725
Results of operations		
Net sales	$271,228	$214,270
Net income	$27,900	$18,742
Corning's equity in net income	$13,950	$9,371

A list of investments accounted for at equity appears on page 30. Consolidated retained earnings includes equity in undistributed earnings of all equity basis companies of $60,884,000 at December 30, 1973, and $50,670,000 at December 31, 1972. Dividends received from equity basis companies were $1,149,000 in 1973 and $1,402,000 in 1972.

Owens-Corning Fiberglas Corporation dividends of $3,308,000 in 1973 and $3,132,000 in 1972 are included in income. The excess of the quoted market value over the cost of this investment was approximately $163,113,000 at December 30, 1973, and $217,076,000 at December 31, 1972.

On May 10, 1973, Corning increased its ownership of James A. Jobling & Co. Ltd. from 40% to 100% for $18,100,000 in cash. The accounts of Jobling are included in the consolidated financial statements from the date of purchase. The results of Jobling's operations in relation to the total consolidated results of operations were not significant.

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Principal Associated Companies

EQUITY BASIS INVESTMENTS

(Percent owned in parentheses)

Borosil Glass Works Limited
Bombay, India
(48.9%)

Corning Glass Pakistan Limited
Karachi, Pakistan
(47.7%)

Crown Corning Limited
Sydney, N.S.W., Australia
(50%)

Dow Corning Corporation
Midland, Mich.
(50%)

Four-Phase Systems, Inc.
Cupertino, Calif.
(24.8%)

Iwaki Glass Company, Ltd.
Tokyo, Japan
(49.8%)

Pittsburgh Corning Corporation
Pittsburgh, Pa.
(50%)

Samsung Corning Company Ltd.
Seoul, Korea
(50%)

Siecor G.m.b.H.
Munich, Germany
(50%)

CHEMETRON CORPORATION (DEC)

Consolidated Balance Sheets

	1973	1972
	($ thousands)	
INVESTMENTS, ADVANCES AND OTHER ASSETS:		
Investments in and advances to affiliated companies	$5,000	$3,901

Consolidated Statements of Earnings and Retained Earnings

	1973	1972
Earnings of consolidated companies	$9,781	$7,581
Equity in earnings of affiliated companies	661	649
Net earnings for the year	$10,442	$8,230

Summary of Significant Accounting Policies

Basic of Consolidation— The accompanying consolidated financial statements include all domestic and foreign subsidiaries. Investments in domestic and foreign 50%-owned affiliates are carried at cost plus undistributed earnings since acquisition. All significant intercompany accounts, transactions and profits have been eliminated.

Notes to Consolidated Financial Statements

Note 2: Foreign and Affiliated Companies—Financial data relating to foreign and affiliated companies is shown below (thousands of dollars):

	Consolidated Foreign Subsidiaries		Unconsolidated Foreign Affiliates		Unconsolidated Domestic Affiliates	
	1973	1972	1973	1972	1973	1972
Total assets	$27,995	$26,476	$9,678	$8,097	$5,699	$5,313
Total liabilities	6,462	5,781	6,437	4,949	1,579	1,630
Equity in net assets	21,637	20,486	2,061	1,582	2,056	1,831
Net sales to customers	33,272	26,589	12,417	9,541	10,638	9,608
Net earnings	2,093	876	792*	737*	447*	504*

*Chemetron's share of these earnings was $437 thousand (foreign) and $224 thousand (domestic); and $397 thousand (foreign) and $252 thousand (domestic) in 1973 and 1972, respectively.

The Company experienced an unrealized foreign exchange gain of $66 thousand in 1973 and a loss of $486 thousand in 1972.

Unrecorded gains on unperformed forward exchange contracts at December 31, 1973, based on exchange rates then in effect, amounted to $130 thousand. There were no unperformed forward exchange contracts at December 31, 1972.

FOOD FAIR STORES, INC. (JUL)

Consolidated Statement of Financial Condition

	1973	1972
INVESTMENTS (Notes 1,4 and 5):		
Fields Credit Corp.	$ 6,022,000	
Amterre Development Inc.	9,172,000	8,915,000
Other subsidiaries	4,337,000	3,768,000
Miscellaneous	1,299,000	1,933,000
	$20,830,000	**$14,616,000**

Consolidated Statement of Income

INCOME:		
Sales	$2,092,127,000	$1,980,458,000
Equity in earnings of unconsolidated subsidiaries	778,000	872,000
Other	1,828,000	1,373,000
	2,094,733,000	**1,982,703,000**

Note 1 (in part): Summary of Significant Accounting Policies:

Basis of Consolidation— The consolidated financial statements include the accounts of the Company and its wholly and majority owned subsidiaries, except the life insurance and credit companies.

Investments in the life insurance and credit companies, 50% owned companies and Amterre Development Inc. are stated at the Company's equity in net assets.

Investments, Miscellaneous— Miscellaneous investments are stated at cost.

Note 4: Investment, Fields Credit Corp.— Fields Credit Corp. commenced operations on July 25, 1973 and purchased the revolving credit and installment sales accounts of J. M. Fields, Inc. subject to the related unearned income and the allowance for doubtful accounts.The accounts transferred and subsequently acquired by Fields Credit Corp. are with recourse to J. M. Fields, Inc. and Food Fair Stores, Inc. Pre-tax earnings of $44,525, to July 28, 1973, representing the excess of interest earned over interest expense has been included in the consolidated statement of income as a reduction of interest expense. The balance sheet of Fields Credit Corp. at July 28, 1973, is as follows:

ASSETS	
Customers' receivables purchased from J. M. Fields, Inc., net of unearned income of $1,194,628 and provision for doubtful accounts of $473,730	**$31,066,724**
LIABILITIES	
Notes payable, banks	$21,000,000
Advances from Food Fair Stores, Inc.	4,025,699
Accrued expenses	18,773
Equity of Food Fair Stores, Inc.	6,022,252
	$31,066,724

Note 5: Investment, Amterre Development Inc.— The Company owns all of the preferred stock and 40% of the common stock of Amterre Development Inc. At July 28, 1973, the value of the preferred stock was $2,000,000 and the market value of the common stock was $6,666,667, based on a quoted bid price of $2 per share.

Net earnings of Amterre Development Inc. included in the consolidated statement of income were $235,000 ($.03 per share) in 1973 and $520,000 ($.07 per share) in 1972.

Condensed financial statements of Amterre Development Inc. and subsidiaries are as follows:

(000 omitted, except per share amounts)

Consolidated Balance Sheet

	Dec. 31, 1972	Dec. 31, 1971
ASSETS		
Investment in property and equipment, at cost, net of accumulated depreciation	$234,451	$218,993
Other	9,911	11,269
	$244,362	**$230,262**
LIABILITIES		
Notes, mortgages and debentures payable	$201,617	$162,198
Construction loans payable	7,431	33,953
Other	15,382	14,874
	224,362	**$230,262**
Shareholders' equity	19,932	19,237
	$244,362	**$230,262**

Consolidated Statement of Income

	Year ended December 31, 1972	1971
Income	$30,418	$23,671
Expenses, net	29,510	21,495
Income before income taxes	908	2,176
Income taxes	154	659
Net income	**$754**	**$1,517**
Earnings per common share and common share equivalent	$.08	$.17

GENERAL AMERICAN TRANSPORTATION CORPORATION (DEC)

Consolidated Balance Sheet

	1973	1972
	($Thousands)	
INVESTMENTS AND OTHER ASSETS		
Investments in and advances to unconsolidated subsidiaries	$160,000	$131,448
Investments in other companies—at cost less allowance	2,379	8,175

Statement of Consolidated Income

Income before equity in undistributed net income of unconsolidated subsidiaries	$39,662	28,213
Equity in undistributed net income of unconsolidated subsidiaries	14,890	11,579
Income before extraordinary charge	**$54,552**	**$39,792**

Notes to Financial Statements

Note A (in part): Principles of Consolidation— The financial statements include, on a consolidated basis, the accounts of GATX and its United States subsidiaries, except those engaged in banking, finance leasing, ocean shipping, real estate and insurance operations. GATX's

investments in and the operating results of all unconsolidated subsidiaries (including 20%-to 50%-owned affiliates) are accounted for on the basis of the equity method.

Note C: Investments in Unconsolidated Subsidiaries—GATX's investments in and advances to unconsolidated subsidiaries at December 31, 1973 and 1972 consisted of the following (in thousands):

	December 31, 1973		December 31, 1972	
	United States	Outside The United States	United States	Outside The United States
Banking	$19,886	$---	$23,613	$---
Finance leasing	19,744	24,791	20,992	18,969
Ocean shipping	13,522	40,130	12,157	28,340
Other services, manufacturing, real estate, and insurance	21,955	19,972	9,572	17,805
	$75,107	**$84,893**	**$66,334**	**$65,114**

GATX's equity in net income of unconsolidated subsidiaries was as follows (in thousands):

	Year Ended December 31			
	1973		1972	
	United States	Outside The United States	United States	Outside The United States
Equity in net: income (loss):				
Banking	$2,404	$---	$2,560	$---
Finance leasing	4,138	1,940	3,943	2,387
Ocean shipping	1,225	4,154	1,197	2,677
Other services, manufacturing, real estate, and insurance	373	3,459	(37)	2,798
	8,140	9,553	7,663	7,862
Less dividends received	1,110	1,693	1,091	2,855
Equity in undistributed net income	**$7,030**	**$7,860**	**$6,572**	**$5,007**

NATIONAL DISTILLERS AND CHEMICAL CORPORATION (DEC)

Consolidated Balance Sheet

	1973	1972
Investments in and advances to associated companies (note 4)	$31,651,000	$31,137,000

Consolidated Statement of Income and Retained Earnings

	$84,721,000	$64,625,000
Provision for taxes on income	41,455,000	30,085,000
	43,266,000	**34,540,000**
Minority interests in earnings of subsidiaries	(2,358,000)	(1,207,000)
Share of earnings of associated companies—net (note 4)	5,430,000	1,683,000
Income before extraordinary gain	**$46,338,000**	**$35,016,000**

Summary of Accounting Policies

Investments in Associated Companies— Investments in associated companies are accounted for under the equity method, i.e., at cost, increased or decreased by the Company's share of earnings or losses, less dividends. Associated companies include significant companies in which the Company has at least a 20%, but not more than a 50%, interest.

Notes to Financial Statements

Note 4: Investments in and Advances to Associated Companies

	December 31,	
	1973	**1972**
Investments	$31,564,000	$31,057,000
Advances	87,000	80,000
	$31,651,000	**$31,137,000**

The Company's principal investments in associated companies consist of 50% interests in two U.S. corporations, National Helium Corporation and National Petro Chemicals Corporation, a 50% interest in RMI Company, a domestic partnership, and a 28% interest in Poliolefinas, S.A., a Brazilian corporation. Summary financial information for all associated companies as a group is as follows:

	1973	**1972**
Total assets	$173,626,000	$164,739,000
Combined equity	68,815,000	67,398,000
National's share of equity	31,564,000	31,057,000
Revenues	146,623,000	94,842,000
National's share of earnings	5,430,000	1,683,000
National's share of dividends	3,040,000	5,833,000

The Company's share of the undistributed earnings of associated companies was $14,278,000 at December 31, 1973.

In computing its taxable income, the Company deducts its share of the partnership loss. The estimated tax reduction ($1,846,000 in 1973 and $2,350,000 in 1972) has been offset against the partnership loss included in share of earnings of associated companies.

Approximately 52% of National Helium's 1973 revenues and 42% of its operating income were from the sale of helium to the U.S. Government. The Government has served notice to terminate the helium contract and refused to accept helium deliveries after November 12, 1973. National Helium suspended its helium extraction operations on that date. The dispute between National Helium and the Government is under litigation. It is not possible to state whether the contract has been lawfully terminated or, if terminated, the date of such termination. While National Helium's 1974 earnings will be dependent only on its hydrocarbon processing and marketing operations, which were profitable in 1973, the Company believes resolution of this matter will not have a materially adverse effect on its financial position or results of operations. National Distillers' share of National Helium's net income amounted to $4,020,000 in 1973 and $2,825,000 in 1972.

The Company is contingently liable in respect of indebtednesses of certain of the associated companies for moneys borrowed. At December 31, 1973, the maximum amount of such contingent liability is estimated at $23,000,000 assuming the other investor in one of the associated companies involved makes its required contribution should the liability arise.

PENN FRUIT CO., INC. (AUG)

Consolidated Balance Sheet

	1973	1972
Investments in affiliates–Note 2	$1,294,176	$3,090,269

Consolidated Statement of Operations

COSTS AND EXPENSES AND OTHER INCOME		
Cost of merchandise sold	$256,203,364	$289,525,294
Operating expenses	70,327,374	74,083,975
Depreciation and amortization	3,058,539	3,089,930
Equity in the losses (earnings) of affiliates –Note 2	125,513	(290,367)
Real estate gain–Note 2		(374,095)
Recovery of taxes on income–Note 6	(2,484,000)	(295,000)

Note2:Investments in affiliates– The company's investments in affiliates is comprised primarily of the capital investments in, advances to and equity in undistributed earnings ($438,564 in 1973, $574,877 in 1972) of Market Center Realty Co. and Marlton Joint Ventures.

Market Center Realty Co. and its subsidiaries are engaged in acquiring land for development or sale and in leasing supermarkets, other operating properties and retail and transportation equipment primarily to Penn Fruit Co., Inc. The company owns 45% of the Class A 6% cumulative voting common stock of Market Center Realty Co. The remaining 55% is owned by the Penn Fruit Foundation, a charitable organization. The Class A stock is entitled, in liquidation, to the par value of the stock plus accrued dividends and 20% of the remaining assets. The company also owns 100% of the Class B nonvoting common stock which is entitled to receive in liquidation the assets remaining after distribution to the Class A shareholders.

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.

The combined financial position and results of operations of Market Center Realty Co. and the Marlton Joint Ventures are summarized below:

Combined Financial Position

	August 25, 1973	August 26, 1972
ASSETS		
Land, buildings and equipment, under or held for lease or development, at cost, less accumulated depreciation	$34,369,019	$24,074,332
Construction in progress	2,851,840	2,815,940
Land held for sale, at cost	403,953	417,239
Other assets	2,415,622	1,064,750
	$40,040,434	**$28,372,261**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Long-term debt (including current installments)	$33,662,067	$18,276,691
Other liabilities	1,659,079	2,123,611
Shareholders' equity and advances	4,719,288	7,971,959
	$40,040,434	**$28,372,261**

Combined Statement of Operations

	52 weeks ended	
	August 25, 1973	August 26, 1972
Income	$6,203,553	$2,000,486
Gains on the sale of property, net	9,034	1,013,747
Costs and expenses	6,471,868	2,200,462
Income (loss) before income taxes	**(259,281)**	**813,771**
Provision for (recovery of) taxes on income	(127,000)	393,000
Net income (loss)	**$(132,281)**	**$420,771**

NEWMONT MINING CORPORATION (DEC)

Consolidated Balance Sheet

INVESTMENTS:	
At cost (page 24)	$59,753,000
At equity (page 25)	118,142,000
	$177,895,000

Statement of Consolidated Income

GROSS INCOME:	
Metal sales and other operating revenue	$427,780,000
Dividends, interest and other income	11,894,000
Equity in income of affiliated companies before extraordinary items	38,949,000
Net gain on security transactions (on an identified cost basis)	3,400,000
	$482,023,000

Investments at Cost in Companies Owned Less than 20% December 31, 1973

	Shares of Common Stock	Percentage Owned	Cost	Quoted Market Values	1973 Dividend Income
COMPANIES WITH QUOTED MARKET VALUES					
Canadian Export Gas and Oil Limited	1,533,232	18.8	$3,145,000	$4,791,000	$---
Cassiar Asbestos Corp., Limited	728,610	13.3	5,971,000	6,805,000	437,000
Continental Oil Company	1,895,924	3.8	11,565,000	103,565,000	3,098,000
Highveld Steel and Vanadium Corp., Ltd.	6,700,000	11.9	9,726,000	14,524,000	501,000
International Minerals & Chemical Corp.	377,600	3.4	4,365,000	14,207,000	162,000
St. Joe Minerals Corporation	712,346	8.4	8,963,000	25,555,000	1,076,000
Transco Companies, Inc.	363,205	1.6	793,000	4,404,000	407,000
Other companies	---	---	2,158,000	6,991,000	168,000
			46,686,000	**480,842,000**	**5,849,000**
COMPANIES WITHOUT QUOTED MARKET VALUES					
Southern Peru Copper Corporation	80,196	10.3	3,562,000	---	---
Other companies	---	---	9,505,000	---	---
			13,067,000	---	---

Summary of Condensed Financial Data for Companies Owned 20% to 50%, Reported on Equity Basis For the Year Ended December 31, 1973 (000's omitted)

	Bethlehem Copper Corporation Ltd.	Foote Mineral Company	Palabora Mining Company Limited	Sherritt Gordon Mines Limited	Tsumeb Corporation Limited	Total
FINANCIAL POSITION–December 31, 1973						
Current assets	$68,369	$44,973	$47,019	$62,010	$50,926	
Current liabilities	17,150	19,107	42,393	37,168	22,341	
Net working capital	**51,219**	**25,866**	**4,626**	**24,842**	**28,585**	
Property, plant and mine development, net	16,903	42,107	115,532	106,032	12,034	
Other assets, net	2,558	254	13,896	12,966	3,424	
Deferred income taxes	(3,404)	(1,846)	(49,315)	(12,504)	(3,838)	
Long-term debt	(537)	(7,700)	(11,250)	(42,057)	---	
Net assets	**$66,739**	**$58,681(1)**	**$73,489**	**$89,279**	**$40,205**	
RESULTS OF OPERATIONS–1973						
Sales	$48,942	$86,431	$174,710	$123,066	$84,611	
Net income	$16,572	$ 2,812	$ 60,539	$ 20,578	$22,532	
PERCENTAGE OWNED	22.5	32.8(1)	28.6(2)	39.7	35.0(3)	
NEWMONT'S COST PLUS EQUITY IN UNDISTRIBUTED EARNINGS SINCE DATES OF ACQUISITION	$28,834	$16,204	$21,994	$36,770	$14,340	$118.142
QUOTED MARKET VALUES OF NEWMONT'S OWNERSHIP AT DECEMBER 31, 1973	$21,721	$5,187	$115,095	$70,400	$---	
NEWMONT'S EQUITY IN NET INCOME	$3,662	$590	$17,307	$7,956	$7,854	$37,369(5)
DIVIDENDS TO NEWMONT	$986-	$---	$15,539(4)	$3,537	$3,660	

(1) Assuming conversion of Foote's convertible preferred stock, Newmont's percentage ownership would be 27%. The liquidating value of the convertible preferred stock was $18,396,000 at December 31, 1973.
(2) Directly owned 2.7%; indirectly owned through Palabora Holdings Company 25.9%.
(3) Directly owned 29.6%; indirectly owned through O'okiep Copper Company Limited 5.4%.
(4) Includes dividend payable to Newmont of $6,057,000 as of December 31, 1973.
(5) The amount $38,949,000 reported on page 22 as equity in income of affiliated companies includes $1,580,000 for Atlantic Cement Company, Inc. for the first six months of 1973.

Summary of Significant Accounting Policies

Principles of Consolidation

Companies owned more than 50%— The consolidated financial statements include the accounts of the Corporation and all of the domestic and foreign subsidiaries in which Newmont's ownership is more than 50%. (See Note C for accounting treatment of investment in Atlantic Cement Company, Inc.)

Companies owned 20% to 50%— Investments in affiliated domestic and foreign companies in which Newmont's ownership is between 20% and 50% are reflected on the equity basis of accounting. Newmont's equity in net income or loss of affiliated companies is included in the Statement of Consolidated Income and Newmont's equity in net income or loss since dates of acquisition less dividends received is added to or deducted from the cost of investments and included in Investments on the Consolidated Balance Sheet. A Summary of Condensed Financial Data for these companies is presented on page 25.

Companies owned less than 20%— Investments in companies owned less than 20% are recorded at cost and presented on the Schedule of Investments on page 24. Dividends received from such companies are included in the Statement of Consolidated Income.

Combined condensed financial date relating to the affiliates follows:

Combined Balance Sheet

	1973	1972
Net current assets (including $1,776,200 in 1973 and $705,300 in 1972 due Company)	$11,369,100	$ 7,668,200
Other assets (principally plant and equipment)	13,621,500	9,205,700
Long term liabilities	2,943,800	2,507,200
Net assets	**$22,046,800**	**$14,366,700**

Combined Income Statement

	1973	1972
Net sales	$58,276,000	$43,661,000
Costs and expenses	49,518,000	40,304,800
Income taxes	3,607,400	2,226,200
Net income	**$ 5,150,600**	**$ 1,130,000**

RANCO INCORPORATED (SEP)

	1973	1972
Consolidated Balance Sheet		
Investments in affiliates (notes 1 and 2) ...	$4,586,937	$2,883,307
Consolidated Statement of Income		
Income from continuing operations before equity in earnings of affiliates	$4,055,805	$4,130,018
Equity in earnings of affiliates, net of deferred taxes of $254,680 in 1973 and $34,824 in 1972	1,443,180	368,265
Income from continuing operations	$5,498,985	$4,498,283

Note 1 (in part): International Subsidiaries and Affiliates— The consolidated financial statements include the accounts of the Company and all of its wholly-owned subsidiaries. The Company accounts for its investments in affiliates, Ranco Japan Limited (45% interest), Australian Controls Limited (16.3% interest) and Controles Automaticos S. A. (40% interest) on the equity basis of accounting since management deems that its investment position in these affiliates is consistent with all of the requirements of Accounting Principles Board Opinion No. 18. (See Note 2).

Note 2: Investments in Affiliates— The amount of investment in affiliates (See Note 1) included in the accompanying balance sheet approximates the Company's underlying equity in the net assets reduced by the tax consequences on the Company of receiving its share of accumulated earnings being retained by affiliates, in a taxable transaction. The Company's equity in net earnings of affiliates is determined in accordance with the translation policy described in Note 1.

THE SUPERIOR OIL COMPANY (DEC)

Consolidated Balance Sheet

INVESTMENTS	1973	1972
Affiliated companies (Note 1)		
Canadian Superior Oil Ltd. (owned 53.3%)	$81,004,000	$75,265,000
McIntyre Porcupine Mines Limited (owned 35.6%)	73,227,000	66,491,000
Western Platinum Limited (owned 24.0%)	14,171,000	13,623,000
Marketable securities, at cost		
Texaco Inc. (3,659,072 and 3,864,072 shares of common stock in 1973 and 1972, respectively; quoted market price approximately $107,500,000 at December 31, 1973)	60,927,000	64,347,000
Other (quoted market price approximately $22,100,000 at December 31, 1973	19,486,000	19,474,000
	$248,815,000	**$239,200,000**

Consolidated Statements of Income and Retained Earnings

OTHER INCOME (EXPENSE)		
Dividends and miscellaneous income	$8,801,000	$7,937,000
Gain on sale of 205,000 shares of Texaco stock	4,747,000	---
Equity in earnings (losses) of affiliated companies (Note 1)	12,021,000	(2,135,000)
Interest expense	(14,368,000)	(9,939,000)
Income taxes (Note 7)	(5,051,000)	(774,000)
	$6,150,000	**$(4,911,000)**

Note 1: Investments in Affiliated Companies— Superior accounts for its investments in Canadian Superior Oil Ltd. (Canadian Superior), McIntyre Porcupine Mines Limited (McIntyre) and Western Platinum Limited (Western Platinum), on the equity basis. An analysis of Superior's investment in these affiliated companies is set forth below (in thousands of U.S. dollars):

	Total	Canadian Superior (owned 53.3%)	McIntyre (owned 35.6%)	Western Platinum (owned 24.0%)
Transactions of prior years				
Cost of original investment	140.659	47.470	81.785	11.404 **
Equity in earnings	41.205	29.484	11.721	---
Dividends received	(7.492)	---	(7.492)	---
Amortization of excess cost*	(10.721)	(3.982)	(6.739)	---
Investment at December 31, 1971	**163,651**	**72,972**	**79,275**	**11,404**
Equity in 1972 earnings (losses) before extraordinary losses	420	3.559	(3,139)	---
Equity in extraordinary losses	(8,356)	---	(8,356)	---
Amortization of excess cost	(2.555)	(1.266)	(1.289)	---
Additional advances	2.219	---	---	2.219
Investment at December 31, 1972	**155,379**	**75,265**	**66,491**	**13,623**
Equity in 1973 earnings before extraordinary credit	14.700	7.005	7.023	672
Equity in extraordinary credit	1.002	---	1.002	---
Amortization of excess cost	(2.679)	(1.266)	(1.289)	(124)
Investment at December 31, 1973	**168,402**	**81,004**	**73,227**	**14,171**
Quoted market value at December 31, 1973	---	261.444	46.756	Not Quoted
Unamortized excess cost at December 31, 1973	---	17.740	29.348	2,351
Remaining years over which unamortized excess cost will be amortized on straightline basis	---	14	23	19

*The term "excess cost" is used to denote the amount by which the cost of Superior's investment in the capital stock of each of its affiliates exceeded Superior's equity in the affiliate's net assets at the date of acquisition.

**Includes advances of $5,509,000.

Superior's $8,356,000 equity in the extraordinary loss of McIntyre in 1972 was due principally to the write-off of certain assets of Falconbridge Nickel Mines Limited (Falconbridge), an affiliate of McIntyre. The extraordinary credit in 1973 resulted from the recovery of income taxes applicable to such loss.

Summarized financial information relating to Canadian Superior and McIntyre (both Canadian corporations and audited by auditors other than Arthur Andersen & Co.) is set forth below (in thousands of Canadian dollars):

	Year Ended Dec. 31, 1973		Year Ended Dec. 31, 1972	
	Canadian Superior (owned 53.3%)	McIntyre (owned 35.6%)	Canadian Superior (owned 53.3%)	McIntyre (owned 35.6%)
Current assets	30.154	8.414	36.581	7.785
Investment in Falconbridge (quoted market value $116.470.000 at December 31, 1973)	1.729	104.616	1.729	85.948
Other assets	112.696	75.509	108.587	81.638
	144,579	**188,539**	**146,897**	**175,371**
Current liabilities	11.518	7.806	19.607	10.179
Long-term liabilities	8.924	59.403	16.482	65.701
Shareholders' equity	124.137	121.330	110.808	99.491
	144,579	**188,539**	**146,897**	**175,371**
Revenues	63.007	43.434	46.397	39.628
Equity in earnings (losses) of Falconbridge	---	20.516	---	(16.385)
Income (loss) before extraordinary items	12.338	18.773	6.619	(8.069)
Extraordinary items	---	2.648	---	(22.056)
Net income (loss)	**12,338**	**21,421**	**6,619**	**(30,125)**

At December 31, 1973 and 1972, retained earnings included equity in undistributed earnings of affiliated companies of $41,479,000 and $25,777,000, respectively.

ROCKWELL INTERNATIONAL CORPORATION (SEP)

Consolidated Balance Sheet

	1973	1972
INVESTMENTS	$132,063,000	$118,081,000

Consolidated Changes in Financial Position

RESOURCES PROVIDED BY		
Income before extraordinary credit	$126,163,000	$ 95,518,000
Add (deduct) items not requiring use of working capital:		
Depreciation and amortization:		
Property	71,309,000	65,504,000
Intangibles	2,279,000	1,066,000
Equity in income of unconsolidated subsidiaries and affiliates	(9,406,000)	(4,484,000)
Deferred income taxes, etc.	8,752,000	9,067,000
Total from operations, excluding extraordinary credit	**$199,097,000**	**$166,671,000**

Notes to Financial Statements

Note 1 (in part): Intangibles Resulting From Acquisitions and Investments in Affiliates— The intangibles resulting from acquisitions represent the unamortized

portion of 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.

The intangibles resulting from investments in affiliates, which are included in the carrying value of such investments, represent the unamortized portion of 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.

Note 5: Investments— Investments at September 30, 1973 and 1972 are summarized as follows:

	1973	1972
Investments in and advances to unconsolidated majority-owned subsidiaries	$ 34,314,000	$ 24,587,000
Investments in and advances to affiliates and other companies	58,897,000	58,287,000
Investment in Collins Radio Company	38,852,000	35,207,000
Total	**$132,063,000**	**$118,081,000**

The Company's principal unconsolidated majority-owned subsidiary is its wholly-owned finance subsidiary, Rockwell International Credit Corporation. Summary financial information for this subsidiary is as follows (all in thousands of dollars):

	1973	1972
FINANCIAL POSITION AT SEPTEMBER 30:		
Finance receivables—net	$ 97,633	$77,644
Receivable from parent company	5,643	13,904
Other assets	1,279	3,292
Total assets	**$104,555**	**$94,840**
Notes payable (guaranteed by parent company)	$ 82,000	$75,120
Other liabilities	2,989	1,662
Shareowner's equity	19,566	18,058
Total liabilities and shareowner's equity	**$104,555**	**$94,840**
OPERATIONS FOR THE YEAR ENDED SEPTEMBER 30:		
Revenues	$ 8,180	$ 7,268
Net income	$ 1,508	$ 1,756

Investments in and advances to affiliates include the unamortized intangibles resulting from these investments which amounted to $6,487,000 and $9,518,000 at September 30, 1973 and 1972, respectively. Summary financial information for affiliates, combined as a group, for 1973 and 1972 and the Company's proportionate share therein is as follows (all in thousands of dollars):

	1973		1972	
	Total	Company's Share	Total	Company's Share
Total assets	$202,334	$72,253	$153,473	$59,224
Liabilities	75,652	26,003	68,988	27,420
Shareowners' equity	126,682	46,250	84,485	31,804
Revenues	230,579	90,385	155,227	60,962
Net income	23,660	9,504	12,636	3,516

The names and the Company's percentage of ownership of such affiliates at September 30, 1973 are listed below:

	Percentage of Ownership
DOMESTIC COMPANIES:	
Fairfield Manufacturing Company, Inc.	34.3
Geosource International, Incorporated	28.1
Golde-ASE Corporation	50.0
FOREIGN COMPANIES:	
Aeronautica Agricola Mexicana, S.A.	30.0
Bramber Engineering Co., Ltd.	30.0
Braseixos Rockwell, S.A.	42.6
Brasprenas Rockwell, S.A.	29.9
G. Dikkers & Company N.V.	27.3
Howa do Brasil, S.A.	20.0
Ikegai-Goss Co., Ltd.	50.0
Industrias Erlo, S.A. de C.V.	20.0
Locker Air-Maze, Ltd.	40.0
Metalurgica Carabobo, S.A.	30.0
Moligal, Limitada	40.0
Narwin, S.A.	49.9
NHK-Rockwell Co., Ltd.	50.0
NHK-Teleflex-Morse Co., Ltd.	50.0
Rimoldi Espanola, S.A.	48.0
Rubery Owen-Rockwell, Ltd.	50.0
Rubery Owen-Rockwell (Mfg.) Ltd.	50.0
Teleflex G.m.b.H.	48.0

The Company's investment in Collins Radio Company (Collins) at September 30, 1973 and 1972 represented the cost of its purchase in September 1971 of 350,000 shares of $5 cumulative convertible preferred stock and warrants to purchase common stock of Collins, and, in 1973, accrued dividends on the preferred stock. As holder of all of the preferred stock of Collins, the Company had, and exercised, the right to elect a majority of the Board of Directors of Collins. Subsequent to September 30, 1973, the Company, as a result of its earlier tender offer to the shareholders of Collins common stock, acquired 2,225,103 shares or 75% of the Collins outstanding common stock at an approximate cost of $57,330,000. At a special meeting of the shareholders of Collins held on November 2, 1973, the merger of Collins into the Company was approved. The effective date of the merger is expected to be November 14, 1973. The estimated cost of the Company of acquiring the remaining outstanding Collins common shares and consummating the merger pursuant to the terms of the merger agreement is $19,170,000.

The following unaudited pro forma condensed balance sheet (in thousands of dollars) of the Company based on the Company's audited balance sheet and Collins unaudited balance sheet as of September 30,

1973 gives effect to the acquisition of Collins as if the acquisition, which is to be accounted for as a purchase, were consummated as of that date.

Current assets	$1,308,441
Investments	93,211
Property, plant, and equipment–net	663,731
Other assets	127,153
Total	**$2,192,536**
Current liabilities	$ 743,529
Long-term debt	445,959
Other liabilities	45,787
Shareowners' equity	957,261
Total	**$2,192,536**

Collins net assets at September 30, 1973 amounted to $57,138,000. The excess of the estimated purchase price over Collins net assets has been assigned to fair value adjustments and the intangible resulting from acquisition as summarized below (in thousands of dollars):

Estimated future tax benefit of Collins operating loss carryover and investments tax credits	$35,983
Reduction in Collins long term debt to present value of future payments	7,611
Intangible resulting from acquisition (to be amortized over forty years)	14,620
Total	**$58,214**

During the past ten fiscal years, Collins sales, as reported to its shareholders, increased from $280,984,000 in 1964 to a high of $447,026,000 in 1968 after which sales declined to $250,416,000 in 1972; sales reported for 1973 were $350,273,000. For the corresponding periods, net income increased from $2,405,000 in 1964 to $13,014,000 in 1968 and thereafter declined to $432,000 in 1970 and losses of $46,643,000 and $63,846,000 (including abnormal provisions for loss aggregating $29,300,000 and $36,000,000) in 1971 and 1972, respectively; in 1973, Collins reported net income of $12,811,000 including an extraordinary credit of $5,663,000 resulting principally from tax benefits arising from prior year losses.

TABLE 2-27: OTHER INVESTMENTS

Balance Sheet Description	**1973**	**1972**	**1971**
"Investments," "Other Investments," etc. as a separate caption	109	107	98
Investments combined with other accounts	115	93	122
Investments described (e.g. real estate, securities, etc.)	52	43	63
Total Presentations	**276**	**243**	**283**
Basis of Valuation			
Cost	97	76	110
Cost less reserve	33	37	32
Cost-market value disclosed	33	23	16
Other	7	–	[illegible]
Not disclosed	106	107	125
Total Presentations	**276**	**243**	**283**
Number of Companies			
Presenting a caption for other investments	251	227	257
Not presenting such a caption	349	373	343
Total	**600**	**600**	**600**

OTHER INVESTMENTS

Table 2-27 shows that 251 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.

BAYUK CIGARS INCORPORATED (DEC)

	($ thousands)
Investment in securities, at cost (market value $3,530)-Note 3	$4,078

Note 3: Investment in Securities– During 1973 the company commenced a program of investing in securities of publicly held companies. The maximum investment in securities at cost during the year amounted to $8,125. At December 31, 1973, the cost of the securities was $4,078 and the quoted market value aggregated $3,530. The income statement for 1973 includes $122 of dividends relating to these securities.

COOK PAINT AND VARNISH COMPANY (NOV)

INVESTMENT AND OTHER ASSETS	
Investment in 75,000 common shares of the United States Gypsum Company – at cost, approximately equal to market.	$1,462,500

OWENS-ILLINOIS, INC. (DEC)

	1973	1972
	($ thousands)	
INVESTMENTS, DEPOSITS, ETC.:		
Listed securities, at cost (quoted market value, 1973–$83,886,000; 1972–$174,839,000)	$1,298	$1,937

Financial Review

Listed Securities (in part)– Listed securities held by the Company were as follows:

	December 31, 1973		December 31, 1972	
	($ thousands)			
	Cost	Quoted Market Value(2)	Cost	Quoted Market Value(2)
Owens-Corning Fiberglas Corporation, 1,948,968 (1) common shares in 1973 (3,148,968 (1) in 1972)	$1,151	$82,831	$1,790	$172,799
International Telephone and Telegraph Corporation, 19,900 preferred series I	147	1,055	147	2,040
	$1,298	**$83,886**	**$1,937**	**$174,839**

(1) Includes 460,829 shares at a cost of $279,478 reserved for exchange for $25,000,000 Owens-Illinois, Inc., 4½% exchangeable subordinated debentures due 1987 (see Long-Term Debt).

(2) Quoted market values may not be indicative of amounts that would be realized on disposition and are before any income taxes that would be payable from a taxable disposition.

The Company's investment in Owens-Corning Fiberglas Corporation at December 31, 1973, represents 13.1% of the outstanding common stock of that corporation compared with 21.3% at December 31, 1972. Based on shares outstanding at December 31, 1973 and 1972, the Company's equity in the net assets of Owens-Corning amounted to $45.9 million and $66.8 million, respectively, and the equity in 1973 net earnings was $6.0 million compared with $7.6 million in 1972. Under an antitrust consent judgment entered in 1949, the Company is enjoined from exercising any control over Owens-Corning. This judgment was modified by a consent order entered on October 23, 1973, which requires the Company within five years to divest itself of sufficient shares of Owens-Corning common stock in order that the Company after such period would not own more than 3% (94,469 shares) of the shares owned by the Company on October 23, 1973, in addition to the shares reserved for the possible exchange for $25 million Owens-Illinois, Inc., 4½% exchangeable subordinated debentures due 1987.

SUN CHEMICAL CORPORATION (DEC)

INVESTMENTS (NOTE 3)	
Investment in Walter Kidde & Co., Inc.	$11,400,000

Note 3 (in part): Investments– In December, 1973, the company acquired 542,900 common shares of Walter Kidde & Co., Inc. (Kidde), representing 5.6% of the outstanding common shares of that company, at a cost of $11,400,000. While there are no plans, arrangements or understandings with respect thereto, the company is looking toward the possibility that Kidde may be merged with the company. All of these shares were acquired from a company whose Chairman of the Board and Chief Executive Officer is a Director of Sun Chemical Corporation and from another corporation which is an associate of such Director. At the date of acquisition and at March 5, 1974, the market value of the Kidde shares was $7,700,000 and $9,400,000, respectively.

UNITED STATES GYPSUM COMPANY (DEC)

	1973	1972
	($ thousands)	
State and Muncipal Securities, at cost (approximate market value–1973 $629,000; 1972 $4,475,000	$660	$4,577

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, officers, 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)

	1973	1972
Long-Term Receivables (less unamortized discount based on imputed interest rate of 9½%–1973, $1,703,000; 1972, $2,320,000	$13,372,000	15,544,000

BLUE BELL, INC. (SEP)

Note Receivable, 7¾%– Due May 26, 1990 (Note 3)	$5,000,000

Note 3 (in part): Long-Term Debt– During 1970, a foreign subsidiary of Blue Bell, Inc. borrowed the equivalent of $5,000,000 in pounds sterling from an unrelated company and, simultaneously, Blue Bell, Inc. loaned $5,000,000 to the United States subsidiary of the foreign lender. This obligation has been translated into United States dollars at rates of exchange prevailing at

TABLE 2-28: NONCURRENT RECEIVABLES

Balance Sheet Description	1973	1972	1971	1970
"Long-Term Receivables" (*21, 462)	50	41	42	30
"Notes Receivable" (5, 224)	29	37	33	48
Notes and accounts receivables combined (*55, 235)	19	20	21	20
"Accounts Receivable" (*547, 668)	11	10	9	16
Due from employees (*366, 649)	5	10	11	13
Other-described (*568, 648)	25	33	24	47
Receivables combined with other investments, deposits, etc. (*65, 116, 213, 702)	115	106	118	116
Total Presentations	**254**	**257**	**258**	**290**
Number of Companies				
Presenting noncurrent receivables	223	233	233	256
Not presenting noncurrent receivables	377	367	367	344
Total	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

the balance sheet dates. Under concurrent agreements, the obligations are due in twenty years and may be prepaid after June 1, 1975, but only if the entire principal amount is repaid. If either borrower prepays its loan, the other borrower may either repay or continue its indebtedness, with the guaranty of the borrower's parent company, but not beyond the original maturity.

LORAL CORPORATION (MAR)

	1973	1972
OTHER ASSETS:		
Notes receivable due after one year (Note 2)	$2,002,000	$746,000

Note 2: Notes Receivable— Notes receivable principally reflect amounts due from the sales of disposed operations as follows:

	1973	1972
Receivable from the sale of Arco Electronics operations (See Note 9)	$2,433,000	---
Less, Unamortized discount based on imputed interest of 10%	(321,000)	---
Sub Total	**2,112,000**	---
Receivable from the sale of Multiple Toymakers in 1968	744,000	$944,000
Other	16,000	2,000
	2,872,000	**946,000**
Less, Current portion	870,000	200,000
	$2,002,000	**$746,000**

KUHLMAN CORPORATION (DEC)

OTHER ASSETS:	
Land contracts receivable, less current protion (1973–$47,057, 1972–$42,778) included in receivables	$380,885

MALONE & HYDE, INC. (JUN)

OTHER ASSETS	
Recoverable federal income taxes	$299,480

Notes to Consolidated Financial Statements

Note C: Federal Income Taxes— Federal income tax returns have been examined for all open years through fiscal 1971, and deficiencies aggregating approximately $749,000 have been proposed. The Company has paid approximately $300,000 of these proposed deficiencies and has filed a claim for refund thereof. The refunds were not granted and the Company filed suit in Federal District Court for recovery of those taxes. The balance approximately $449,000 is currently under protest. The Company is of the opinion that the returns as filed are correct and is, therefore, vigorously protesting the proposed deficiencies. It is not possible at this time to predict the ultimate outcome of the matter.

MOHASCO INDUSTRIES, INC. (DEC)

	($Thousands)
INVESTMENTS AND OTHER ASSETS:	
Non-current notes receivable and other assets (Note 5)	$4,836

Note 5 (in part): Noncurrent Notes Receivable and Other Assets— Of this amount, $1,660,000 at December 31, 1973 ($2,429,000 at December 31, 1972) represents a mortgage note receivable on which the principal and interest are due in equal quarterly installments of $219,282 to October 1, 1976, which sums are to be applies first to interest and the balance to principal.

PRATT-READ CORPORATION (JUN)

Long-Term Note Receivable (Note B)	$404,163

Note B: Long-Term Note Receivable— This note was received in connection with the sale of the common stock of a former wholly-owned subsidiary, Tech-Art Plastics Company, on June 30, 1972. The 6% note, which is collateralized by all of the common stock of Tech-Art, is payable in monthly intallments ($50,000 annually) to July 1, 1977, at which time the balance of $250,000 is due.

STEWART-WARNER CORPORATION (DEC)

	1973	1972
OTHER ASSETS:		
Due from officers and employees (Note 3)	$1,116,000	$288,000

Note 3 (in part): Capital Stock— In addition, the Corporation has a stock purchase plan which permits offi-

cers and key employees to purchase shares of the Corporation's treasury stock at the market price prevailing at the time of purchase. Current forms of contracts provide for minimum initial payments of 10% of the purchase price, and for payments of not less than 10% of the remaining balances annually, with interest at 1% per annum. All shares sold under this plan either are held in escrow or are subject to repurchase agreements. During 1973, 36,459 shares of treasury stock were sold under the plan to employees at prices averaging $28.90 per share, having an aggregate market value of $1,053,000 (1,022 shares in 1972 at prices averaging $35.67 per share; market value $36,000). At December 31, 1973, $1,116,000 (288,000 in 1972) was due from officers and key employees under the plan.

RAYTHEON CORPORATION (DEC)

Long-term receivables (Note E)	$20,883,111

Note E: Long-Term Receivables— Long-term receivables consist of the following at December 31, 1973:

Customers, due in installments to 1979, with interest principally in the range of 5½% to 9%	$14,718,953
Others, principally due in 1979, with interest up to 7¼%	6,164,158
	$20,883,111

TWENTIETH CENTURY-FOX FILM CORPORATION (DEC)

	1973	1972
	($ thousands)	
INVESTMENTS AND LONG-TERM RECEIVABLES		
Receivables from television network agreements (Note 4)	$10,509	$22,053
Investments, at equity in net assets	4,081	3,967
Other	2,046	1,542

Note 4: Long-Term Receivables from Network Television Agreements— Long-term receivables from network television agreements consist of the following:

	1973	1972
	($ thousands)	
Non-interest bearing receivables due through 1980	$12,177	$24,684
Less unamortized discount based on imputed interest rate of 7%	1,668	2,631
	$10,509	**$22,053**

UNITED FOODS, INC. (FEB)

	1973	1972
OTHER ASSETS:		
Note receivable— officer and stockholders	$156,820	$1,200,000

Note 2 (in part): Accounts and Notes Receivable and Inventories— At February 28, 1973 and February 29, 1972, substantially all of the accounts receivable and inventories were pledged to collateralize notes payable in the amounts of $20,418,214 and $17,508,035, respectively.

The note receivable from officer and stockholders included under "other assets" at February 29, 1972, represented the unpaid principal of a non-negotiable note, less current maturity, due from John Inglis (a director, officer and stockholder) and Weston W. Inglis (a director and stockholder). During the current year, the 254,636 shares of common stock of the company that were pledged to collateralize the loan were transferred to the company in lieu of foreclosure to liquidate $1,143,180 of principal and $130,000 in accrued interest.

Pursuant to the terms of the security agreement, the shares were applied to principal and interest at the rate of $5.00 per share, which exceeded market. The differential between the application at $5.00 per share and market value, amounting to $604,760, was charged to retained earnings. The remaining balance of $156,820 at February 28, 1973, represents the unpaid principal after applying all of the shares pledged to collateralize the loan.

A negotiable promissory note was executed to cover the remaining $156,820 under an agreement providing for an additional 40,000 shares of the company's common stock to be pledged as collateral. The new note matures in five equal annual installments beginning March 1, 1974, with interest at 1% above prime rate.

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.

TABLE 2-29: ADVANCES, DEPOSITS AND SEGREGATED CASH OR SECURITIES

Purpose	1973	1972	1971	1970
Plant expansion or improvement	20	18	13	16
Other—specified	23	21	17	29
Purpose not specified	54	60	62	63
Total Presentations	**97**	**99**	**92**	**108**
Number of Companies				
Presenting advances, deposits, or segregated funds	87	86	89	93
Not indicating such account	513	514	511	507
Total	**600**	**600**	**600**	**600**

Plant Expansion or Improvement

ALLIED MILLS, INC. (MAR)

Property, plant and equipment– net	$52,884,000
Construction funds held by trustees	2,735,000
Other assets	2,725,000

CARRIER CORPORATION (OCT)

INVESTMENTS AND OTHER ASSETS	
Funds segregated for expansion	$26,063,000

Notes to Consolidated Financial Statements

Funds Segregated for Expansion– Funds segregated for expansion at October 31, 1973, represent the amount set aside for investment in existing foreign subsidiaries or affiliates to finance their expansion programs. In addition, these funds 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.

ETHAN ALLEN, INC. (SEP)

Funds held by trustees for construction– Note C	$2,039,596

Note C (in part): Long-Term Debt– The capitalized lease obligations are with governmental authorities that have issued Industrial Development Bonds, the proceeds from which were deposited with trustees for construction. At September 29, 1973, $2,039,596 of these funds are being held by the trustees until they are utilized for construction.

SIGNODE CORPORATION (DEC)

Funds on Deposit for Construction (Note 4)	$3,318,000

Note 4 (in part): Long-Term Debt and Parallel Loan Financing– In November, 1973, the Company entered into a lease agreement with the County of Kenton, Kentucky, whereby the County issued $3,500,000 of industrial revenue bonds to provide funds for plant expansion. This transaction has been accounted for as an installment purchase for both book and tax purposes. The unexpended bond proceeds held by the trustee amounted to $3,318,000 at December 30, 1973, and were invested in short term interest-bearing securities.

Other Purposes

CROWN CENTRAL PETROLEUM CORPORATION (DEC)

OTHER ASSETS	
Deposit on land purchase agreement (Note 1)	$1,000,000

Note 1: Expenditures Related to Certain Long-Term Projects– The Company engaged in various long-term projects during 1973, the ultimate realization of which involved certain risks and contingencies. All expenditures relating to these projects, other than the $1,000,000 deposit on the land purchase agreement referred to below, have been charged to expense. These expenditures amounted to $1,774,935 in 1973.

In connection with the planned refinery to be built in the Baltimore Harbor area, a wholly-owned subsidiary has entered into a contract to acquire the plant site on June 28, 1974 for $22,000,000, of which $1,000,000 has been deposited. The consummation of this project is contingent upon the solution of a number of problems, legal and otherwise, as yet unresolved. In the opinion of management and legal counsel for the Company, the deposit of $1,000,000 will be recovered or applied against the total purchase depending on the final disposition of the project.

CROWN ZELLERBACH (DEC)

OTHER ASSETS:	
Deposit	$10,000,000

Notes to Financial Statements

Acquisitions– In November, 1973, the Corporation and The Southern Timber Trust jointly made a successful bid of $185,100,000 for the purchase of certain assets of Tremont Lumber Company, including 215,000 acres of Louisiana timberlands, two sawmills, a plywood plant and interests in producing oil properties. The parties are jointly negotiating a definitive contract under which the Corporation will purchase certain Tremont assets, and The Southern Timber Trust will purchase the remainder. Under the terms of a letter of intent between the Corporation and The Southern Timber Trust, a jointly owned company will be organized to operate the mills and timberlands. The Corporation will provide operating management to the jointly owned company and will purchase all of the output of the Trust's properties on terms to be negotiated between the parties. At December 31, 1973, a $10,000,000 deposit had been made by the Corporation.

The Corporation acquired, as of November 30, 1973, Rainier Manufacturing Co. for 288,333 shares of the Corporation's common stock. The acquisition was accounted for as a pooling of interests. Accordingly, the consolidated financial statements for 1972 have been restated to include the effect of this company. Net sales were increased by $17,327,000 and net income by $1,355,000.

FOOD FAIR STORES, INC. (JUL)

Funds held for retirement of bonds (Note 6)	$6,898,000

Note 6: Funds held for Retirement of Bonds– This amount represents certificates of deposit held by the trustee for the redemption of the 3⅜% sinking fund debentures.

JOHN FLUKE MFG. CO., INC. (SEP)

	1973	1972
OTHER ASSETS		
Deferred compensation fund, at cost (market value $132,439 in 1973 and $98,721 in 1972) - (Note 4)	$128,427	$84,000

Note 4: 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, 1973 and 1972 have been charged $49,000 and $50,000, 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.

INTERNATIONAL BUSINESS MACHINES CORPORATION (DEC)

OTHER INVESTMENTS AND SUNDRY ASSETS:	
Securities held for repayment of long-term debt	$495,914,856

Notes to Consolidated Financial Statements

Securities Held for Repayment of Long-Term Debt— securities with a face amount of $500 million are being held for the repayment of debt, including debt incurred to comply with the regulations of the Office of Foreign Direct Investments of the U.S. Department of Commerce. These securities are at cost, adjusted for amortized premium or discount.

TEXASGULF INC. (DEC)

INVESTMENTS, ADVANCES AND OTHER ASSETS	
Advance payments relating to the Utah potash property less amortization of $2,498,000 in 1973 and $2,082,000 in 1972	$10,007,000

WINNEBAGO INDUSTRIES, INC. (FEB)

OTHER ASSETS	
Escrowed securities, at cost (approximates market) (Note 5) (Schedule I)	$530,285

Schedule I (in part)— Marketable Securities—Other Security Investments

Column A	Column B	Column C
Name of Issuer and Title of Issue	Principal Amount	Balance Sheet Amount (1)
Escrowed Securities at February 24, 1973 (2)		
Chrysler Credit Corporation, 6%, Due 3-15-73	$330,000	$330,000
New York City, New York, 4.09%, Due 5-10-73	200,000	200,285
	$530,000	**$530,285**

(1) Securities are carried at cost which approximates market.
(2) These securities are held in escrow to defer collection of excise tax assessments. See Note 5 of the Notes to Financial Statements.

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 1963, to 41 in 1970, 39 in 1971, 33 in 1972, and 28 in 1973.

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 against the policy's cash surrender value (see *ARB No. 43,* Chapter 3, paragraph 7, footnote 3).

ACTION INDUSTRIES, INC. (JUN)

OTHER ASSETS	
Cash value—Officers' life insurance (Note 4)	$85,950

Note 4: Cash Value—Officers' Life Insurance— The Company is the owner and beneficiary of life insurance policies with an aggregate face value of $1,5000,000 carried on the lives of three officers. At June 30, 1973, the policies had a cash surrender value of $85,950. Policies having a face value of $750,000 are pledged as collateral as set forth in Note 5.

JANTZEN INC. (AUG)

NON-CURRENT ASSETS:	
Cash value of life insurance—less policy loans: 1973, $46,573; 1972, $45,578	$30,090

SMC INDUSTRIES, INC. (AUG)

	1973	1972
INVESTMENTS AND OTHER ASSETS:		
Cash value of life insurance, net of loans of $334,440 in 1972 (Note 7)	$6,650	$133,628

Note 7 (in part): Common Stock Additional Paid-in Capital, and Treasury Stock— On October 16, 1972, under terms of a stock purchase contract dated July 18, 1972, the Company purchased 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 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.

SIMCO STORES, INC. (JUL)

OTHER ASSETS:	
Cash surrender value of life insurance (Note B)	$67,897
Cash in savings account–tenants' security deposit..	40,000
Sundry	11,991
	$119,888

Note B): Officer's Life Insurance– The Company is the owner and beneficiary of insurance policies on the life of its president having an aggregate face value of $100,000. During the year ended July 31, 1973, the Company collected accumulated dividends of approximately $35,000. At July 31, 1973, the aggregate cash surrender value of said policies is $67,897.

SPENCER COMPANIES, INC. (MAY)

OTHER ASSETS:	
Cash value of life insurance, less policy loans of $577,843 in 1973 and $560,666 in 1972	$107,089

TABLE 2-30: INTANGIBLE ASSETS

Type of Asset	1973	1972	1971	1970
Goodwill recognized in a business combination (*118, 479)...	388	398	287	234
Goodwill– source not indicated (*91, 208,488)	74	43	49	52
Patents, patent rights (*40, 95, 680)	104	105	101	106
Trademarks, brand names, copyrights (*362, 545, 549)	49	59	55	59
Licenses, franchises, memberships (*598, 730)	34	33	25	24
Formulae, processes, designs (*135, 402)	9	10	6	8
Various other (*159, 169, 721)	24	25	20	31
Intangible assets (not otherwise described)	52	59	44	43
Total Presentations	**734**	**732**	**587**	**557**
Valuation Basis				
Amortized balance	438	404	290	230
Unamortized value	222	242	189	200
Not determinable	48	47	76	91
Nominal value	26	39	32	36
Total	**734**	**732**	**587**	**557**
Number of Companies				
Presenting intangible assets	364	364	334	334
Not presenting intangible assets	236	236	266	266
Total	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

TABLE 2-31: VALUATION OF INTANGIBLES

Type of Asset	Total	Amortized Balance	Unamortized Value	Nominal Value	Not Determinable
Goodwill recognized in a business combination	388	211	168	1	8
Goodwill (source not indicated)	74	39	29	3	3
Patents, patent rights	104	78	1	12	13
Trademarks, brand names, copyrights	49	25	8	8	8
Licenses, franchises, memberships	34	24	2	2	6
Formulae, processes, designs	9	7	2	--	--
Various other	24	20	2	--	2
Intangible assets (not otherwise described)	52	34	10	--	8
Total Presentations	**734**	**438**	**222**	**26**	**48**

INTANGIBLE ASSETS

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, 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 1973 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 250 companies amortizing goodwill, 118 disclosed an amortization period of less than 40 years, 108 disclosed an amortization period of 40 years, 9 disclosed an amortization period of legal or estimated life and the remaining 15 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

ADDRESSOGRAPH MULTIGRAPH CORPORATION (JUL)

	1973	1972
OTHER ASSETS:		
Excess of cost of businesses acquired over related net assets	$6,312,000	$4,017,000
Deferred charges	5,677,000	5,807,000
	$11,989,000	**$9,824,000**

Financial Review and Summary of Accounting Policies

Intangible Assets— Intangible assets resulting from acquisitions completed in 1971 and thereafter are being amortized on a straight-line basis over periods of forty years or less. Excess cost over the related net assets of businesses acquired prior to fiscal 1971 of $3,439,000 is not being amortized.

In 1973 and 1972 the excess cost of businesses acquired over related net assets was increased by the acquisition of several companies. These acquisitions were accounted for as purchases and the results of their operations since acquisition, which were not significant, have been included in the Company's results.

Amortization of intangibles amounted to $183,000 in 1973 and $231,000 in 1972.

THE BENDIX CORPORATION (SEP)

	1973	1972
	($ millions)	
Goodwill and Patents (less amortization)	$78.1	$53.3

Notes to Consolidated Financial Statements

Summary of Significant Accounting Policies (in part): 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 1956 and is not amortized; goodwill (and other acquisition intangibles) arising from acquisitions entered into after October 1970 is amortized on a straight-line basis over a forty year period.

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.

Goodwill and Patents— Goodwill and patents at September 30 are summarized below:

	1973	1972
	($ millions)	
Goodwill (and other acquisition intangibles)	$76.2	$51.2
Patents	3.5	2.5
Total	**79.7**	**53.7**
Less— Accumulated amortization	1.6	.4
Remainder	**$78.1**	**$53.3**

Amortization of goodwill and patents amounted to $1.0 million and $.3 million for 1973 and 1972, respectively.

GENERAL FOODS CORPORATION (MAR)

	1973	1972
	($ thousands)	
Goodwill, less amortization of $3,291 in 1973 and $960 in 1972 (Note 1)	$89,971	$92,284

Note 1 (in part): Significant Accounting Policies— Goodwill— Goodwill represents the excess of cost over the fair value of net tangible assets of acquired businesses and, beginning in fiscal 1973, all goodwill is being amortized by the straight-line method over 40 years. Prior to fiscal 1973, a portion of goodwill was not being amortized. The reduction in net earnings in fiscal 1973 that resulted from this change was not material.

GENERAL MOTORS CORPORATION (DEC)

DEFERRED CHARGES	
Goodwill— less amortization	$ 38,065,480
Deferred income taxes and other deferred charges	238,090,497

Notes to Financial Statements

Note 1 (in part): Significant Accounting Policies— Goodwill— Goodwill relates to businesses acquired in 1943 and prior years and, beginning in 1970, is being amortized over a period of ten years at the rate of $6,344,246 per year, with the amortization applied directly to the asset account.

PHILIP A. HUNT CHEMICAL CORPORATION (DEC)

OTHER ASSETS	
Excess of cost over net assets of subsidiaries purchased (Note 1A)	$1,411,535

Note 1A: Basis of Consolidation— 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.

The financial statements include, from date of acquisition, the accounts and transactions of DEA Products, Inc. acquired on January 3, 1972 for $530,700. The pur-

chase agreement includes a provision under which the purchase price may be increased up to an additional $300,000 for achievement of a given cumulative level of sales within the thirty months subsequent to the date of purchase. Based on the cumulative sales to December 29, 1973, the purchase price has increased by $150,000. The excess of purchase cost of this subsidiary over the fair value of net assets acquired, including the current year's increment, is being amortized on a straight-line basis over a thirty year period from date of acquisition. 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.

NEW ENGLAND NUCLEAR CORPORATION (FEB)

Cost in Excess of Net Assets Acquired	$548,909

Summary of Accounting Policies

Cost in Excess of Net Assets Acquired— Intangibles arising from acquisitions accounted for as purchases are being amortized by the straight-line method over 10 years.

THE RUCKER COMPANY (DEC)

	1973	1972
Patents, Goodwill and Other Intangible Assets, net (Note 6)	$1,952,783	$2,204,223

Notes to Financial Statements

Note 1 (in part): Accounting Policies— Intangible Assets— Patents and other intangibles are being amortized on the straight-line method based on their estimated useful lives. Goodwill is being amortized on the straight-line method over 25 years.

Note 6: Patents, Goodwill and Other Intangible Assets— Patents, goodwill, and other intangible assets are summarized as follows:

	1973	1972
Patents	$1,321,643	$1,781,149
Goodwill	1,374,729	1,468,551
Other intangibles	331,991	156,227
	$3,028,363	**$3,405,927**
Accumulated amortization and provision of $246,000 in 1972 for estimated losses from disposal of certain business operations	1,075,580	1,201,704
	$1,952,783	**$2,204,223**

Amortization expense for 1973 and 1972 was $244,996 and $197,633, respectively.

STANDARD BRANDS PAINT COMPANY (SEP)

Excess of cost of acquiring subsidiary over related fair value of net tangible assets (Note 1)	$2,520,755

Note 1 (in part): Amortization of Intangibles— The excess of cost of acquiring a subsidiary in 1961 over the related fair value of net tangible assets amounting to $2,520,755 is not being amortized since, in the opinion of management, the life of such intangible asset does not appear to be limited and there has been no decrease in value.

UNITED BRANDS COMPANY (DEC)

	($Thousands)
Trademarks and Leaseholds (Note 8)	$ 47,004
Excess of Cost Over Fair Value of Net Assets Acquired (Note 8)	276,639

Note 8: Intangibles— Excess of cost of investment over fair value of net assets of businesses acquired prior to 1971 of $269,386,000 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 $13,173,000 are being amortized over 10 to 40 years; $660,00 and $375,000 were charged to income in 1973 and 1972, respectively, for such amortization.

In 1973, $5,953,000 (1972, $5,741,000) excess of cost of investment over fair value of net assets of businesses acquired relating to investments in subsidiaries sold was charged against the proceeds of the sales in determining gains or losses on such sales.

OPELIKA MANUFACTURING CORPORATION (SEP)

OTHER ASSETS:	
Notes receivable	$1,090,900
Deferred charges	183,589
Goodwill (Note A)	158,888
	$1,433,377

Note A (in part): Goodwill— Goodwill represents the excess of the purchase price over the market value of net assets acquired from two companies prior to the date after which amortization is required by Accounting Principles Board Opinion No. 17. In the opinion of management there has been no diminution in the value of goodwill; therefore no provision for amortization is made.

Patents

ASG INDUSTRIES, INC. (DEC)

DEFERRED CHARGES AND OTHER ASSETS:	
Patents and other intangibles (Note 1)	$670,385

Note 1 (in part): Accounting Policies Patents and other Intangible Assets are amortized over their approximate useful lives (3-16 years) on a straight-line basis.

GENERAL RESOURCES CORPORATION (OCT)

Patents, patent applications and trademarks (Note H)	$ 517,809

Notes to Consolidated Financial Statements

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).

Note H: 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. On July 24, 1973, a U.S. District Court in Savannah, Georgia rendered a decision in favor of the defendant. The Company has appealed this decision to the U.S. Court of Appeals in New Orleans, Louisiana. 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 a portion of unamortized patent and trademark costs of $517,809 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.

HANDY & HARMAN (DEC)

Intangibles (principally patents), net of amortization	$ 1,495,000

Summary of Significant Accounting Policies

Intangibles and Amortization— Patents are stated at cost as determined by independent appraisers in conjunction with the acquisition (accounted for as a purchase) of Continental Industries, Inc. ("Continental"). Straight-line amortization is being provided over the remaining lives of the respective patents.

The excess of purchase price over the net assets acquired of Automated Process Systems, Inc. ("APS") is being amortized on the straight-line method over ten years.

OSCAR MAYER & CO. INC. (OCT)

	($ thousands)
OTHER ASSETS:	
Patents, trade names and other intangibles, less amortization	$ 1,145

Financial Section

Summary of Accounting Policies (in part)— The excess of cost over the fair value of net assets of acquired companies is amortized on a straight-line basis over 40 years. Other intangible assets are amortized on a straight-line basis over 10 years.

STANDARD PRESSED STEEL CO. (DEC)

OTHER ASSETS:	
Patents and licenses, less amortization	$117,500

Summary of Significant Accounting Policies

Property, Depreciation and Amortization— Property, plant and equipment are recorded at cost. The straight-line method of depreciation is used for substantially all items of plant and equipment. 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 amortized on the straight-line basis over a period of 10 years.

Trademarks

THE QUAKER OATS COMPANY (JUN)

	($Thousands)
INTANGIBLE ASSETS:	
Excess of cost over net assets of acquired businesses	$30,004
Patents, trademarks, designs, less amortization	7,276

Notes to Financial Statements

Summary of Accounting Policies (in part): Intangibles— Excess of cost over net assets of acquired businesses represents the amount paid in excess of the fair values of the net assets of such businesses. Such costs are considered to represent continuing values and are reduced if diminution of continuing values of underlying businesses is indicated. As required by current accounting rules, any such costs resulting from acquisitions after October 31, 1970, are amortized over periods not in excess of 40 years.

Costs incurred in acquiring patents, trademarks, designs, etc., are amortized on a straight-line basis over their estimated useful lives.

WEIGHT WATCHERS INTERNATIONAL, INC. (SEP)

OTHER ASSETS:	
Excess of cost over net assets of subsidiaries at acquisition (less accumulated amortization–1973–$32,000; 1972–$13,000) (Note 1)	$2,153,000
Trademarks–at cost (less accumulated amortization –1973–$187,000; 1972–$137,000) (Note 1)	319,000

Note 1 (in part): Excess of Cost over Net Assets— The excess of purchase price over net assets of acquired subsidiaries is being amortized by the straight-line method over appropriate periods of 5 and 40 years.

Trademarks— Legal fees incurred in establishing the validity of the Company's Canadian trademarks and other trademark costs are being amortized by the straight-line method over 5 years.

ADAMS-RUSSELL CO., INC. (SEP)

OTHER ASSETS;

Franchises, licenses and operating rights, (Note 1g)	$1,101,978

Note 1 (in part): Summary of Significant Accounting Policies:

(g) Franchises, Licenses and Operating Rights— Franchise rights purchased in connection with the acquisition of Cable Vision, Inc. (see Note 2) are being amortized on a straight-line basis over sixteen years. The assigned value of other franchises, licenses, and operating rights (all acquired prior to November 1, 1970) are not being amortized.

Note 2 (in part): Acquisition— On July 17, 1973, the Company purchased all of the stock of Cable Vision, Inc. (Cable Vision) for cash of $747,400. Simultaneously, the Company loaned $1,002,500 to Cable Vision which utilized such funds for the repayment of notes payable of a like amount. The results of Cable Vision's operations have been included in the accompanying financial statements since the date of acquisition.

The excess of purchase cost over the fair value of net assets acquired, amounting to $890,000, has been charged to franchise costs and is being amortized as described in Note 1 (g).

LIGGETT & MYERS INCORPORATED (DEC)

Franchises and Goodwill—at cost, less amortization (Note 1)	$122,961,578

Note 1 (in part): Summary of Significant Accounting Policies

Franchises and Goodwill and Amortization— At December 31, 1973, the unamortized portion of the cost of an exclusive franchise held by The Paddington Corporation (a subsidiary) to import J&B Rare Scotch Whisky aggregated $56,347,447, and the unamortized excess cost applicable to the acquisition of Paddington and Carillon Importers Ltd. (a subsidiary) aggregated $13,560,263. The franchise and the unamortized excess costs are being amortized on the straight-line method over the remaining lives of the J&B franchise and a franchise held by Carillon. In 1973, such excess cost was increased by $4,216,193 resulting from the cash purchase by the Company of the remaining minority interest in Paddington at a cost of $6,042,477.

SCOPE INDUSTRIES (JUL)

OTHER ASSETS

Franchises, contracts and other intangibles, at cost less accumulated amortization: 1973—$42,686; 1972—$145,441 (Note 1)	$12,314

Note 1 (in part): Franchises, contracts and other intangibles are amortized on the straight—line method over five to forty years, except that the amount of the asset and related amortization are removed from the accounts when the asset ceases to have value. In 1973 unamortized franchise costs relating to auto rental operations, and the investment in and receivable from the franchisor, approximating $180,000 were expensed.

Other

TWENTIETH CENTURY-FOX FILM CORPORATION (DEC)

	($ thousands)
OTHER ASSETS	
Excess of cost over net assets acquired (note 1(c))	$4,979
Music copyrights (note 1(c))	2,440
Television station license and contracts (note 1(c))	1,522

Note 1 c: 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 $3,252,000 in 1973 and $3,325,000 in 1972, of which $1,412,000 in 1973 and $1,247,000 in 1972 were charged to operations; the remainder in each year was charged to film inventories.

The excess of cost over net assets acquired from the acquisition of Wylde Films is being amortized over 10 years on the straight-line method. Before amortization of the excess of cost over net assets acquired, Wylde had an operating loss in 1973 but had operated profitably in prior years.

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.

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	1973	1972	1971	1970
Debt expense	44	48	48	51
Prepaid expenses (*73, 344, 618)	44	46	58	64
Deferred income taxes	38	46	38	44
Property held for sale (*140, 554)	30	35	29	17
Start-up costs (*400, 770)	13	18	27	23
Employee benefits (*402, 723)	12	16	10	8
Other described (*175, 641, 762)	68	35	25	49
Deferred charges or other noncurrent assets– not described	546	560	572	585
Research and development costs (*287, 743)	10	18	20	11
Total Presentations	**805**	**822**	**827**	**852**
Number of Companies				
Presenting above accounts	543	546	550	529
Not presenting above accounts	57	54	50	71
Total	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

Research or Development Costs

AMERICAN ELECTRONIC LABORATORIES, INC. (FEB)

Deferred CATV systems development expense (Note 1)	$98,376

Notes 1 (in part): Significant Accounting Policies

Deferred CATV Systems Development Expense– UltraCom, Inc. has adopted the policy of deferring operating costs less related revenues during the period of system development (Note 4). These costs will be amortized over a five-year period commencing with the end of the development period. The period of system development terminates upon the occurrence of any of the following: (a) subscribers are connected in numbers as originally determined to be required for a break-even operation, or (b) revenues for the system are in excess of operating expenses, or (c) the system has been in operation for two years, which in the case of a purchased operational system begins from the date of acquisition.

BOWMAR INSTRUMENT CORPORATION (SEP)

	($ thousands)
Product development costs (Note 1)	1.091

Note 1 (in part): Product Development and Tooling– Product development and tooling costs relating to new products and new models of existing products are deferred and amortized over a period not to exceed three years commencing with the start of production.

Product development and tooling costs relating to specific customer orders are amortized over units of production of such orders. Such development and tooling costs are included in inventory.

Basic research prior to product development is expensed as incurred.

CITATION MANUFACTURING COMPANY, INC. (JUN)

	1973	1972
OTHER ASSETS:		
Research and development costs– Note: 6	$872,962	$918,071
Long-term receivables	–	158,261
Other	166,462	147,684
Total other assets	**$1,039,424**	**$1,224,016**

Note 6: Research and Development– A summary of research and development by projects is presented below:

	Balance June 30, 1972	Additions	Amortization	Balance June 30, 1973
Golf caddy	$570,878	$24,337	$–	$595,215
Brush washer	286,112	11,719	57,223	240,608
Other	61,081	1,477	25,419	37,139
	$918,071	**$37,533**	**$82,642**	**$872,962**

No amortization has been taken on the golf caddy, as it has not been placed in sustained production. The loss from operations sustained by the Company during the past year arises primarily from losses incurred in the golf caddy division. However, interest in the golf caddy remains high and management feels the current model can now be placed into production.

Subsequent to the balance sheet date, the Company executed a contract to sell four hundred caddies which were in inventory at June 30, 1973. The Company received a $50,000 deposit on the units. The Company has also sold an additional one hundred and four units subsequent to the balance sheet date.

GRAHAM MAGNETICS INCORPORATED

OTHER ASSETS:	
Deferred research and development costs (Note 1c)	$388,050

Note 1c: Deferred Research and Development Costs – The Company defers new product research and development costs. Deferred costs include patent costs, salaries of scientists and engineers, and certain equipment, materials and supplies. No officers' salaries or selling, general or administrative expenses are included in these costs. Other expenses incurred subsequent to the start of production are charged against income as incurred. The deferred costs are amortized over a period of five years following the start of production.

Deferred costs are reviewed semi-annually and upon the occurrence of any significant event relative to the development program to determine if any write-offs are necessary.

HERSHEY FOODS CORPORATION (DEC)

OTHER ASSETS:	
Deferred almond ranch development expenses	$5,865,575
Deferred coffee service location costs	3,267,729
Other	4,649,542
	$13,782,846

Notes

Note 1 (in part): Summary of Significant Accounting Policies: 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. Commencing in 1973, the first year of a substantial commercial harvest, the deferred expenses are being amortized over 18 years, which is the estimated commercially productive life of the almond trees.

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 over the life of the installation, but not to exceed four years.

Start-Up Costs

ELECTRIC HOSE & RUBBER COMPANY (AUG)

Other assets– Notes 1 and 4	$576,400

Note 1 (in part): Summary of Significant Accounting Policies– Plant Start-up Costs– Certain major plant start-up costs, incurred during initial production phases are deferred and amortized on a straight-line basis over a period of 36 months for financial statement purposes. Since the start-up costs are deducted currently for tax purposes, deferred income taxes relating to the unamortized balance are provided.

Note 4: Deferred Plant Start-up Costs– The Company has elected to capitalize certain start-up costs incurred during the initial production phases of the new manufacturing facilities in Nebraska. The costs are being amortized on a straight-line basis over a period of 36 months with amortization beginning in fiscal 1973 aggregating $21,800. It is anticipated that additional costs incurred through February 1974 will be similarly deferred. The unamortized cost of $360,500 at August 31, 1973 is included in the accompanying balance sheet as other assets.

SUNDSTRAND CORPORATION (DEC)

	1973	1972
OTHER ASSETS		
Preproduction costs (net of accumulated amortization 1973– $590,000, 1972– $3,272,000)	$12,910,000	$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 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.

Preproduction costs net of amortization at December 31, related to the following programs:

	1973	1972
Hydrostatic transmissions and other	$ ---	$1,775,000
Responder transmissions	10,185,000	7,507,000
Hermetic compressors	2,725,000	---
Total	**$12,910,000**	**$9,282,000**

Preproduction costs, related principally to hydrostatic transmissions, were fully amortized during 1973.

Property Held for Sale

GIDDINGS & LEWIS, INC. (DEC)

INVESTMENTS AND OTHER ASSETS:	
Property held for sale, at cost less accumulated depreciation, 1973– $81,563; 1972– $127,236 (Note 3)	$1,068,120

Note 3: Nonoperating Property– In 1972, 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 is being reflected as a reduction of rental expense over the terms of the leases (2 to 10 years). In addition, one of the Company's wholly-owned subsidiaries has entered into a joint venture with a partnership to develop and sell certain other nonoperating land in the Madison area.

MCA INC. (DEC)

INVESTMENTS AND OTHER ASSETS

Land held for sale– Colorado	$14,469,000

Summary of Accounting Policies

Investment in Colorado Land Held For Sale– Investments in Colorado land and real estate developments held for sale are recorded at cost plus interest, real estate taxes and other carrying charges relating directly to these projects, but not in excess of estimated net realizable value.

OLIN CORPORATION (DEC)

Investments, Property and Equipment, held for disposal at estimated realizable value	$29,171,000

Other

THE CESSNA AIRCRAFT COMPANY (SEP)

DEFERRED CHARGES:

Tooling (Note 1e)	$6,505,001

Note 1e: Deferred Tooling– The cost of initial production tooling is deferred and amortized by charges to expense, primarily by the unit-of-production method over an estimated three years of deliveries.

OUTBOARD MARINE CORPORATION (SEP)

DEFERRED CHARGES, ETC.:

Product tooling, less amortization	$16,234,000

Notes to Consolidated Financial Statements

Note 1 (in part): Product tooling costs are amortized substantially over a period not exceeding three years, beginning the first year the related product is sold.

KNAPE & VOGT MANUFACTURING COMPANY (JUN)

OTHER ASSETS:

Cash surrender value of officers life insurance	$238,325
Deferred merchandiser costs	140,985
Total Other Assets	**$379,310**

Notes to Consolidated Financial Statements

Note 2: Deferred Merchandiser Costs– These deferrals represent the cost of display fixtures given to customers. In years ending prior to June 30, 1973, these costs were expensed as occurred. In the current year the company began selling to mass merchandisers and has elected to defer the cost of display units over a three year period. Had the company continued to expense these costs as incurred, income for the current year would have decreased by approximately $68,000 after income tax effect, or $.04 per share.

THE MACKE COMPANY (SEP)

	($ thousands)
Estimated Future Tax Benefits from Loss Carryforwards (Note 1)	$357

Note 1 (in part): Income Taxes– The Company and its subsidiaries file separate tax returns. Deferred income taxes represent reductions in current income taxes payable resulting from the recognition of depreciation and certain other expenses for income tax reporting purposes prior to the time that they are recognized for financial reporting purposes. Current deferred income taxes relate to certain consolidated companies which report taxable income on the cash basis, and are classified as current liabilities since the related assets and liabilities are classified as current. The Company records the estimated future tax benefit from losses of certain of the companies at the time such losses are incurred, when, in the opinion of management, the realization of such tax benefits is assured beyond a reasonable doubt. The Federal income tax investment credit is recorded on the flow-through method of accounting.

PRATT & LAMBERT, INC. (DEC)

OTHER ASSETS:

Advertising materials and supplies	$842,262

Notes to Financial Statements

Note A (in part): Accounting Policies: Advertising Materials and Supplies– Inventories of materials and supplies are charged to income when consumed. Costs applicable to certain sales aids are amortized over a period not to exceed five years.

G. D. SEARLE & CO. (DEC)

	($ thousands)
OTHER ASSETS	
Sweetener plant under construction (Note 11)	$3,870

Note 11: Sweetener Plant Under Construction– During 1973, the company proceeded with preliminary steps in its program for construction of a major facility to produce its new, low calorie sweetener. On January 26, 1974, the company decided to temporarily delay further construction activities pending resolution of existing uncertainties. Costs in 1974 of concluding preliminary construction phases initiated in 1973 are estimated at $10,000,000. Additional costs, however, may be incurred in 1974 depending upon the resolution of uncertainties and the extent of work ultimately decided upon.

UNION CAMP CORPORATION (DEC)

ASSETS	
Total Current Assets	$259,883,000
Timber Cutting Rights (See Contra)	26,107,000
LIABILITIES AND STOCKHOLDERS' EQUITY	
Total Current Liabilities	95,990,000
Payments for Timber Cutting Rights Due through 1984 (See Contra)	26,107,000

Notes to Consolidated Financial Statements

Note 3: 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 1974 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.

A. O. SMITH CORPORATION (DEC)

	1973	1972
	($ thousands)	
OTHER ASSETS:		
Investments in and advances to:		
Affiliated companies (20% to 50% owned)	$ 8,815	$ 8,655
Wholly-owned finance subsidiary	6,199	5,675
Receivable from sale of investment	4,903	4,903
Prepaid pension costs	6,200	5,700
Other, at cost	3,443	4,818
Total other assets	**$29,560**	**$29,751**

1973 In Review/Finance

Retirement Plans— Noncontributory pension plans covering substantially all employees resulted in pension expense for 1973 and 1972 of $7,300,000 and $7,100,000 respectively. The actuarially computed value of vested benefits under certain of the plans exceed the assets of the related trusts by $31,000,000 at the most recent actuarial valuation date. The present policy is to fund, at a minimum, pension costs accrued. The board of directors has authorized contributions to the pension trust aggregating $6,200,000 in excess of amounts charged to earnings; this amount is shown as prepaid pension costs in the balance sheet and the applicable deferred income taxes have been provided.

TABLE 2-33: SHORT TERM DEBT

Description	1973	1972	1971	1970
Notes or loans				
Payee indciated	252	204	213	234
Payee not indicated	217	256	294	307
Short-term Debt or Borrowings	27	27	20	11
Commercial Paper	36	16	21	20
Other	13	11	7	9
Total Presentations	**545**	**514**	**555**	**581**
Number of Companies				
Showing short-term debt	448	430	453	476
Not showing short-term debt	152	170	147	124
Total	**600**	**600**	**600**	**600**

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 conpanies disclosing short-term debt. Amounts of long-term debt due within one year are detailed separately in Table 2-37.

ABBOTT LABORATORIES (DEC)

CURRENT LIABILITIES	
Short-term borrowings, including $50,547,000 of commercial paper in 1973 (Note 3)	$92,009,000
Accounts payable and accrued expenses	90,959,000
Dividends payable	4,158,000
Payroll savings plan	7,729,000
Income taxes payable	15,161,000
Current portion of long-term debt	1,207,000
Total current liabilities	**$211,223,000**

Note 3: Short-Term Borrowings— Short-term borrowings at December 31, 1973 consisted of domestic commercial paper and international loans (principally bank). Following is a summary of such borrowings during the year:

	Domestic	International
Average borrowings during 1973	$21,254,000	$36,553,000
Weighted average interest rate	8.9%	11.2%
Highest level of borrowings at any month-end during 1973 was December 31	$50,547,000	$41,462,000
Weighted average interest rate	8.9%	12.0%

At December 31, 1973, unused domestic credit lines of $50,000,000 supported commercial paper issued by the Company.

AMERICAN BEEF PACKERS, INC. (MAY)

CURRENT LIABILITIES:	
Notes payable under financing agreements (Note 3)	$29,957,000
Notes payable to bank (Note 3)	11,490,000
Current portion of long-term debt (Notes 3 and 5)	917,000
Drafts in transit (Note 3)	1,851,000
Checks issued for livestock in transit	10,940,000
Accounts payable and accrued expenses	17,698,000
Taxes on earnings currently payable	1,644,000
Deferred taxes on earnings	257,000
Total current liabilities	**$74,754,000**

Note 3: Assigned Assets— Approximately $431,00 of cash and substantially all trade accounts receivable and inventories are assigned as collateral for the current and long-term notes payable under financing aggrements, the notes payable to banks and the drafts in transit. See Note 5 for additional assets assigned or pledged.

AMERICAN ELECTRONIC LABORATORIES, INC. (FEB)

CURRENT LIABILITIES:	
Notes payable to banks (Note 5)	$2,840,775
Accounts payable	2,137,189
Accrued liabilities	2,344,734
Long-term debt due within one year (Note 8)	229,286
Total current liabilities	**$7,551,984**

Note 5: Notes Payable— Receivables (including unbilled amounts) and inventories aggregating approximately $9,950,000, machinery and equipment of a subsidiary, the Company's investment in shares of Butler and AEL Israel stock (Note 3) and substantially all of the shares of the Company's subsidiaries have been assigned to the bank as collateral for current notes payable.

CARRIER CORPORATION (OCT)

CURRENT LIABILITIES	
Accounts payable	$ 71,216,000
Accrued expenses	35,417,000
Product guarantees, etc.	25,896,000
Notes payable to banks	17,277,000
Accrued taxes on income	6,984,000
Current portion of long-term debt	5,924,000
Dividends payable	3,259,000
Total Current Liabilities	**$165,973,000**

Notes to Consolidated Financial Statements

Note 1 (in part)—Product Guarantees. Current and extended-term product guarantees are established for the estimated future costs that will be incurred under product guarantees and warranties presently in force.

Notes Payable— Notes payable to banks at October 31, 1973, are comprised of foreign bank loans bearing interest at rates varying from 6¾% to 12½%.

As a result of seasonal working capital requirements, the Corporation and CDCC have obtained informal unsecured lines of credit from several domestic banks totaling $20,000,000 with interest at the prime commercial rate. The Corporation and CDCC had average borrowings outstanding during the year of approximately $14,600,000 and reached a maximum of $32,000,000. The weighted average interest rate on these borrowings was approximately 7.5%. While these lines are not subject to any formal agreements, the Corporation has generally maintained average compensating bank ledger balances equivalent to 10% of the lines of credit when not in use and an additional 10% when in use. These balances are not considered by the Corporation to be material in relation to its liquidity position.

SUNDSTRAND CORPORATION (DEC)

CURRENT LIABILITIES	
Notes payable to banks (unsecured)	$30,170,000
Long-term debt due within one year	8,932,000
Accounts payable	20,535,000
Income taxes	3,850,000
Accrued liabilities	23,905,000
Total current liabilities	**$87,392,000**

Financial Summary

Notes Payable to Banks— As of December 31, 1973, Sundstrand had utilized domestic unrestricted short-term bank credit agreements to the extent of $22,150,000 and had available unused short-term commitments of $9,850,000 on which no commitment fees are required. These agreements provide for repayment on a revolving 90-day basis.

The following summarizes domestic short-term bank borrowing activity for the year ended December 31, 1973:

Average amount of short-term borrowings during 1973	$20,300,000
Maximum amount of short-term borrowings at any month end	29,250,000
Average stated interest rate during 1973	7.4%
Average stated interest rate at December 31, 1973	10.0%

Sundstrand has informal commitments to maintain average compensating balances of 15% of the total amounts borrowed and 10% of unused commitments. At December 31, 1973, this average compensating balance requirement amounted to approximately $4,300,000.

In addition, at December 31, 1973, Sundstrand had $8,020,000 of short-term notes payable to banks outside of the United States in various currencies.

MONFORT OF COLORADO, INC. (AUG)

	1973	1972
CURRENT LIABILITIES		
Notes Payable:		
Banks— Note C	$22,500,000	$22,090,000
Others	---	1,000,000
Bankers acceptances payable— Note C	35,000,000	30,000,000
Accounts payable	9,054,164	8,168,935
Employee Compensation	1,950,489	1,212,054
Accrued interest	732,182	53,137
Taxes, other than income taxes	955,326	819,626
Federal and state income taxes	176,313	5,994,624
Current portion of long-term debt	423,090	380,312
Total Current Liabilities	**$70,791,564**	**$69,718,688**

Note C: Notes Payable to Banks and Bankers Acceptances Payable— An unsecured line of credit agreement permits the Company to borrow with certain restrictions, up to $25,000,000 on notes and $35,000,000 on bankers acceptances during the period ending December 31, 1973. Bankers acceptances at September 1, 1973 and September 2, 1972, respectively, totaled $35,000,000 and $30,000,000 while borrowings under notes at each date totaled $20,500,000. The loan agreement contains provisions which, among others, limit the ratio of debt to equity; borrowings to a percentage of cash, substantially all receivables, and market value of inventories; and the incurrence of additional debt. In addition, the Company is prohibited from paying cash dividends and in making certain types of investments without the consent of the lenders.

UNITED FOODS, INC. (FEB)

CURRENT LIABILITIES:	
Notes payable, including current maturities of long-term debt:	
Collateralized by inventories and accounts receivable	$20,418,214
Collateralized by other assets	1,378,603
Unsecured	1,603,012
Accounts payable	3,561,823
Accruals	1,554,547
Income taxes	490,594
Total Current Liabilities	**$29,006,793**

Trade Creditors

AMERICAN GREETINGS CORPORATION (FEB)

CURRENT LIABILITIES	
Trade accounts payable	$ 6,410,000
Payrolls and payroll taxes	3,239,000
Employees' retirement profit-sharing contribution	2,275,000
State and local taxes	2,067,000
Dividends payable	833,000
United States and Canadian income taxes	3,622,000
Current installments of long-term debt	1,929,000
Total Current Liabilities	**$20,375,000**

THE CLEVELAND-CLIFFS IRON COMPANY (DEC)

CURRENT LIABILITIES	
Accounts payable, including $3,753,000 (1972–$2,889,000) to associates	$ 6,640,000
Accrued expenses	1,398,000
Employee compensation	2,871,000
Royalties payable	1,987,000
Income taxes	1,473,000
Note payable to bank	---
Current portion of long-term debt	1,000,000
Other liabilities	2,334,000
Total Current Liabilities	**$17,703,000**

TABLE 2-34: CURRENT LIABILITIES — TRADE CREDITORS

Description	1973	1972	1971	1970
Accounts payable, payables, or trade payables in a separate caption (*39, 108, 742)	389	381	364	369
Accounts payable combined with accrued liabilities or accrued expenses (*152, 233, 251, 642)	187	192	210	212
Other captions (*43, 310, 761)	24	27	26	19
Total Companies	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

TABLE 2-35: CURRENT LIABILITIES — LIABILITIES TO OR FOR EMPLOYEES

Description	1973	1972	1971	1970
Salaries, wages, payrolls, commissions (*87, 577, 767)	194	184	179	181
Withholdings, payroll taxes (*268, 544, 748)	36	39	47	55
Pension or retirement plan contributions (*92, 345, 545)	31	28	25	25
Profit-sharing contributions (*389, 498, 762)	30	27	24	15
Other captions (*302, 522)	42	32	34	43
Total Presentations	**333**	**310**	**309**	**319**
Number of Companies				
Showing liabilities to or for employees	206	202	193	192
No such liabilities	394	398	407	408
Total	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

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.

AMERICAN HOSPITAL SUPPLY CORPORATION (DEC)

	($ thousands)
CURRENT LIABILITIES:	
Notes payable to banks	$ 23,362
Current maturities on long-term obligations	973
Accounts payable	72,600
Commissions, salaries and withholdings	11,112
Retirement and profit-sharing plans	4,961
Taxes other than federal income taxes	4,761
Federal income taxes	4,931
Total current liabilities	**$122,700**

MWA COMPANY (JUN)

CURRENT LIABILITIES	
Current portion of long-term debt	$ 16,500
Accounts payable	459,257
Customer progress payments on work in process	215,570
Employee compensation	174,655
Accrued expenses and other liabilities	111,088
Dividends payable	59,564
Income taxes	437,926
Total Current Liabilities	**$1,474,560**

MARHOEFER PACKING COMPANY, INC. (OCT)

CURRENT LIABILITIES:	
Short-term borrowings	$ 500,000
Current installments on Long-Term debt	390,000
Accounts payable	552,883
Pension plan contribution payable	305,071
Other accrued expenses	603,938
Total Current Liabilities	**$2,351,892**

THE NARDA MICROWAVE CORPORATION (JUN)

CURRENT LIABILITIES:	
Current maturities of long-term debt	$ 124,206
Accounts payable – trade	382,728
Accrued expenses:	
Compensation (Note 7)	278,045
Commissions	209,508
Retirement plan contribution (Note 6)	236,000
Other	105,439
Income taxes	486,153
Total Current Liabilities	**$1,822,079**

Note 6: Retirement Plan – The cost of the plan for the years ended June 30, 1973 and 1972 was $236,000 and $170,152 respectively of which $56,513 and $21,192 respectively were applicable to past services. As of January 1, 1973, the latest valuation date, the unfunded portion of past service costs was approximately $535,000 and the total assets of the Plan exceed the actuarilly computed value of vested benefits.

Note 7: Incentive Compensation Plan – In October, 1972 the stockholders of the Company approved a five year key employee incentive compensation plan. In accordance with the terms of the Plan payment of the incentive compensation may be made in cash and/or shares of the Company's common stock, of which 50,000 shares have been reserved for such issuance. During fiscal 1973, $125,000 was accrued under the Plan with the method of payment to be determined by the Board of Directors.

TABLE 2-36: CURRENT LIABILITIES – INCOME TAX LIABILITY

Description of Income Tax Liability	1973	1972	1971	1970
Income Taxes (*65, 323, 695)	271	239	210	188
Federal income taxes (*157, 296, 764)	56	82	90	104
Federal and state income taxes (10, 206, 740)	44	48	53	51
U.S. and foreign income taxes (*136, 177, 431)	42	40	48	50
Federal and foreign income taxes (*510, 560, 705)	41	54	53	55
Federal, state, and foreign income taxes (*17, 295, 472)	23	21	20	23
Other captions for income taxes (*26, 429, 759)	16	12	16	13
	493	**496**	**490**	**484**
Income taxes and other taxes combined (*106, 207, 382)	22	30	30	23
Taxes – type not specified	40	39	42	49
Other captions	11	6	4	12
Companies showing a caption for tax liability	**566**	**571**	**566**	**568**
No caption for taxes payable	34	29	34	32
Total Companies	**600**	**600**	**600**	**600**
Modifier				
Accrued	110	109	107	109
Estimated	13	20	22	26
Provision	4	5	7	12
Reserve	2	2	4	7
	129	**136**	**140**	**154**
No modifier	437	435	426	414
Total	**566**	**571**	**566**	**568**

*Refer to Company Appendix Section.

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.* Thirty-four companies did not show a current liability caption for income taxes.

THE AMERICAN DISTILLING COMPANY (SEP)

CURRENT LIABILITIES:	
Notes payable to banks	$15,000,000
Accounts payable	1,686,960
Federal excise tax payable	13,068,314
Accrued liabilities	1,070,522
Dividends payable	34,347
Federal income tax	322,720
Long-term debt due within one year	20,000
Total current liabilities	**$31,202,863**

BAKER OIL TOOLS, INC. (SEP)

CURRENT LIABILITIES:	($ Thousands)
Notes payable – banks	$ 1,224
Notes payable – other	1,400
Accounts payable	14,007
Accrued employee compensation	5,424
Income taxes	3,436
Taxes other than income taxes	1,895
Other current liabilities	2,299
Total current liabilities	**$29,685**

BEECH AIRCRAFT CORPORATION (SEP)

CURRENT LIABILITIES	
Notes payable to banks	$12,364,160
Trade accounts payable	15,684,771
Payroll and payroll deductions	6,602,432
Accrued expenses	2,426,932
Customer deposits	4,807,941
Federal and state income taxes	5,931,416
Current portion of long-term debt	194,393
Total current liabilities	**$48,012,045**

THE QUAKER OATS COMPANY (JUN)

	($ thousands)
CURRENT LIABILITIES:	
Notes payable to banks	$ 21,685
Commercial paper	44,208
Current maturities of long-term debt	3,447
Accounts payable and accrued expenses	78,050
Income taxes payable	6,501
Dividends payable	3,823
Current Liabilities	**$157,714**

DRESSER INDUSTRIES, INC. (OCT)

	($ Thousands)
CURRENT LIABILITIES	
Notes payable	$ 38,894
Accounts payable, etc.	55,710
Advances from customers on contracts	7,405
Accrued compensation, taxes, interest, etc.	73,453
Estimated warranty costs	6,812
Federal, state, and foreign income taxes	12,456
Current portion of long-term debt	11,816
Total current liabilities	**$206,546**

McGRAW-HILL, INC. (DEC)

	($ Thousands)
CURRENT LIABILITIES:	
Notes payable	$17,000
Accounts payable	28,058
Accrued royalties	14,109
Other accrued liabilities	22,595
Acrued income taxes:	
Currently payable	20,507
Deferred	8,006
Unearned service contracts	25,715
Total current liabilities	**$135,990**

MORSE ELECTRO PRODUCTS CORP. (MAR)

CURRENT LIABILITIES:	
Notes payable– banks	$ 9,450,000
Current maturities of long-term debt	413,365
Bankers' acceptances payable	11,523,254
Notes and accounts payable	13,698,310
Accrued and other current liabilities:	
Payroll and sales commission	626,844
Taxes other than income taxes	482,724
Interest	408,035
Miscellaneous	378,448
Federal and local income taxes	7,311,147
Total current liabilities	**$44,292,127**

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 1973 annual reports of the survey companies.

TABLE 2-37: CURRENT AMOUNT OF LONG-TERM DEBT

Description	1973	1972	1971	1970
Current maturities of long-term debt (*41, 134, 293)	159	144	133	125
Current portion of long-term debt (*213, 635, 750)	138	132	129	123
Long-term debt due or payable within one year(*6, 225,329)	89	87	88	96
Current installment of long-term debt (*62, 116, 525)	59	59	60	63
Type of long-term debt– e.g. Bonds Payable, Notes Payable, etc. (*160, 292, 713)	10	21	29	42
Caption combining maturing portion with other amounts (*139, 484, 697)	55	71	68	67
Total Presentations	**510**	**514**	**507**	**516**
Number of Companies				
Showing current amount of long-term debt separately	455	447	434	438
Showing current amount of long-term combined with other amounts	55	71	68	67
No current amount shown	90	82	98	95
Total	**600**	**600**	**600**	**600**

BASIC INCORPORATED (DEC)

CURRENT LIABILITIES	
Notes payable	
Accounts payable	$4,859,826
Dividends payable	188,794
Accrued payroll	1,047,807
Accrued property taxes	475,662
Income taxes	232,172
Current portion of long-term debt	1,359,000
	$8,163,261

CSC, INC. (MAY)

CURRENT LIABILITIES:	
Note payable—bank	$100,000
Current installments of long-term liabilities	42,299
Accounts payable	309,175
Amounts due on construction in progress	88,090
Accrued liabilities—	
Wages, salaries and commissions	49,172
Payroll and property taxes	35,360
Other	4,236
Federal and state income taxes	88,274
Total current liabilities	**$716,606**

GENERAL AMERICAN TRANSPORTATION CORPORATION (DEC)

	($ thousands)
CURRENT LIABILITIES:	
Notes payable to banks and commercial paper	$ 21,200
Accounts payable	49,736
Due capital construction fund	9,271
Accrued interest and taxes other than income taxes	10,168
Income taxes	1,006
Notes and bonds due within one year	20,650
Total current liabilities	**$112,031**

JOY MANUFACTURING COMPANY (SEP)

CURRENT LIABILITIES:	
Notes payable	$ 3,232,000
Long-term debt payable within one year	2,138,000
Accounts payable	24,371,000
Salaries, wages and commissions	5,747,000
Dividend payable	1,817,000
Income taxes	7,007,000
Other current liabilities	12,732,000
Total Current Liabilities	**$57,044,000**

PETTIBONE CORPORATION (MAR)

CURRENT LIABILITIES:	
Notes payable to banks—unsecured	$ 3,937,872
Current maturities	
Long-term debt	3,049,985
Lease obligation	20,000
Accounts payable	18,756,443
Income taxes	971,243
Accrued liabilities	
Salaries, wages and other compensation	1,923,775
Property, payroll and other taxes	1,429,342
Other	834,433
Total current liabilities	**$30,923,093**

REYNOLDS METALS COMPANY (DEC)

CURRENT LIABILITIES:	
Accounts payable	$ 90,752,000
Accrued compensation and other expenses	60,292,000
Taxes on income	10,949,000
Long-term debt maturing within one year—per schedule	48,746,000
Notes payable by subsidiaries	35,133,000
Dividends payable	847,000
Payables to unconsolidated subsidiaries and associated companies	3,682,000
Total Current Liabilities	**$250,401,000**

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 371 such presentations.

TABLE 2-38: OTHER CURRENT LIABILITIES

Nature	1973	1972	1971	1970
Taxes not combined with Federal income taxes	112	129	110	106
Dividends payable	102	104	110	119
Deferred taxes	57	63	46	48
Interest	38	38	38	31
Customer advances, deposits	25	28	34	26
Guarantees, warranties, service contract obligations	17	16	17	18
Due to affiliated companies	17	15	12	9
Estimated costs relating to discontinued operations	12	14	N/C	N/C
Billings on uncompleted contracts	11	13	5	9
Other—Described	54	46	50	70
Total Presentations	**445**	**466**	**422**	**436**

N/C—Not Compiled.

BIRD & SON, INC. (DEC)

CURRENT LIABILITIES:	
Accounts payable and accrued expenses	$ 7,465,000
Advance payments on sales contracts— Note 1	3,932,000
Long-term liabilities, portion due within one year	83,000
Pension contribution payable	1,707,000
Federal income taxes	892,000
Dividend payable	546,000
Total current liabilities	**$14,625,000**

Note 1 (in part): Advance Payments on Sales Contracts— Bird Machine Company, Inc. manufactures equipment for certain customers under sales contracts which require cash advances. Recognition of income on these advances is deferred until shipments are made to customers.

COLGATE-PALMOLIVE COMPANY (DEC)

	($ thousands)
CURRENT LIABILITIES	
Notes and loans payable to banks	$ 58,382
Current portion of long-term debt	5,964
Accounts payable	116,362
Accrued payrolls, commissions and bonuses	17,638
Dividends payable	9,180
Accrued advertising	37,720
Accrued income taxes	61,572
Other accrued taxes	17,040
Other accruals	54,967
Total current liabilities	**$378,825**

THE DUPLAN CORPORATION (SEP)

CURRENT LIABILITIES:	
Notes payable to banks	$ 2,500,000
Current maturities on long-term debt	3,213,697
Accounts payable and accrued expenses	16,925,341
Accrued income taxes	2,724,560
Redemption of preferred stock (Note 6)	1,125,000
Total Current Liabilities	**$26,488,598**

Note 6 (in part): Capital Stock— The Board of Directors has designated 22,500 shares of its authorized preferred stock as voting, preferred stock $4 convertible, Series A. The Series A stock is convertible into common stock of the Corporation at $40.80 per share based on $100 redemption value of preferred stock. In this connection, 27,573 shares of common stock are reserved for issuance upon conversion. On November 1, 1973 11,250 shares of Series A stock with a redemption price of $1,125,000 were redeemed and have been shown at September 30, 1973 as a current liability with a corresponding reduction in stockholders' equity. The Corporation is to redeem the remaining 11,250 shares of Series A stock on November 1, 1974 at a redemption price of $100 per share.

GULF OIL CORPORATION (DEC)

	($ millions)
CURRENT LIABILITIES:	
Notes payable and current long-term debt	$ 119
Accounts payable	752
Consumer sales and excise taxes payable	118
Lease bonus payable to U.S. Government	139
Accrued rents and royalties	100
Accrued United States and foreign income taxes	601
Other current liabilities	575
Total Current Liabilities	**$2,404**

HARRIS-INTERTYPE CORPORATION (JUN)

CURRENT LIABILITIES:	
Notes payable to banks (principally by international subsidiaries)	$ 11,777,119
Trade accounts payable	35,962,463
Compensation and other accrued items	34,834,420
Advance payments by customers	11,413,813
Income taxes	29,854,789
Current portion of long-term debt	1,273,193
Total Current Liabilities	**$125,115,797**

INTERPHOTO CORPORATION (FEB)

	1973	1972
CURRENT LIABILITIES:		
Notes and acceptances payable to banks	$18,035,774	$17,511,667
Current portion of long-term debt	902,184	557,567
Accounts payable	6,032,057	4,903,160
Due to (from) affiliated company (Note 3)	154,513	(51,869)
Accrued expenses	2,108,436	1,536,811
Taxes payable on income	217,632	283,424
Total Current Liabilities	**$27,450,596**	**$24,740,760**

Note 3: Transactions with Affiliated Company— As of February 28, 1973, 50.6% of the outstanding common stock of the Company was owned by Argus Incorporated. On March 7, 1973 a proposal was made to Interphoto's Board of Directors to consider a merger by an exchange of stock whereby each shareholder of Interphoto would receive five shares of Argus common stock for each Interphoto share. If such an exchange were consummated, Interphoto would become a wholly-owned subsidiary of Argus.

During the two years ended February 28, 1973, the Company purchased merchandise from Argus of approximately $7,240,000 in 1973, and $4,184,000 in 1972. The Company sold merchandise to Argus of approximately $831,000 in 1973 and $480,000 in 1972. As of February 28, 1973, the Company had a net payable of $154,513 to Argus with respect to such purchases and sales.

A. C. NIELSEN (AUG)

	($ thousands)
CURRENT LIABILITIES:	
Accounts and drafts payable	$8,717
Accrued retirement and profit sharing expense	4,826
United States and foreign income taxes	3,576
Other accrued expenses	5,584
Loans payable to banks	1,853
Current liabilities before deferred revenue	**24,556**
Deferred revenue on uncompleted contracts (Note 1)	12,761
Total current liabilities and deferred revenue	**$37,317**

Note 1 (in part): Contract Revenue— Many contracts for Retail Index and Media Research services are billed before the required services have been completed. These billings are deferred from revenue and recognized in income as costs to complete are incurred. Since services related to advance billings are performed shortly after the billings are rendered, deferred revenue has been classified as current at August 31, 1973 and deferred revenue at August 31, 1972 has been reclassified as current. Revenue from other services is recorded in income when billed.

OXFORD INDUSTRIES, INC. (MAY)

CURRENT LIABILITIES:	
Notes payable— banks	$ 5,500,000
Trade accounts payable	17,199,843
Other accrued expenses	8,394,177
Income taxes	3,540,685
Unearned income on service contracts (Note A)	3,806,548
Current maturities of long-term debt	2,648,183
Total Current Liabilities	**$41,089,436**

Note A (in part): Summary of Significant Accounting Policies: Unearned Income on Service Contracts— Unearned income on service contracts is amortized by the straight-line method over the life of the related contract.

THE SPERRY AND HUTCHINSON COMPANY (DEC)

	($ thousands)
CURRENT LIABILITIES:	
Short-term notes due to banks and current portion of long-term debt	$ 33,923
Accounts payable and accrued liabilities	76,608
Federal, state and local taxes	6,409
Dividends payable	2,722
Liability for stamp redemptions	258,614
Total Current Liabilities	**$378,276**

Notes to Consolidated Financial Statements

Note 1 (in part): Liability for Stamp Redemptions— The Company records stamp service revenue and provides for cost of redemptions at the time stamps are furnished to licensees. The provision for redemptions consists of estimates, based upon current operating experience, of the cost of merchandise and the related redemption service expenses required to redeem 95% of the stamps issued. This liability is classified wholly as a current liability although some portion of the stamps provided for may not be presented for redemption within one year.

Since redemption service expenses are deducted for Federal income tax purposes as actually incurred, the future tax benefit attributable to the difference between the provision for redemption service expenses and the actual expense incurred in each period has been recognized in the financial statements.

UNITED MERCHANTS AND MANUFACTURERS, INC. (JUN)

CURRENT LIABILITIES:	
Notes and advances payable— banks and bankers	$208,897,000
Current installments of long term debt	10,493,000
Credit balances of factored clients	127,081,000
Trade payables, accrued expenses and other liabilities	101,243,000
Federal and foreign income taxes payable	5,921,000
Total Current Liabilities	**$453,635,000**

UTAH-IDAHO SUGAR COMPANY (FEB)

CURRENT LIABILITIES:	
Notes payable	$20,528,500
Accounts payable and accrued expenses	12,483,556
Excise tax payable on sugar as sold	3,069,364
Federal and state income taxes	173,333
Estimated remaining payment for beets	10,100,327
Current portion of long-term debt	17,514
Total Current Liabilities	**$46,372,594**

WINNEBAGO INDUSTRIES, INC. (FEB)

CURRENT LIABILITIES:	
Notes payable, banks, 6% (Note 3)	$11,000,000
Accounts payable, trade	17,489,930
Accrued expenses:	
Payroll	547,083
Property and payroll taxes	922,425
Vacation, profit-sharing and other expenses	1,318,380
Income taxes payable	3,492,800
Judgment payable (Note 5)	4,000,000
Total current liabilities	**$38,770,618**

Note 3: Notes Payable— The Company and its wholly-owned finance subsidiary, Winnebago Acceptance Corporation, were granted a combined $45,000,000 line of credit during February 1973. The borrowings will be unsecured and at the prime rate of the lending bank. The Company and the subsidiary have agreed to maintain compensating balances equal to an annual average of 15% of the commitment. To the extent that compensating balances are maintained by the Company, the effective interest rate is increased. At February 24, 1973, loans to the Company of $11,000,000, and loans to the finance subsidiary of $11,000,000, were outstanding against the line of credit.

The Company has guaranteed the direct borrowings of Winnebago Acceptance Corporation up to a maximum of $30,000,000.

Note 5 (in part): Contingent Liabilities and Commitments— See Item 5. Pending Legal Proceedings for information regarding litigation.

Item 5 (in part): Pending Legal Proceedings— In August, 1970 an action was filed in the United States District Court for the Northern District of Iowa by Life-Time Industries, Inc., a former dealer and distributor of Winnebago products naming Winnebago and certain of its officers and directors as defendants requesting damages in an amount, as subsequently increased by an amendment, of $445.6 million, on each of five alternative theories. In essence the complaint alleged that Winnebago (1) fraudulently induced the plaintiff to enter into a contract for Winnebago to manufacture motor homes for distribution by the plaintiff, (2) interfered with the plaintiff's property rights and trade secrets under said contract, and (3) breached said contract both as written and as modified by various oral representations, all for the purpose of obtaining profit and economic gain at the expense of the plaintiff.

On November 8, 1972 the plaintiff's claims of fraud and tortious interference were dismissed on the merits as to Winnebago in accordance with the findings of the jury. Damages in the amount of $4,000,000 were awarded against Winnebago for breach of contract and damages in the amount of $400,000 each were awarded against two officers of the Company for tortious interference with business relationships and expectancies. The jury failed to reach a verdict on the trade secret count and a mistrial was declared as to that.

The Company intends to appeal the judgment and its bond and support of such appeal has been approved by the Court. Counsel for the Company have filed a variety of post-trial motions challenging the judgments which are now pending decision.

Should the Court deny the Company's motion for judgment for the defendant on the trade secret count, the count can be expected to be retried. Counsel for the Company have advised that in their opinion there is no legal merit to the plaintiff's claim on this count, and that the evidence introduced in the first trial did not establish either the existence or misappropriation of a trade secret; however, such counsel have advised that it should be noted that the jury was unable to reach a decision on these matters.

LONG-TERM DEBT

Types of long-term debt appearing in the 1973 balance sheets of the survey companies are analyzed in Table 2-39. In addition to the information shown in the table, 155 companies have long-term debt payable in foreign currency, 81 companies have long-term debt which is callable at the option of the company, and 11 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.

TABLE 2-39 LONG-TERM DEBT

Unsecured (Not Convertible)	**1973**	**1972**	**1971**	**1970**
Notes (*64,106,300,746)	467	448	468	466
Debentures (*124,213,394,504)	290	274	287	262
Loans (*52,220,511,709)	103	107	95	88
Other- Described (*273,304,554)	76	72	72	66
Other- Not Described	230	214	222	177
Total Presentations	**1166**	**1115**	**1144**	**1059**
Collateralized (Not Convertible)				
Mortgages and other debt collateralized by real estate (*34,305,352,621)	205	228	214	215
Capitalized leases (*60, 131, 566, 753)	165	156	141	141
Notes or loans (*8,222,628,741)	74	83	75	79
Other- Described (*91,239,470)	90	69	59	68
Total Presentations	**534**	**536**	**489**	**503**
Convertible				
Debentures (*6,311,420,720)	190	210	197	187
Notes (*5,157,276,428)	32	41	40	39
Other–Described (*36,258,385)	13	16	12	13
Total Presentations	**235**	**267**	**249**	**239**
Number of Companies Presenting				
Unsecured and collateralized	200	196	189	184
Unsecured only	138	131	141	150
Unsecured, collateralized, and convertible	134	138	129	121
Unsecured and convertible	73	81	86	85
Other combinations	26	29	29	30
No Long-term debt	29	25	26	30
Total	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

Several examples of the disclosure of imputed interest are included with the following examples of disclosures of long-term debt classifications.

AEROSOL TECHNIQUES, INCORPORATED (SEP)

	1973	**1972**
Long-term debt, less current portion shown above—Notes E and G	$5,271,578	$4,397,880

Note E: Long-Term Debt— At September 29, 1973 and September 30, 1972 long-term debt consists of the following:

	1973	1972
Collateralized notes payable to an insurance company, payable in equal quarterly installments of $66,201, inclusive of interest of 5½% or 5⅝% per annum, collateralized by mortgages on properties and assignment of leases thereof and rentals payable thereunder	$2,929,044	$3,026,301
Note payable—bank, pursuant to term loan agreement (a)	1,400,000	---
Liability in connection with a merger in 1971, payable $80,000 in January, 1974 with interest at the rate of 8% per annum and $200,000 in July 1974 and July 1975 with interest at the rate of 6% per annum	480,000	600,000
Note payable—supplier (b)	400,000	400,000
Mortgage payable maturing July, 1985 payable in monthly installments of $2,778 with interest at the rate of 2% above the prime interest rate charged by a bank, collateralized by property having a carrying value of approximately $473,000 at September 29, 1973	394,444	427,778
Mortgage payable maturing July, 1978 payable in monthly installments of $1,110 with interest at the rate of 6% per annum, collateralized by land and building at the Oxzyn facility	55,768	85,144
Liability payable to a supplier in three equal semi-annual installments commencing July 1, 1974	150,000	150,000
Other	275,403	215,324
	6,084,659	**4,904,547**
Less: Current portion	813,081	506,667
	$5,271,578	**$4,397,880**

(a) On January 5, 1973 the Company entered into a term loan agreement with a bank pursuant to which said bank loaned the Company $1,500,000 repayable in twenty quarterly installments ranging from $50,000 to $100,000 commencing April 1, 1973 with interest at the rate of 2% above the bank's prime interest rate. The agreement provides, among other things, that the Company maintain a minimum i) working capital of $4,200,000; ii) working capital ratio of 140%; iii) tangible net worth, as defined, of $7,920,000 and iv) ratio of total liabilities to tangible net worth, as defined, of 2.5 to 1. In addition, the agreement contains certain restrictions on long-term leasing, the acquisition of fixed assets, the incurring of certain indebtedness, the paying of cash dividends and the acquisition of the Company's Common Stock, except Common Stock issued under the Company's stock option plans.

As at September 29, 1973 there existed events of default fault with respect to certain of the above-mentioned requirements. Subsequent to the date of the balance sheet, the bank waived all defaults through the period ended March 31, 1974.

(b) On March 31, 1971 the Company entered into an agreement with a supplier pursuant to which the supplier loaned the Company $400,000. The agreement also provides for additional loans of $230,000 (for relocation) and, subject to the conditions set forth below, $600,000 on or about April 1, 1975. Interest on the loans will be computed at a rate of 1% in excess of the prime rate as from time to time in force and the loans will mature not later than April 1, 1976. The agreement also provides that:

(1) the obligation of the supplier to make the additional loan in 1975 is contingent upon i) the absence of an adverse change in the financial condition of either the Company or the supplier prior to the date on which the additional loan will be made, and ii) the making by the Company of purchases in specified amounts from the supplier; and

(2) the maturity date of the loan will accelerate in the event that purchases by the Company from the supplier are less than specified amounts during the term of the loan and also in certain other events.

The minimum aggregate maturities of long-term debt for each of the fifty-two or fifty-three week periods subsequent to September 19, 1973 are as follows:

September 28, 1974	$813,081
September 27, 1975	798,603
September 25, 1976	937,138
September 24, 1977	582,830
September 30, 1978	372,566

AIRCO, INC. (DEC)

LONG-TERM DEBT	
Industrial Revenue Bonds, 5¾%, due 1984-93	$ 6,600,000
Convertible Subordinated Debentures, 3⅞%, due 1977-87	31,762,000
Sinking Fund Debentures, 6½%, due 1987	2,259,000
Domestic Bank Notes, 10% Currently, due 1976-79	45,000,000
Foreign Bank Notes, 6 3/16-12% Currently, due 1975-88	13,074,000
Promissory Notes, 4.85-7¾% Currently, due 1975-88	62,480,000
Other Debt (principally mortgages)	5,955,000
Total Long-Term Debt	**$167,130,000**

Financial Review

Long-Term Debt— Following are the amounts payable annually during the five-year period ending December 31, 1978. Included in the 1977 and 1978 amounts payable are sinking fund deposits on the 3⅞% convertible subordinated debentures:

1974	$ 5,836,000
1975	5,977,000
1976	27,717,000
1977	18,941,000
1978	18,944,000

Subject to certain limitations and payments of premiums, prepayments on all long-term debt may be made. Of the total long-term debt of $167,130,000 at December 31, 1973, $4,356,000 was repayable in foreign currency.

Under a 1972 agreement, domestic banks are committed to lend $50,000,000 to Airco through July 31, 1975, of which $45,000,000 had been borrowed and was outstanding at December 31, 1973. Repayment of these notes is required to be made in equal semi-annual installments over a four-year period beginning on January 31, 1976. The notes bore interest at the best rate established, from time to time, by The Chase Manhattan Bank (National Association), one of the participating banks, until July 31, 1973 at which time the interest rate was increased to ¼% above that rate until July 31, 1975, and ½% above that rate, thereafter.

In connection with this agreement, Airco, under oral, informal arrangements, which do not restrict the withdrawal or use of funds, is expected to maintain and has substantially maintained during 1973 a compensating balance of 20% of the average bank loans outstanding. Such depository amounts are determined from the bank's ledger records adjusted for estimated uncollected funds. Average compensating balances maintained during 1973 under these arrangements amounted to $10,000,000. Such arrangements are not required under any other long-term debt financing.

The average balance on Airco's books during 1973 related to compensating balance arrangements for both short-term borrowings and long-term debt was approximately $9,000,000. This balance differs from the banks' records due to delays in the presentment of checks and deposits in transit.

The instruments relating to long-term debt contain provisions which limit the amount that may be expended for the payments of cash dividends and the purchase, redemption, or retirement of Airco's capital stock. As of December 31, 1973, under the most restrictive of these provisions, the amount of retained earnings unrestricted for such purposes was approximately $32,800,000.

ALPHA PORTLAND INDUSTRIES, INC. (DEC)

	1973	1972
	($ Thousands)	
Long-term debt	$32,913	$32,498

Additional Financial Information

	1973	1972
Long-term debt (exclusive of current portion):		
6% notes payable in annual installments 1975 through 1982	$26,750	$26,750
6¾% (effective rate 7%) Industrial Revenue Bonds (City of Birmingham) payable in annual installments through 1982, unamortized discount of $23 in 1973 and $27 in 1972	1,587	1,748
6¼% (effective rate 6⅜%) Industrial Revenue Bonds (City of Birmingham) payable in annual installments through 1988, unamortized discount of $14 in 1973	926	
5½% Industrial Revenue Bonds (Onondaga County) payable in annual installments through 1980	600	700
Notes at ¾% over prime (10% at December 31, 1973) payable in quarterly installments through 1977	3,000	3,200
4¼% obligation payable in annual installments through 1975	50	100
Total	**$32,913**	**$32,498**
Amounts maturing within five years:		
First year	$1,355	$2,035
Second year	4,568	1,115
Third year	4,533	4,325
Fourth year	4,548	4,285
Fifth year	3,563	4,298

ARCHER DANIELS MIDLAND COMPANY (JUN)

	1973	1972
Long-term debt—Note 5	$78,947,783	$79,106,431
Long-term lease obligations capitalized—Note 5	7,530,000	8,185,000

Note 5: Long-term Liabilities

	1973	1972
Long-term debt consists of:		
4⅞% Promissory Notes	$20,000,000	$21,000,000
Promissory Note, payable to bank	25,000,000	25,000,000
Term Loans, payable to banks	25,000,000	25,000,000
Present value at 12% interest rate of future payments for acquisition of assets, payable in varying amounts from 1974 through May 1, 1980	7,329,518	7,329,518
Debentures of subsidiary, 7½%, payable March 31, 1986	862,373	872,965
Other	1,945,240	1,580,169
	80,137,131	**80,782,652**
Less current maturities	1,189,348	1,676,221
	$78,947,783	**$79,106,431**

The 4⅞% Promissory Notes require principal payments of $1,000,000 annually through March 1, 1978 and of $1,500,000 annually on March 1, 1979 through March 1,

1988. Among other convenants, the terms of the note agreement as amended August 1, 1971, limit the amount available for payment of cash dividends and redemption of the Company's capital stock. The Company is in compliance with all the covenants and at June 30, 1973 reinvested earnings of $39,164,447 were not restricted under the covenant limiting the payment of cash dividends.

Interest on the Promissory Note payable April 13, 1979 is at the lesser of 7¾% or 1⅛% over the prime rate (7¾% at June 30, 1973).

Term Loans are payable $5,000,000 in each of the years 1975 and 1976 and $15,000,000 in 1977. Interest is at the lender's prime rate (7¾% at June 30, 1973) for the first two years, ¼% over such prime rate for the third year and thereafter ½% over such prime rate.

Restrictive covenants of the Promissory Note due April 13, 1979 and of the Term Loans are generally the same as those for the 4⅞% Promissory Notes.

Long-term lease obligations capitalized:

Long-term lease payments to retire serial bonds with interest rates ranging from 4.25% to 5.5% are required in varying amounts through 1983. The current portion of this liability ($655,000 at June 30, 1973 and $625,000 at June 30, 1972) is included in accounts payable.

The aggregate maturities of long-term debt and long-term lease obligations capitalized for the five years after June 30, 1973 are $1,844,000, $7,147,000, $7,331,000, $17,395,000 and $2,425,000.

THE BLACK AND DECKER MANUFACTURING COMPANY (SEP)

	1973	1972
	($ thousands)	
Long-term debt—less current maturities ...	$36,062	$17,485

Notes to Financial Statements

Note E: Long-Term Debt— Long-term debt is summarized as follows:

	Sep. 30, 1973	Sep. 24, 1972
	($ thousands)	
The Black and Decker Manufacturing Company:		
4.75% Note payable due 1991, payable $360,000 annually plus interest semi-annually	$ 6,560	$ 6,921
Euro-dollar revolving credit	7,100	7,100
4% Convertible Subordinated Debentures	1,958	2,748
McCulloch Corporation:		
Notes payable to bank—as of November 1, 1973 represented by a promissory note with interest at ½% over prime, principal due December 31, 1974.	11,500	
Trust Deed Note payable—interest payable monthly at 3½% above prime (not in excess of 10%), principal due August 20, 1976	5,000	
Other indebtedness	2,770	
Other subsidiaries notes payable	1,174	716
	$36,062	**$17,485**

Principal payments due within the next five fiscal years are as follows: 1974—$1,609,000; 1975—$13,068,000; 1976—$12,831,000; 1977—$464,000; 1978—$492,000.

The Company has entered into a revolving credit agreement with a bank providing for a $10,000,000 Euro-dollar loan commitment through September 14, 1976. As of September 30, 1973, $7,100,000 has been taken down under this agreement with the unused portion subject to a commitment fee.

The Debentures are convertible into the Company's Common Stock at a current price of $31.11 per share and redeemable at the option of the Company. At September 30, 1973 there were 62,941 shares of Common Stock (88,348 at September 24, 1972) reserved for such conversion.

Loan agreements impose certain restrictions relating to funded debt, investments in subsidiaries, creation of liens on or sale of properties and payment of dividends. The balance of retained earnings at September 30, 1973 was not restricted as to payment of dividends. McCulloch Corporation property, plant and equipment carried at $9,146,000 is subject to lien.

KENNECOTT COPPER CORPORATION (DEC)

	1973	1972
Long-term debt (Note 6)	$220,831,578	$269,006,954

Note 6: Long-term Debt at December 31, 1973:

NOTES PAYABLE WITHOUT COLLATERAL:	
5¾%, payable $1,152,000 semi-annually to July, 1978	$10,415,985
¾ of 1% above prime bank rate, payable 1974 and 1975	8,000,000
Other notes with various interest rates and maturities	1,875,013
	20,290,998
NOTES PAYABLE WITH COLLATERAL (a):	
5%, payable quarterly to January, 1987	3,269,814
4¾%, payable in various instalments to January, 1987	3,167,289
Other notes with various interest rates and maturities	2,468,569
	8,905,672
7⅞% DEBENTURES, DUE MAY 1, 2001 (b)	**200,000,000**
LONDON LOAN FACILITY, EXPIRES OCTOBER, 1974 (c)	12,500,000
Total long-term debt	**241,696,670**
Less, Amounts due within one year	20,865,092
	$220,831,578

(a) Collateralized by property and equipment of certain subsidiaries.

(b) The Company is required to make sinking fund payments beginning in 1982 sufficient to redeem $10,000,000 principal amount of debentures per year.

(c) On October 28, 1969, Kennecott entered into a five-year credit agreement with a group of foreign banking institutions under which the Company may borrow up to a maximum of $125,000,000 at a rate of interest equal to 1¼% above the rate at which six months U.S. dollars are offered to prime banks in the London Interbank Market. Commitment fees are payable at the rate of ½% per annum on the unused portion of the commitment. The notes mature six months from the date of issue and may be renewed at Kennecott's option.

The long-term debt is payable as follows:

1974	$ 20,865,092
1975	6,854,997
1976	2,789,618
1977	2,795,558
1978	1,699,023
1979-2001	206,692,382
	$241,696,670

NATIONAL DISTILLERS AND CHEMICAL CORPORATION (DEC)

	1973	1972
Long-term debt payable after one year (Note 7)	$263,474,000	$267,604,000

Note 7: Long-Term Debt

	1973	1972
Convertible subordinated debentures 4½% due 1978-1992	$ 60,052,000	$ 60,053,000
Sinking fund debentures 5% due 1974-1983	25,030,000	28,228,000
Promissory notes 5⅝% due 1974-1986	46,500,000	47,250,000
Promissory notes 4⅜% due 1974-1977	4,100,000	5,400,000
Promissory notes due 1975-1978, at prime rate plus ¼% through 1974 and prime rate plus ½%, 1975-1978	60,000,000	60,000,000
Promissory note 5% due 1974-1985	29,050,000	31,350,000
Promissory notes due 1974 at prime rate plus ½% (minimum; 5½%; maximum; 6½%)	1,500,000	3,000,000
Foreign subsidiary loans due 1974-1982, average rate 8¼%	39,879,000	38,321,000
Loan from customer to finance plant expansion due 1978-1983 net of discount of $4,030,000 imputed at 9½%	4,670,000	---
Other	3,680,000	3,582,000
	274,461,000	**277,184,000**
Long-term debt payable within one year	10,987,000	9,580,000
Long-term debt payable after one year	**$263,474,000**	**$267,604,000**

The December 31, 1973 amounts in the above summary have been reduced by $5,760,000 principal amount of certain issues reacquired by the Company which will be used to satisfy future sinking fund requirements. The payments to be made on long-term debt during each of the years 1975-1978 are $24,126,000, $25,010,000, $27,964,000 and $32,043,000, respectively.

At December 31, 1973, the 4½% debentures were convertible into 2,400,152 shares of common stock at a conversion price of $25.02 per share.

PHELPS DODGE CORPORATION (DEC)

	1973	1972
Long-term debt (Schedule C, page 26)	$281,868,000	$181,267,000

***Schedule C-Long-Term Debt* (due after one year)**

	1973	1972
7½% Eurodollar Notes due 1977	$25,000,000	$25,000,000
7⅜% Notes due 1978	50,000,000	50,000,000
8.10% Sinking Fund Debentures due 1982-1996	100,000,000	100,000,000
Pollution Control Obligations:		
4⅜% Bond due 1980	28,000,000	---
7% Loan due 1975-1987	9,557,000	---
Series A Note:		
5.60% due 1983	1,000,000	---
6% due 1993	9,000,000	---
6¼% due 2003	50,000,000	---
Other—owed by subsidiaries	9,311,000	6,267,000
	$281,868,000	**$181,267,000**

Notes to Consolidated Financial Statements

Long-Term Debt— To finance air pollution control facilities at the Ajo smelter, the Corporation borrowed $26,574,000 in August 1973 and $1,426,000 in December 1973 from The Industrial Development Authority of the County of Pima, Arizona, to which it issued its $28,000,000 4⅜% Term Bond due December 31, 1980.

In September 1973, to finance air pollution control facilities at the Morenci smelter, the Corporation borrowed $60,000,000 from The Industrial Development Authority of the County of Greenlee, Arizona, to which it issued its $60,000,000 Series A Pollution Control Note. This Note has the following maturities bearing interest at the following rates per annum: $1,000,000 at 5.60% due September 1, 1983; $9,000,000 at 6% due September 1, 1993; and $50,000,000 at 6¼% due September 1, 2003. The maturities falling due on September 1, 1993 and 2003 are subject to mandatory redemption in accordance with sinking fund provisions beginning September 1, 1987 and September 1, 1994, respectively.

Also in September 1973 the Corporation borrowed $10,000,000 from a customer to finance in part improvements and repairs at the Douglas smelter. This loan bears interest at 7% per annum and is due September 4, 1987, with annual repayments beginning in 1974. The repayment due in 1974 is included in current liabilities.

The $50,000,000 7⅜% Notes due 1978 and the $100,000,000 8.10% Debentures due 1996 sold by the Corporation in 1971 may be redeemed at par beginning June 15, 1977 and June 15, 1991, respectively. Annual sinking fund payments of $6,650,000 are required from 1982 to 1995 for mandatory redemption of the Debentures.

The $25,000,000 7½% Eurodollar Notes due May 15, 1977 were issued in 1972 by a subsidiary, and are guaranteed by the Corporation.

Amounts maturing during the next five years on long-term debt outstanding at December 31, 1973 are as follows: 1974—$3,133,000; 1975—$1,463,000; 1976—$1,474,000; 1977—$26,510,000; 1978—$51,477,000.

ROHM AND HAAS COMPANY (DEC)

	1973	1972
Long-term debt (Note 5)	$162,743,000	$109,027,000

Note 5: Notes Payable and Long-Term Debt

	1973	1972
NOTES PAYABLE:		
Commercial notes payable	$ 3,000,000	$ 4,500,000
Notes payable to banks and others (including current installments of long-term debt)	49,314,000	41,958,000
	$ 52,314,000	**$ 46,458,000**
LONG-TERM DEBT, EXCLUDING CURRENT INSTALLMENTS:		
Borrowing under revolving credit agreement due 1980 (interest at prime rate plus ¾%: December 31, 1973, 10½%; December 31, 1972, 6½%)	$ 70,000,000	$ 43,000,000
8% note payable to foreign corporation under parallel loan agreement, due 1979	14,516,000	15,000,000
Notes payable to banks due 1975 through 1977 (interest rates December 31, 1973, 7⅝% to 15⅝%; December 31, 1972, 5⅞% to 8%)	46,117,000	10,113,000
Obligations of Haas Overseas Capital N.V. at December 31, 1972, assumed by the company during 1973:		
8% Notes due 1978	10,000,000	10,000,000
8¾% Debentures due 1986	14,500,000	15,000,000
8½% Swiss Franc Notes due 1975	---	10,417,000
Capitalized lease obligation of a foreign subsidiary, payable annually through 1996 (imputed interest rate 8½%)	3,732,000	3,334,000
Other	4,264,000	2,835,000
	163,129,000	**109,699,000**
Less unamortized discount	386,000	672,000
	$162,743,000	**$109,027,000**

In December 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. The agreement carries an interest cost of ¾% over the prime rate and includes a commitment fee of ½% on the unused amount. At December 31, 1973, and December 31, 1972, loans of $70,000,000 and $43,000,000, respectively, were outstanding. In addition, a bank credit agreement entitles the company to borrow Euro-currencies up to $10,000,000 at any time prior to June 30, 1974, and declining amounts thereafter through 1975 with an option to extend beyond this date.

In January 1974, the company arranged a $54,000,000 loan from a group of institutional investors for a period of 25 years at an interest rate of 8% per annum. Mandatory annual prepayments of $2,700,000 begin in 1980.

The above loan agreements contain certain restrictions with respect to tangible net worth, maintenance of working capital, payment of dividends and the repurchase of the company's stock. Cash dividends are restricted to all earnings subsequent to December 31, 1973, plus $29,000,000.

On June 6, 1973, Haas Overseas Capital N.V., a wholly-owned subsidiary of the company was liquidated. Pursuant to this transaction, the company assumed directly the obligations for $10,000,000 principal amount of 8% Notes due 1978 and $15,000,000 principal amount of 8¾% Debentures due 1986, all of which were previously guaranteed by the company. The Debentures are subject to mandatory annual sinking fund payments of $500,000 in the years 1974 through 1977; $1,000,000 thereafter through 1981; and $1,500,000 thereafter through 1985. The 8½% Swiss Franc Notes due 1975, which were valued at $10,417,000 at December 31, 1972, were redeemed in June 1973.

The total amounts of long-term debt maturing in the next five years are as follows:

Year Ended	Amount
December 31, 1974	$ 5,307,000
December 31, 1975	23,052,000
December 31, 1976	12,354,000
December 31, 1977	16,244,000
December 31, 1978	11,011,000

ST. JOE MINERALS CORPORATION (DEC)

	1973	
Long-Term Debt (Note 7)	$44,183,000	$34,676,000

Note 7: Long-Term Debt— Long-Term debt at December 31, 1973 and 1972 was as follows:

	1973	1972
4½% Notes payable to Bethlehem Steel Corporation, due March 31, 1984 (a)	$ 9,667,000	$10,667,000
Notes payable to banks, at prime rate (9¾% at December 31, 1973) (b)	20,000,000	20,000,000
Liability with respect to pollution control revenue bonds (c)	14,916,000	5,009,000
Other	600,000	---
Total	**45,183,000**	**35,676,000**
Less current portion— 4½% Notes payable (a)	(1,000,000)	(1,000,000)
Long-Term debt	**$44,183,000**	**$34,676,000**

(a) Under its Credit Agreement with Bethlehem Steel Corporation, St. Joe has assigned royalties to be received from Meramec Mining Company, up to $1,000,000 annually, as payment for the notes.

(b) The notes payable to banks were issued under a credit agreement under which the banks agreed to make loans to the Corporation up to $20,000,000 to December 15, 1975. Certain provisions of the agreement contain restrictions relating to maintenance of minimum working capital (minimum of $20,000,000 and current ratio of 1.5 to 1), payment of dividends, additional indebtedness, and purchases by the Corporation of its own stock. At December 31, 1973, consolidated retained earnings of $34,983,000 were available for dividends.

(c) St. Joe has entered into agreements with the State Environmental Improvement Authority (Missouri) and Beaver County (Pennsylvania) Industrial Development Authority to make payments to Trustees under installment sales agreements sufficient (together with other available funds) to pay all amounts due on the following bonds:

State Environmental Improvement Authority (Missouri) 5¾% bonds dated December 15, 1973, due December 15, 1998	$ 7,000,000
Beaver County (Pennsylvania) Industrial Development Authority 5.60% bonds dated December 1, 1972, due December 1, 1997	22,500,000

The bonds are subject to optional redemption commencing in 1982 and mandatory redemption commencing in 1988. The proceeds from the sale of the bonds are to provide funds for the construction of pollution control facilities at the Corporation's lead and zinc smelters.

Title to the projects remain with the Authorities until the bonds are fully paid. For accounting purposes, the pollution control facilities are capitalized and depreciated, and the bonds are shown as long-term debt in the consolidated balance sheet. The debt at December 31, 1973 and 1972 represents the amount of proceeds from the sale of bonds applied to construction payments; the balance of the proceeds are held and invested by the Trustees pending disbursement and, if not applied toward construction payments, are available to service the bonds or to prepay them in part.

Long-term debt is payable in amounts of $1,000,000 in 1974, 1976 and 1977, $21,000,000 in 1975 and $1,600,000 in 1978. Interest expense on long-term debt for 1973 and 1972 was $2,089,000 and $517,000, respectively.

STEWART-WARNER CORPORATION (DEC)

LONG-TERM DEBT:	
4⅞% subordinated debentures due June 1, 1981 (Note 4)	$1,418,000

Note 4: Long-Term Debt— Thor Power Tool Company had outstanding at December 31, 1973, $3,374,000 principal amount of 4⅞% subordinated debentures, of which $1,782,000 was owned by the Corporation. The indenture under which the debentures were issued requires annual payments in varying amounts during the period 1974 to 1981, which will retire all but $1,400,000 of the debentures prior to maturity in 1981. All sinking fund requirements through 1973 have been satisfied. The debentures were originally convertible into capital stock of Thor at the rate of $32.50 per share. Since the merger of Thor and the Corporation, each holder of an outstanding debenture is entitled to convert each $1,000 debenture into approximately $154 cash. The debentures are not guaranteed by the Corporation as to either principal or interest.

TABLE 2-40: CREDIT AGREEMENTS

Type of Agreement	1973	1972	1971	1970
Revolving credit	139	128	129	143
Other	150	84	62	70
Total Disclosures	**289**	**212**	**191**	**213**
Number of Companies:				
Disclosing credit agreement	270	189	179	199
Not disclosing such agreement	330	411	421	401
Total	**600**	**600**	**600**	**600**
Compensating Balances	125	NC	NC	NC

N/C— Not Compiled

CREDIT AGREEMENTS

Loan commitments from banks or insurance companies for future loans, or extension or refinancing of existing loans were reported by 270 companies as shown by the summary in Table 2-40. A commitment fee on the unborrowed portion of a loan commitment was reported by 81 companies.

ALLIS-CHALMERS CORPORATION (DEC)

Notes to Consolidated Financial Statements

Short-term Borrowings and Compensating Balances — Allis-Chalmers Corporation and Allis-Chalmers Credit Corporation jointly maintain $373.5 million in unsecured lines of credit with 60 U.S. commercial banks. These lines of credit are utilized to support Allis-Chalmers Corporation and Allis-Chalmers Credit Corporation borrowing requirements, as well as to back up Allis-Chalmers Credit Corporation commercial paper portfolio. A 10% compensating balance against the banks' commitment and an additional 10% against usage is required for $363.5 million of these lines. All required balances are on an annual average balance basis and are unrestricted as to use at any given time. These lines of credit are extended to the Company at its request subject to its continued credit worthiness and are reviewed annually by the banks. Utilization of these credit facilities in 1973 was as follows:

	Borrowings ($ millions)		Commercial Paper	
	Average Annual	Highest Month End	Average Annual	Highest Month End
Allis-Chalmers Corporation	$55.7	$ 61.0	---	---
Allis-Chalmers Credit Corporation	12.4	50.0	250.6	304.5
Total	**$68.1**	**$111.0**	**$250.6**	**$304.5**

Borrowings under these bank lines of credit bear interest at the prime rate. The average daily interest rates during 1973 for Allis-Chalmers Corporation and Allis-Chalmers Credit Corporation bank borrowings and

Allis-Chalmers Credit Corporation commercial paper were 8.04%, 8.52% and 7.92%, respectively. Borrowings outstanding December 31, 1973 were $61.0 million at an average interest rate for Allis-Chalmers Corporation of 9.77%; Allis-Chalmers Credit Corporation had no borrowings under these lines. The average interest rate on Allis-Chalmers Credit Corporation commercial paper outstanding at December 31, 1973 of $180.7 million was 9.54%.

Allis-Chalmers Corporation maintains $51.5 million in short and medium term export receivables financing advance facilities with several U.S. banks, of which $22 million require 10% in compensating balances against outstanding advance balances. These balances are on an annual average basis and are unrestricted as to use at any given time. The facilities are extended to the Company at its request and are subject to its continued credit worthiness and are reviewed annually by the banks. The average outstanding balance for the year was $28.4 million and the highest month end outstanding balance was $34.2 million. At December 31, 1973 $26.2 million had been advanced at an average interest rate of 10.63%; the average monthly interest rate during 1973 was 9.32%.

Allis-Chalmers Corporation maintains 20% compensating balances against a $41.5 million term loan provided by 13 of its 60 U.S. line banks. These balances are kept on an annual average basis and are commingled with compensating balances required for unsecured lines of credit.

Allis-Chalmers International Finance Corporation has borrowed $15 million in Eurodollars from six foreign banks. This loan is extended on an annual basis per a signed agreement and any extension must be renegotiated. The interest rate was 10.94% at December 31, 1973 and the average monthly interest rate was 9.37% during 1973. No compensating balances are required.

AMERICAN HOSPITAL SUPPLY CORPORATION (DEC)

Notes to Financial Statements

Note C: Cash and Short-term Borrowings— AHSC has confirmed lines of credit from banks (line banks) amounting to $52 million at December 31, 1973, of which $17 million were in use at that date. These lines are in amounts requested and not necessarily the maximum that could be obtained. Lines of credit from United States banks amount to $42 million of the total lines. AHSC has agreed to maintain average collected balances amounting to 10 percent of its domestic lines when not in use and 20 percent when in use. Although AHSC has agreed to maintain such average collected balances during the year, these balances are not restricted and may be drawn down for daily operations as needed. Balances maintained in domestic line banks compensate those banks for services performed as well as for the lines of credit. Banks outside the United States are generally compensated for services with fees rather than balances and no charges or fees are being paid for lines with these banks. At December 31, 1973, AHSC had approximately $8 million in collected balances at all banks, of which $1.7 million were in the domestic line banks.

Short-term borrowings at December 31, 1973, are from banks and were made at the prevailing prime interest rates for maturities generally not to exceed 90 days. The average rate of interest on these loans was 9.8 percent. The highest level of short-term borrowings at any month-end during 1973 was at year-end.

During 1973, average aggregate short-term borrowings were $16.8 million with a weighted average interest rate of 8.9 percent computed using month-end figures.

THE AMERICAN SHIP BUILDING COMPANY (SEP)

Notes to Consolidated Financial Statements

Note 6: Notes and Bonds Payable—

	1973	1972
Revolving credit agreement	$18,000,000	$18,000,000
First mortgage bonds payable, 5% to 6⅛%	4,500,000	5,000,000
Other notes and bonds payable, 5% to 13%	2,059,629	2,349,171
	$24,559,629	**$25,349,171**
Less— Current maturities	(973,876)	(926,876)
	$23,585,753	**$24,422,295**

In 1972, the Company concluded a revolving credit agreement in the amount of $18,000,000 and reduced its short-term borrowings by this amount. Borrowings under this agreement bear interest at ¼% above the prevailing prime interest rate. At any time prior to September 30, 1974, the Company can convert any borrowings under this agreement to a term loan repayable over a five-year period. Unless the bank's advance approval is received, the agreement provides, among other things, for restrictions on additional borrowings, limits the amount of fixed asset expenditures and requires the maintenance of specified working capital, debt to net worth ratios and net worth levels. In addition, the payment of cash dividends on common shares is limited, on a cumulative basis, to the payment of $1,250,000, plus 35% of the Company's common share earnings. Dividends paid in 1973 exceeded 35% of common share earnings by approximately $525,000. Any amounts borrowed under this agreement may be prepaid by the Company without penalties. In addition, short-term borrowings, not to exceed $6,000,000, of which $1,000,000 remained unused at September 30, 1973, are available to the Company. In connectionn with the revolving credit agreement, the Company has orally agreed to maintain compensating balances.

Principal payments on long-term debt obligations, assuming that the aforementioned $18,000,000 is converted into a term loan, are due in the following amounts as indicated: 1975— $2,745,000; 1976— $3,364,000; 1977— $3,081,000; 1978— $3,064,000 and thereafter through 1991— $11,332,000.

In 1967, the Company deeded its Lorain, Ohio, properties (with a net book value at September 30, 1973, of approximately $8,300,000) to the Lorain Port Authority as security for obligations under a sale-leaseback agreement with the Port Authority. The Company simultaneously entered into a 15-year lease requring aggre-

gate payments of $7,000,000, plus interest, with annual principal payments of $500,000 through fiscal 1979 and annual payments of $375,000 in each of the fiscal years 1980 to 1983, at which time the properties will revert back to the Company. This transaction was treated as a purchase by the Company of the new shipyard facilities with a corresponding liability reflected for the first mortgage bonds payable.

BELL & HOWELL COMPANY (DEC)

Notes to the Consolidated Financial Statements

Note F: Lines of Credit— At December 29, 1973, the Company and its consolidated subsidiaries had credit lines for bank borrowings of $59 million providing for interest at the prime rate, or the equivalent for overseas borrowings, and maintained standby bank commitments of $45 million for use if the commercial paper market ceases to be an available source of funds. The Company sells commercial paper at the prevailing rate for prime paper. Bank borrowings at year end amounted to $30 million, and commercial paper outstanding amounted to $23 million. During 1973, maximum short-term borrowings amounted to $86 million and averaged approximately $52 million. The cost of U.S. borrowings averaged 8.3%, with the interest rates for year-end borrowings ranging from 9½% to 10% for banks, and 9% to 10⅜% for commercial paper.

In support of many of these credit lines and commitments, the Company has agreed to maintain compensating balances in the amount of 10% to 15%, with additional balances of up to 10% for any borrowing under those arrangements. The Company also pays fees of ⅜% to ½% to maintain $30 million of the standby credit commitments. The average compensating balances required to maintain the credit arrangements available at year end totaled $6,800,000, and approximately $2,200,000 of the year-end cash qualified as collected funds for this purpose. In addition, the Company had agreed to maintain compensating balances equal to 20% of the unpaid balance of certain loans made to customers prior to April, 1971. Under this arrangement, $1,200,000 was required at year end.

During the year 1973 the Company was in compliance with all of its compensating balance requirements, with the average balances maintained against credit arrangements throughout the year approximating $6,100,000. None of the compensating balances were formally restricted as to use, and there are no specific sanctions that would be imposed by the respective lending institutions if the balances are not maintained.

At December 29, 1973, the Company had $1,428,000 in certificates of deposit at a weighted average interest rate of 9.7%.

BROCKWAY GLASS COMPANY, INC. (DEC)

Notes to Financial Statements

Note 3 (in part): Long-Term Debt— Long-term debt at December 31, 1973, consisted of:

Insurance Company Notes (See A)	$ 2,500,000
Revolving Bank Credit Notes (See B)	25,200,000
Note payable to Bank (See C)	693,000
Notes payable to others (See D)	6,114,000
Lease Purchase Agreements (See E)	835,094
	$35,342,094

(A) The Company is indebted to an insurance company in the amount of $3,000,000 (of which $500,000 is due within one year) evidenced by unsecured 5⅜% interest-bearing promissory notes pursuant to an agreement dated May 29, 1961. Interest is payable on the 31st day of each January and July. The notes are subject to required annual payments of $500,000 payable each July 31 until July 31, 1976, at which time the notes mature and the unpaid balance of $2,000,000 becomes due and payable.

(B) The Company is indebted to several banks in the amount of $25,200,000 evidenced by unsecured interest-bearing 90-day Revolving Credit Notes issued pursuant to a loan agreement dated March 31, 1971, (as amended) between the Company and the several banks involved. The notes through March 31, 1973, were subject to interest, payable at maturity, at the commercial loan rate of the major lending bank from time to time in effect on loans having a 90-day maturity to responsible and substantial corporate borrowers and after March 31, 1973, at a rate of ¼ of 1% above such commercial rate. The loan agreement (as amended) provides for a total revolving credit of $36,000,000 up to March 31, 1975, and further provides that the Company may, at any time, when the Company shall be indebted to the full extent of the commitments, but not later than March 31, 1975, replace all of the Revolving Credit Notes then outstanding (or such lesser amount thereof as the Company may request) with Term Notes, which mature in six consecutive annual installments payable April 1 each year commencing on April 1, 1976. The first two such installments shall each be payable in the aggregate amount of $4,200,000; the third through the fifth shall each be in the aggregate amount of $6,000,000 and the sixth shall be in the aggregate amount of $9,600,000 (except that, if the aggregate amount of the Term Notes at the time of conversion to a Term Loan is less than $36,000,000, each of the six consecutive installments will be reduced proportionately). When issued the Term Notes shall bear interest at a per annum rate of ½ of 1% above the commercial loan rate of the major lending bank, from time to time in effect, on loans having a 90-day maturity to responsible and substantial corporate borrowers. Interest on each Term Note shall be payable quarterly on the first day of each January, April, July and October commencing with the first such date to occur after the date of such Term Notes.

The loan agreement provides for the payment of a commitment fee of ½ of 1% per annum on the daily average unused amount of the commitment of the banks during the period for which such payment is made.

The loan agreement provides a restriction on the payment of cash dividends. At December 31, 1973, $34,666,400 of retained earnings was free of this restriction.

BROWN-FORMAN DISTILLERS CORPORATION (APR)

LONG-TERM DEBT, LESS AMOUNT WITHIN ONE YEAR:	
Borrowings under Revolving Credit and Term Loan Agreements (Note 3):	
Revolving credit loans	$10,314,193
8½% note, $4,000,000 due each September 1, 1979-1986	32,000,000
6% notes, due $4,314,676 annually through August 31, 1976	12,944,030
Note due May 1, 1976, interest at Canadian prime rate plus 1¼% (7¾% at April 30, 1973)	2,959,320
	$58,217,543

Note 3: Revolving Credit and Term Loan Agreements: The Company has a Revolving Credit and Term Loan Agreement under which $32,000,000 of term loans were outstanding to an insurance company and $5,750,000 of revolving credit loans were outstanding to banks at April 30, 1973. Other revolving credit loans at April 30, 1973 were bank borrowings by a foreign subsidiary, guaranteed by the Company, bearing interest at 5⅝% at April 30, 1973. Compensation deposits are not required incident to any of these loans.

The Company's Revolving Credit and Term Loan Agreement provides for revolving credit up to $25,000,000, generally in amounts and for periods of time at the Company's discretion through September 1, 1975. Borrowings bear interest at the principal bank's United States prime rate plus 1.3% (8.05% at April 30, 1973). A commitment fee of 1.3% per annum is payable on available daily amounts not borrowed. On or before September 1, 1975, the Company may, in whole or in part, terminate or convert the available revolving credit into three-year term loans. The Revolving Credit and Term Loan Agreement contains, among other provisions, requirements for maintenance for working capital and restrictions on additional borrowings, reacquisitions of capital stock and payment of cash dividends. Consolidated retained earnings unrestricted as to payment of cash dividends at April 30, 1973 were $27,000,000.

THE BUDD COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 2: Compensating Balances and Short-Term Debt— The terms under which the Company has been granted lines of credit to borrow at the prime rate from various banks call for maintenance of average compensating balances based upon the banks' ledger records adjusted for uncollected funds. During 1973, the average balances on the Company books required to support the lines amounted to approximately $8,000,000. At December 31, 1973, the amount of available borrowings under the lines aggregated $70,000,000, which includes $5,000,000 under temporary arrangements for a consolidated subsidiary not requiring compensating balances. Generally, the lines of credit are reaffirmed annually but can be withdrawn at any time at the option of the banks. The Company did not use its lines of credit during the first half of 1973 but during this period had invested an average of $6,800,000 in marketable securities. The average amount of short-term debt outstanding during the second half of 1973 was $15,000,000 with a related weighted average interest rate of 9.32%. The total lines of credit at December 31, 1973 approximate $83,000,000 and the maximum amount of short-term debt outstanding at any time during 1973 was $28,000,000.

CLARK EQUIPMENT COMPANY (DEC)

Financial Review

Long-term and Short-term Debt: Clark Equipment Company— **Following is a summary of long-term debt of the Company and consolidated subsidiaries due after one year as of December 31:**

	($ thousands)	
	1973	**1972**
Outstanding balance under revolving credit agreements:		
U.S. at prime rate	$49,000	$---
Europe at floating rate	20,500	19,000
4.55% note, payable $1,750,000 annually to 1983	15,750	17,500
4.75% note, payable $590,000 annually to 1984, balance in 1985	6,460	7,050
4½% convertible debentures (annual sinking fund payments of 10% of the amount of debentures outstanding February 29, 1976 required 1976-1980)	4,585	6,032
Long-term debt of overseas subsidiaries, at average interest rates of 10.5% and 8.2%, respectively	38,650	21,421
Other long-term notes	4,166	4,773
Total	**$139,111**	**$75,776**

The 4½% debentures are convertible into common stock at the rate of one share for each $39 principal amount of debentures through February 29, 1976. Payments on long-term debt, other than revolving credit agreements, are $4.5 million in 1974, $12.7 million in 1975, $9.0 million in 1976, $23.1 million in 1977 and $4.3 million in 1978.

The Company and consolidated subsidiaries had the following long-term borrowing arrangements at December 31, 1973:

($ thousands)	U.S. Revolving Credit Agreements	Euro-Dollar Revolving Credit Agreements
Amount of commitment	$49,000	$24,000
Amount outstanding	49,000	20,500
Compensating balances	None	None
Annual commitment fee	½ % of unused portion	½ % of unused portion
Interest rate	Prime	London inter-bank interest rate plus ½%
Expiration date	Feb. 1977	Jan. 1975

At December 31, 1973, the Company and consolidated subsidiaries had short-term bank lines of credit, which were subject to cancellation upon notice by the bank or the Company, in the amount of $62.9 million, of which $28.9 million was unused. There were no formal or informal compensating balance requirements during 1973 and there were no material cash balances subject to withdrawal restrictions. At December 31, 1973, the average interest rate on total short-term bank borrowings was 13.72%, with average rates of 9.88% in the U.S. and 14.72% outside the U.S. Maximum short-term borrowings during the year 1973 were $70.5 million at October 31, 1973. Average short-term borrowings outstanding during 1973 were $44.0 million and the approximate daily weighted average interest rate was 10.49%.

The Company does not have any contractual obligation as to the debt of Clark Equipment Credit Corporation. The Company has agreed to maintain certain levels of equity in relation to debt in the finance company affiliates of Clark Equipment Credit Corporation located outside the U.S.

CUMMINS ENGINE COMPANY, INC. (DEC)

Notes to Consolidated Financial Statements

Note 5: Compensating Balances and Borrowings— At December 31, 1973, amounts available under lines of credit with banks totaled $15,000,000, of which $9,500,000 was borrowed, but not reflected in short-term loans payable as a result of the subsequent refinancing described in Note 6. Informal agreements with banks require compensating balances of 10% of the amounts available plus 10% of the amounts borrowed. During 1973, amounts borrowed under these and similar lines of credit averaged $8,512,000, with maximum borrowings of $18,000,000. The weighted average interest rate on these borrowings was 7.2%, with a maximum of 10%. At year-end, compensating balances of $2,450,000 were maintained. Average compensating balances maintained during 1973 were $2,085,000. The weighted average effective interest rate for these borrowings, including the effect of the compensating balances, was 9.5%.

The Company had average borrowings during 1973 of $16,819,000 under the $30,000,000 revolving credit agreement. Average compensating balances of $4,500,000 were maintained, as required during 1973 ($2,601,000 at year-end) under informal arrangements. The weighted average interest rate of these loans was 9.5%; including the effect of average compensating balances held, the effective average rate was 11.4%. After March, 1974, an additional $10,000,000 may be borrowed under the agreement and the entire amount may be converted to a term loan in 1976 as more fully described in Note 6.

HOFFMAN ELECTRONICS CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 3: Line of Credit and Compensating Balance Arrangements— In July, 1973, the company obtained an $8,000,000 revolving line of credit with a bank. The loan agreement provides, among other things, that the company maintain working capital of $6,000,000, net worth of $16,000,000, a current ratio of 1.5 to 1, and not pay dividends or acquire treasury stock in excess of 50 per cent of net income subsequent to the date of the agreement. It also provides for conversion of $4,000,000 of the amount outstanding at March 31, 1975, to a term loan of approximately 5 years. In March, 1974, the company arranged to increase the line of credit to $11,000,000.

The company also has non-restrictive compensating balance arrangements with the bank, under which it is expected to maintain an average compensating balance of ten per cent of the available credit line, and an additional ten per cent of average usage, as determined from bank ledger records. The following information relates to these arrangements:

	1973	1972
Total line of credit at December 31	$8,000,000	$5,000,000
Related debt outstanding at December 31	$7,000,000	$4,500,000
Interest rate at December 31	9¾%	6%
Maximum borrowings during the year	$8,000,000	$5,000,000
Average borrowings during the year	$5,700,000	$2,200,000
Average interest rate during the year (approximate, excluding the effect of compensating balances)	8½%	4½%

INTERNATIONAL MINERALS & CHEMICAL CORPORATION (JUN)

Financial Review

Debt (in part)— In connection with the commencement of construction of a phosphate chemicals complex in 1973, a loan agreement was entered into by a wholly-owned subsidiary. The agreement provides, among other things, for the sale of promissory notes to banks and an insurance company. The notes to be sold to banks ($37,500,000 principal amount maturing in 1983) will bear interest at 116% of the lead bank's base rate to June 30, 1975 and 120% thereafter, and will be payable in twenty-six increasing quarterly installments, averaging $1,442,000, from the earlier of the time construction is completed or March 31, 1977. The notes to be sold to the insurance company ($52,000,000 principal amount maturing in 1988) will bear interest at 8¼% and will be

payable in twenty—three increasing quarterly installments, averaging $2,260,000, from the earlier of the time final payment is made on the notes sold to banks or June 30, 1983. The agreement also provides for a commitment fee of ½ of 1% on the unused portion for the period from March 16, 1973 to October 31, 1976. IMC will pledge the capital stock of the subsidiary and will purchase the notes in the event of default in payment by the subsidiary. The subsidiary will pledge all of its rights under certain contracts, including those under long-term sales arrangements covering substantially all of the output of the facility. At June 30, 1973 the subsidiary had not sold any notes under the agreement.

JOSLYN MFG. AND SUPPLY CO. (DEC)

Notes to Consolidated Financial Statements

Note 5: Lines of Credit: Short-term Bank Loans— As of December 31, 1973, the Company has unsecured lines of credit of $13,000,000 with two banks and bank loans outstanding against these lines of credit of $11,000,000. The balance at December 31, 1973 was the maximum short-term borrowings outstanding at any time during 1973. The short-term loans mature at various dates to April 1, 1974, at interest rates of 9.9% and 10%. The approximate average aggregate short-term borrowings and weighted average interest rates during 1973 (based on the average of month-end balances) were $4,833,000 and 9.2%, respectively.

Note 6: Compensating Balance Arrangements— To compensate for lines of credit, the Company is expected to maintain average cash balances of 10% of the unused and 20% of the used line of credit with one bank and 15% of the line of credit with another bank. Bank balances are determined from bank records and are required to support the lines of credit and other bank services. At December 31, 1973 a cash balance of $1,850,000 was required to support used and unused lines of credit. The Company was in substantial compliance with compensating balance requirements throughout 1973. Withdrawal of compensating balances is not legally restricted.

RAYTHEON COMPANY (DEC)

Notes to Financial Statements

Note G: Notes Payable— The company maintains domestic credit lines with a group of banks totaling $70,000,000 which are unused at December 31, 1973. The credit lines provide for interest at the prime rate in effect at each bank. Compensating balance arrangements are of an informal nature, with the understanding that a balance will be maintained averaging 10% of the total lines of credit available plus an additional 10% of the average amount borrowed under such lines. The balances so maintained during 1973 were generated by float, thus resulting in no effective impact on the cost of borrowings or cash balance.

The company has a special financing arrangement with a bank to finance a foreign sales contract on which $15,274,000 is outstanding at December 31, 1973. In addition, the company, from time to time, issues its short-term commercial paper which amounted to $3,500,000 at December 31, 1973.

Domestic and foreign subsidiaries maintain credit lines or commitments approximating $41,000,000 of which $22,018,726 was utilized at December 31, 1973. Compensating balance arrangements of such subsidiaries are not significant.

The maximum amount of short-term borrowings, domestic and foreign, at any month-end during the year was $60,500,000. The approximate average aggregated borrowings outstanding during the year were $41,300,000. The approximate weighted average interest was 10.4%. Both averages were computed based upon each loan and the period during which it was outstanding. The average interest rate in effect at year-end approximated the prime rate.

STANDARD PRESSED STEEL CO. (DEC)

Notes to Financial Statements

Note 4 (in part): Long-Term Debt— Long-term debt at December 31 consisted of:

NOTES PAYABLE TO BANKS:	
Borrowings under a Eurodollar credit facility agreement, expiring on November 25, 1975, with interest at ¾% above the prevailing Eurodollar interbank rate (9¾% at December 31, 1973)	$10,000,000
Borrowings under a revolving loan agreement with interest at ½% above prime	---
Notes due December 31, 1975, with interest at 1¼% above prime	2,680,000
Note due December 31, 1981, with interest at 9%	1,600,000
Notes due December 31, 1973, with interest at ¾% to 2% over the English interbank rate	---
	14,280,000
NOTES PAYABLE TO OTHERS:	
4⅞% note due December 1, 1977	2,663,000
5¾% notes due December 1, 1978	1,660,000
Other	237,450
	4,560,450
Total long-term debt	**18,840,450**
Less current installments	2,580,450
	$16,260,000

The Eurodollar credit facility agreement grants the Company the right to borrow up to $10,000,000 from a group of commercial banks. Interest is payable on the daily average unused portion of the commitment at ½ of 1%. Among other covenants, this agreement prohibits the Company from pledging or mortgaging any assets except in certain circumstances, or from merging or consolidating with or investing in another company; and requires the Company to maintain consolidated net working capital, as defined, of not less than $38,000,000. This requirement effectively limits the amount of retained earnings at December 31, 1973 which was unrestricted for dividend purposes to $7,022,000. Although not a written provision of the loan agreements, the Company and its subsidiaries have agreed to maintain compensating cash balances equal to a specified percentage of the outstanding balances of certain bank

loans. At December 31, 1973, the required aggregate amount of such compensating balances was approximately $1,286,000.

The amounts payable under long-term loan agreements over the next five years are as follows: $2,580,450 in 1974; $12,638,000 in 1975; $1,172,000 in 1976; $1,183,000 in 1977; $529,000 in 1978.

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. Effective for fiscal periods ending on or after December 31, 1973, the disclosure requirements of Opinion No. 5 for leases not capitalized were superseded by those expressed in *APB Opinion No. 31* which was issued in June 1973. Opinion No. 31 states in part:

> 7. The Board believes that financial statements of lessees should disclose sufficient information regarding non-capitalized lease commitments to enable users of the statements to assess the present and prospective effect of those commitments upon the financial position, results of operations, and changes in financial position of the lessees. Accordingly, the Board believes that the information specified in paragraphs 8-10 should be disclosed as an integral part of the financial statements.
>
> *Total Rental Expense*
>
> 8. Total rental expense (reduced by rentals from subleases, with disclosure of such amounts) entering into the determination of results of operations for each period for which an income statement is presented should be disclosed. Rental payments under short-term leases for a month or less which are not expected to be renewed need not be included. Contingent rentals, such as those based upon usage or sales, should be reported separately from the basic or minimum rentals.
>
> *Minimum Rental Commitments*
>
> 9. The minimum rental commitments under all noncancelable leases should be disclosed, as of the date of the latest balance sheet presented, in the aggregate for:
>
> a. Each of the five succeeding fiscal years,
>
> b. Each of the next three five-year periods, and
>
> c. The remainder as a single amount.
>
> The amounts so determined should be reduced by rentals to be received from existing noncancelable subleases (with disclosure of the amounts of such rentals). The total of the amounts included in (a), (b), and (c) should also be classified by major categories of properties, such as real estate, aircraft, truck fleets, and other equipment.
>
> *Additional Disclosures*
>
> 10. Additional disclosures should be made to report in general terms:
>
> a. The basis for calculating rental payments if dependent upon factors other than the lapse of time.
>
> b. Existence and terms of renewal or purchase options, escalation clauses, etc.
>
> c. The nature and amount of related guarantees made or obligations assumed.
>
> d. Restrictions on paying dividends, incurring additional debt, further leasing, etc.
>
> e. Any other information necessary to assess the effect of lease commitments upon the financial position, results of operations, and changes in financial position of the lessee. (For example, in instances where significant changes in lease arrangements are likely it may be desirable to state that the information given is for existing leases only and is not a forecast of future rental expense. A statement could also be made that the amounts given may not necessarily represent the amounts payable in the event of default.)

In addition to the aforementioned disclosures, the Securities Exchange Commission, in *Accounting Series Release No. 147*, specifies that financial statements filed with it must disclose the present value of "financing" leases and the impact on net income of capitalizing such leases. *ASR No. 147* applies to financial statements filed with the SEC subsequent to November 30, 1973.

Table 2-41 summarizes disclosures made by lessees. Examples of lessee disclosures follow.

TABLE 2-41: LONG TERM LEASES

	Number of Companies
Information Disclosed as to Noncapitalized Leases – 1973	
Rental Expense	
Basic	211
Contingent	45
Minimum Rental Commitments	
Schedule of	252
Classified by Major Categories of Property	108
Subleases	72
Present Value	71
Renewal or Purchase Options	57

Number of Companies	**1973**	**1972**	**1971**	**1970**
Noncapitalized leases only	297	259	247	221
Capitalized and noncapitalized leases	124	83	89	89
Capitalized leases only	41	73	52	52
No leases disclosed	138	185	212	238
Total	**600**	**600**	**600**	**600**
Leases financed by industrial revenue bonds	80	69	51	51

Leases Capitalized

THE ANACONDA COMPANY (DEC)

	($ thousands)
Long-term debt	$252,355
Capitalized lease obligations	126,963
Other liabilities and deferred credits	55,144

Summary of Significant Accounting Policies

Lease Obligations Capitalized— Certain long-term lease transactions relating to the financing of property, plant and equipment are accounted for as installment purchases of property. The capitalized lease obligation reflects the present value of future rental payments, discounted at the interest rate implicit in the lease, and a corresponding amount is capitalized as the cost of the assets and depreciated over the assets' estimated economic lives on a straight-line basis.

Financial Review

Capitalized Lease Obligations— Capitalized lease obligations shown in the accompanying Consolidated Balance Sheet represent, principally, the present value of future rental payments under the two leases described below. Lease rental payments during the next five years (in millions) will reduce capitalized lease obligations as follows: 1974, $1.9; 1975, $2.0; 1976, $2.2; 1977, $2.3; 1978, $2.4.

Aluminum reduction facilities at Sebree, Kentucky, were placed in operation and leased in 1973 from an equipment trust formed in 1972 to construct and own the facilities. The lease term is 20 years with renewal options for an additional 10 years. Construction costs were financed with $72 million loaned to the trust by three insurance companies in 1972 and guaranteed by Anaconda, and $38.8 million in equity contributions made to the trust in 1973 by institutional investors. Lease payments during each of the next five years amount to $8.0 million. The implicit interest rate used in accounting for this obligation is approximately 6%.

The first stage of an air pollution control project at the copper smelter at Anaconda, Montana was placed in operation in late June 1973. The facilities are subleased by the company, through a wholly-owned subsidiary, for a period of 25 years from an equipment trust which in turn leases the facilities from their owner, the County of Deer Lodge, Montana. The trust has contributed $4.4 million toward the cost of the facilities, which it received as an equity contribution from a finance company. The remainder of the cost of the leased equipment was financed by the proceeds of $17 million of air pollution control revenue bonds issued in 1972 by the County. The subsidiary's rental payments under the sublease are guaranteed by Anaconda, and during the next five years amount to $1.1 million per year. The implicit interest rate used in accounting for this obligation is approximately 5%.

ELECTRIC HOSE & RUBBER COMPANY (AUG)

Note 2 (in part): Long-term debt

	Aug.31, 1973	Aug.31, 1972
Industrial revenue bonds	$2,845,000	$ 925,000
Instalment purchase obligation	153,600	
Notes payable to banks	4,800,000	5,400,000
Mortgage payable	59,200	68,100
	7,857,800	**6,393,100**
Less amounts due within one year	862,000	688,800
Long-term debt—less current portion	**$6,995,800**	**$5,704,300**

The Company has arrangements with the City of McCook and City of Alliance, Nebraska, for the construction, financing and lease to the Company of manufacturing plant facilities situated at both locations. The McCook arrangement covers the entire plant facility whereas the Alliance arrangement covers structural additions to the present facility leased (see following paragraph) by the Company and the purchase of manufacturing equipment. The financing was accomplished by the sale of industrial revenue bonds which bear interest at 5.0% to 6.5% per annum and mature serially in progressive annual amounts ranging from $245,000 in 1974 to $250,000 in 1983. The payments to be made by the Company are in amounts equal to principal and interest payments on the bonds through 1983. The issue is secured by the assignment of the lease and a mortgage indenture on the McCook and Alliance facilities. The lease provides that upon the payment of all the outstanding industrial revenue bonds the McCook and Alliance facilities will be conveyed to the Company for a nominal value. In accordance with the generally accepted accounting principles for such leases, these transactions have been treated as financings with the property covered by these leases being recorded as fixed assets of the Company and the related lease commitments being recorded as long-term debt — industrial revenue bonds.

Under a noncancelable lease agreement, expiring in 1986, covering the land and original building located in Alliance, Nebraska, the Company is required to make annual payments of $18,000 through 1986. This lease is also deemed to be a financing (at expiration of the lease, title to be conveyed to the Company without further payment) with the related cost of the land and building (equivalent to the future rental payments discounted at 6.75%) being recorded as fixed assets and the lease commitment being recorded as long-term debt — instalment purchase obligation.

RAYBESTOS-MANHATTAN, INC. (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Long-Term Debt— Long-term debt consists of the following:

	1973	1972
10⅞% Debentures due June 15, 1975	$25,000,000	$25,000,000
Notes payable to banks— less current maturities of $172,048 in 1973	1,718,802	1,562,000
1% note payable to Small Business Administration— less current maturities of $93,636 in 1973 and $55,856 in 1972— secured by machinery and equipment	280,940	363,044
5.89% Industrial revenue bonds LaGrange, Georgia— less current maturities of $25,000	750,000	
6.5% Industrial revenue bonds, Connecticut	2,860,000	
6.5% Industrial revenue bonds, Crawfordsville, Indiana	1,000,000	
Capitalized lease obligations— less current maturities of $48,447	1,356,762	
Deferred termination pay, at present value based upon an imputed rate of 6%, net of discount of approximately $1,714,000 in 1973 and $2,175,000 in 1972— less current maturities of $1,548 in 1973	1,603,079	1,780,000
Other— less current maturities of $46,674 in 1973 and $58,544 in 1972; $32,000 of which is a mortgage secured by land ...	455,200	546,770
	$35,024,783	**$29,251,814**

In connection with $800,000 of industial revenue bonds issued by the Development Authority of LaGrange, Georgia in March, 1973, the Company entered into a contract to purchase a new plant in LaGrange, Georgia. The installment purchase obligation provides for payment of the principal plus interest at an average rate of 5.89% over twenty years commencing in 1973. During 1973 $25,000 was paid. The remaining principal balance is payable $25,000 in 1974 and 1975, $30,000 in 1976 to 1980 and in increasing amounts thereafter until maturity in 1993.

In connection with $2,860,000 of industrial revenue bonds issued by the Connecticut Development Commission in August, 1973, the Company entered into a lease of its new Corporate Headquarter offices in Trumbull, Connecticut. The lease, which has been treated as a purchase for financial statement purposes, is for a term of twenty-five years and the lease payments will be used to pay the principal and interest on the bonds. The principal portion of the lease payments commences on August 1, 1980 and continues to maturity in 1998 in increasing amounts. The lease has been assigned to the bond trustee under the indenture pursuant to which the bonds were issued. At December 30, 1973, the trustee is holding in cash and temporary investment $1,112,018 which amount is restricted until actual expenditures for the completion of the building are made in 1974.

In connection with $1,000,000 of industrial revenue bonds issued by the City of Crawfordsville, Indiana in October 1973, to finance an expansion of the Company's plant in that city, the Company entered into a loan agreement and executed a note payable to the City of Crawfordsville which was assigned to the trustee under the indenture pursuant to which the bonds were issued. The note bears interest at 6.5%, payable semi-annually, and matures serially commencing in 1978 to 1987 in amounts sufficient to pay the principal on the bonds. On June 15, 1975, or at such prior time as the 10⅞% debentures of the Company are no longer outstanding, the Company is obligated to grant a security interest in its brake block plant at Crawfordsville to the trustee as security for the note. At December 30, 1973, the trustee is holding in cash and temporary investments $971,150 which amount is restricted until actual expenditures for the completion of the building are made in 1974.

In connection with a $600,000 loan at 0.875% interest from the Pennsylvania Industrial Development Authority, a $750,000 bank loan at 7.5% interest and a $75,000 loan at 0.875% interest; the Company entered into a lease with the Scranton Lackawanna Industrial Building Company (SLIBCO) for a new manufacturing plant in Scranton, Pennsylvania. This lease has been treated as a purchase for financial statement purposes. The lease has a term of twenty years and the annual payments of $109,305 are sufficient to pay the interest and principal on these loans. The Company has an option to purchase the plant at any time. At December 30, 1973, SLIBCO is holding in cash $19,847 which amount is restricted until actual expenditures for the completion of the building are made in 1974.

THE SCOTT & FETZER COMPANY

Notes to Financial Statements

Note 2: Long-Term Liabilities— Long-term debt at November 30, 1973 is as follows:

	Current	Non-Current
	($ thousands)	
Bank loan 6%, maturity to 1974	$150	$---
Mortgage notes, 5½% to 8%, maturities to 1982	93	647
Insurance company loan, 6%, maturities to 1980	200	1,700
Obligations under Lease/Purchase Agreements, 4¼% to 8%, maturities to 1988 ..	132	961
Other	26	26
	$601	**$3,334**

The bank loan is due in quarterly installments of $37,500 plus interest at ½% over the prime rate, but not less than 5½% nor more than 6%.

The loan agreements provide for pre-payment in full or part without premium, and include negative covenants that the Company will not permit its consolidated net working capital to fall below $5,000,000 or have borrowings from other banks or other lending institutions in excess of $10,000,000. The Company, further, has agreed not to pay cash dividends or purchase or retire any of its own shares, if the aggregate so expended for such purposes subsequent to December 1, 1967 shall exceed $5,000,000 plus 80% of the consolidated net earnings after December 1, 1967. Retained earnings, un-

restricted for the payment of cash dividends or purchase or retirement of shares, amounted to $33,335,685 at November 30, 1973.

The mortgage notes require aggregate monthly payments of $12,467 including interest.

The insurance company loan is payable in annual installments of $200,000 on December 31, 1973 and annually thereafter, with a balance of $500,000 due in 1980.

Under the terms of three building Lease/Purchase Agreements (one of which includes equipment), the Company is obligated for rentals annually approximating $200,000 for 1974-1976, $160,000 for 1977-1979, $100,000 for 1980 and 1981 and $10,000 for 1982-1988. Annual rentals during the terms of the leases are in amounts sufficient to meet the interest and debt retirement requirements of the related Industrial Revenue Bond issues.

The Company has the right to acquire the assets (under certain conditions and at times specified) at amounts stipulated in the agreements, which generally are the balances of the discounted unpaid rentals (and certain premiums) plus amounts of $1 to $500. The Company has accounted for the transactions as purchases and the obligations have been reflected as liabilities in the balance sheet at the discounted amount of the future lease rental payments.

VICTOR COMPTOMETER CORPORATION (DEC)

LONG-TERM DEBT– LESS CURRENT PORTION– NOTE 3:	
Debentures	$ 9,301,000
Capitalized lease obligation	925,000
Others	427,130
	$10,653,130

Note 3: Long-Term Debt– Long-term debt at December 31, 1973 is as follows:

	Total	Due during 1974
Debentures, 4⅞%, due April 15, 1988	$ 9,119,000	$---
Debentures, 5½%, due January 1, 1977	271,000	89,000
Real estate mortgage note, 6%, due February 1977	53,597	16,467
Note payable, 8½%	470,000	100,000
Capitalized lease obligation	1,000,000	75,000
Installment note, 8% due January 5, 1976	30,000	10,000
	$10,943,597	**$290,467**

The indenture dated April 15, 1963, relating to the 4⅞% debentures, authorized the issuance of debentures of $15,000,000, of which $9,119,000 were outstanding at December 31, 1973. The terms of the indenture provide among other things for (a) an annual sinking fund for the retirement of a minimum of $715,000 principal amount on April 15 of each of the years 1968 to and including 1987, and (b) restrictions as to dividends, additional debt and liens. The indenture also provides that the company may credit against the sinking fund requirements the principal amount of debentures acquired by it and surrendered for cancellation and the amount redeemed or called for redemption otherwise than through operation of the sinking fund. The indenture dated January 1, 1962, relating to the 5½% debentures, authorized the issuance of debentures of $1,250,000, of which $271,000 were outstanding at December 31, 1973. The terms of the indenture require an annual sinking fund payment of $89,000 due January 1, although payments are actually made in December of the preceding year. These indentures contain certain restrictions which have been met or adhered to.

At December 31, 1973, a foreign subsidiary owed $470,000 for long-term financing used in the acquisition of new plant facilities. This is payable $100,000 a year.

On July 1, 1973, the company entered into an agreement with a municipality whereby the latter would issue industrial development revenue bonds in the amount of $1,000,000 to purchase and construct certain equipment and other personal property to be leased to the company for a ten year period ending July 1, 1983. The rent of approximately $130,000 a year is an amount equal to principal and interest payments. After July 1, 1979, the company may purchase the equipment for a nominal amount after payment of an amount sufficient to retire all the outstanding bonds. The transaction has been accounted for as a purchase for both financial statement and federal income tax reporting. At December 31, 1973, the liability of the company for unpaid rentals was $1,000,000 of which $75,000 has been classified as current. The principal and accrued interest to December 31, 1973 totaled $1,009,901, of which $678,529 has been spent for equipment leaving unexpended funds of $331,372 which amount is included in Other Assets.

Leases Not Capitalized

ALLIED CHEMICAL CORPORATION (DEC)

Other Financial Data

Leases– Lease payments, exclusive of capitalized lease obligations, were $37,112,000 in 1973 and $35,419,000 in 1972.

Minimum rental commitments under all noncancelable leases are as follows: ($ thousands)

	Total	Machinery and Equipment	Transportation Equipment	Other
1974	$20,863	$ 8,676	$ 8,185	$4,002
1975	18,861	8,428	6,935	3,498
1976	17,150	8,175	6,151	2,824
1977	15,752	7,895	5,309	2,548
1978	14,305	7,655	4,483	2,167
1979-1983	62,651	35,827	19,046	7,778
1984-1988	40,286	27,674	10,400	2,212
1989-1993	18,965	12,667	5,828	470

Minimum rental commitments for all noncapitalized financing leases (as defined by the Securities and Exchange Commission) are as follows: ($ thousands)

	Total	Machinery and Equipment	Transportation Equipment	Other
1974	$14,290	$ 8,411	$ 5,401	$478
1975	13,689	8,220	5,008	461
1976	12,993	8,022	4,601	370
1977	12,313	7,797	4,196	320
1978	11,817	7,621	3,945	251
1979-1983	55,024	35,794	18,781	449
1984-1988	38,057	27,657	10,400	--
1989-1993	18,485	12,657	5,828	--

The present value of minimum lease commitments under such leases is as follows: ($ thousands)

	Dec. 31 1973	Dec. 31 1972
Machinery and equipment	$ 72,063	$ 67,737
Transportation equipment	40,875	43,532
Other	2,995	3,239
Total	**$115,933**	**$114,508**

The weighted average interest rate for such leases was 6.45% and 5.47% for 1973 and 1972, respectively, with the rates ranging from 4.56% to 10.50% and 4.56% to 8.70% for 1973 and 1972, respectively.

If all noncapitalized financing leases had been capitalized, the related assets amortized on a straight-line basis over the lease terms and interest cost accrued on the basis of the outstanding lease obligations, the effect on net income would have been less than three percent of the average net income for the years 1971 through 1973.

ARDEN-MAYFAIR, INC. (DEC)

Notes to Financial Statements

Note 10: Lease Commitments— ($ thousands) The principal kinds of property leased by the Company and its subsidiaries are supermarket buildings, fixtures and delivery equipment. The most significant obligations assumed under the lease terms are the upkeep of the facilities, insurance and property taxes.

Under terms of most leases of supermarkets, additional rental is required as a percentage of sales that exceed an amount fixed under the terms of the lease. Such percentage rentals approximate 5% of minimum annual rentals.

Total rent expense for the Company was $12,860 for 1973 and $13,189 for 1972, and is net of sublease rental income of $2,372 and $2,371 respectively.

The approximate aggregate minimum annual rental commitments of the Company under all non-cancellable leases (majority of which are non-cancellable financing leases) with terms of one year or more for the periods set forth below are as follows:

	Land and Buildings	Fixtures	Delivery Equipment	Deduct Sublease Rentals	Net Rental Commitments
1974	$ 9,616	$1,032	$ 842	$ 825	$ 10,665
1975	9,284	816	705	782	10,023
1976	8,559	618	608	656	9,129
1977	8,023	236	446	562	8,143
1978	7,325	83	240	332	7,316
1979-1983	29,941	72	200	1,071	29,142
1984-1988	19,063	---	---	434	18,629
1989-1993	8,891	---	---	283	8,608
1994 and subsequent	1,189	---	---	---	1,189
	$101,891	**$2,857**	**$3,041**	**$4,945**	**$102,844**

The above data reflect existing leases and do not include future replacements upon their expiration.

The net present value at December 29, 1973 and December 30, 1972 of minimum annual rental commitments of non-capitalized financing leases is as follows:

	1973	1972
Land and Buildings	$61,758	$66,787
Fixtures	2,539	3,438
Delivery equipment	2,585	3,301
	$66,882	**$73,526**

The weighted average interest rates for non-capitalized financing leases were 6.592% and 6.557% for 1973 and 1972, respectively, with rates ranging from 4.25% to 10.5%.

If all non-capitalized financing leases were capitalized the approximate effect on net earnings for the years ended December 29, 1973 and December 30, 1972 would have been as follows:

	1973	1972
Rental payments, net	$11,085	$10,972
Amortization of property rights on a straight line basis	(6,423)	(6,395)
Interest expense	(4,618)	(4,733)
	44	**(156)**
Allocated income taxes		75
Decrease (increase) in net loss	**$ 44**	**$ (81)**

CPC INTERNATIONAL, INC. (DEC)

Notes to Financial Statements

Leases— The company and its subsidiaries have entered into a variety of non-capitalized, non-cancellable leases expiring at various dates through 2008, some of which are financing leases. The approximate minimum rental commitments under these arrangements are as follows: ($ thousands)

Year	Financing Leases Real Estate	Financing Leases Trans-portation Equip.	Financing Leases Other Equip.	Other Leases Real Estate	Other Leases Trans-portation Equip.	Other Leases Other Equip.	Total
1974	$ 2,559	$3,219	$619	$4,553	$2,710	$2,080	$15,740
1975	2,070	3,110	592	5,428	2,227	1,284	14,711
1976	2,041	2,670	434	4,346	1,225	346	11,062
1977	1,705	2,204	399	3,868	469	171	8,816
1978	1,705	1,944	359	1,406	219	19	5,652
1979-83	8,406	5,333	771	2,990	--	53	17,553
1984-88	8,246	1,585	699	1,332	--	--	11,862
1989-93	10,721	7	--	184	--	--	10,912
After 93	6,276	--	--	--	--	--	6,276

Rent expense for 1973 and 1972 was $16,675,000 and $14,441,000, respectively. The 1973 rental includes $7,006,308 paid under financing leases. It is estimated that the 1972 rent was slightly less.

As at December 31, 1973 the present value of minimum lease commitments for financing leases (without anticipating the effect of future tax benefits) was $38,350,000. An analysis of this liability by major category of assets financed is as follows:

ASSETS	Present Value
Real Estate	$22,295,000
Transportation Equipment	13,903,000
Other Equipment	2,152,000
	$38,350,000

For 1973 and 1972, if all non-cancellable financing leases had been capitalized, related assets amortized on a straight-line basis, and interest costs accrued at applicable rates on the basis of outstanding lease liability, net income would have increased by slightly less than 3% of the average net income for the most recent three years. This is due to the amortization period for book depreciation being longer than the financing lease.

The weighted average interest rate for all financing leases is approximately 6.75% for the year ended December 31, 1973.

GAMBLE-SKOGMO, INC. (JAN)

Notes to Consolidated Financial Statements

Note 12: Lease Liability— The company conducts the major part of its operations from leased premises. For purposes of the following disclosure, the company has made a distinction between "financing" lease arrangements and other lease arrangements. A "financing" lease is one which, during the noncancelable lease period, either (i) covers 75 percent or more of the economic life of the property or (ii) has terms which assure the lessor a full recovery of the fair market value of the property at the inception of the lease, plus a reasonable return on his investment.

Total rental expense for the last two years was as follows:

	1973	1972
	($ thousands)	
Financing leases:		
Minimum rentals	$11,830	$11,968
Contingent rentals	1,028	1,249
Sublease rentals	(1,335)	(1,171)
	11,523	**12,046**
Other leases:		
Minimum rentals	17,442	18,589
Contingent rentals	1,156	1,160
Sublease rentals	(5,767)	(5,247)
	12,831	**14,502**
	$24,354	**$26,548**

Contingent rentals are determined on the basis of a percentage of sales in certain leased stores.

At January 26, 1974, minimum rental commitments under all noncancelable leases (reduced by sublease rentals) expire as follows:

Year Ended January	Type of Property ($ thousands) Real Property	Transportation Equipment	Other	Total Financing Leases	All Other Leases
1975	$16,631	$2,025	$1,350	$11,411	$ 8,595
1976	15,764	1,652	818	10,740	7,494
1977	14,873	1,320	660	10,224	6,629
1978	13,996	982	498	9,458	6,018
1979	12,858	1,196	264	9,266	5,052
1980-1984	51,593	735	1,148	36,450	17,026
1985-1989	28,729	---	185	20,340	8,574
1990-1994	11,624	--	183	9,167	2,640
Subsequent	10,764	--	--	9,956	808

The above minimum rental commitments which apply principally to real property have been reduced by the following sublease rentals:

Years Ended January	($ thousands) Financing Leases	All Other
1975	$791	$5,139
1976	711	4,558
1977	598	3,979
1978	510	3,251
1979	386	2,623
1980-1984	576	7,481
1985-1989	45	2,122
1990-1994	--	58
Subsequent	--	--

Substantially all leases included above provide that the company pay taxes, maintenance, insurance and certain other operating expenses applicable to the leased premises.

The present values of the aggregate minimum lease commitments, net of sublease rentals, relating to the "finance" leases at January 26, 1974 and January 27, 1973 were approximately $75,000,000 and $77,900,000 respectively, based upon interest rates ranging from 3¾% to 9%. The weighted average interest rate was 6.5% for both 1973 and 1972.

If all of the above "finance" leases were capitalized, the lease rights amortized on a straight-line basis and interest expense accrued on the basis of the outstanding lease liability, net earnings for 1973 and 1972 would have been affected by less than 3%.

W. T. GRANT COMPANY (JAN)

Notes to Financial Statements

Note G: Leases— Total rental expenses for all leases amounted to:

	1974	1973
Financing leases:		
Minimum rentals	$101,236,977	$87,659,988
Contingent rentals	2,300,195	2,176,237
Other leases:		
Minimum rentals	3,577,735	2,227,950
Less: Rentals from sub-leases	1,747,848	1,821,251
	$105,367,059	$90,242,924

The contingent rentals are based upon various percentages of sales in excess of specified minimums.

The future minimum rental commitments as of January 31, 1974 for all noncancellable leases (as defined by ASR No. 147) are as follows, (in thousands):

Years Ended January 31.	Financing Leases Real Estate	Equipment	Other Leases Real Estate	Less: Rental From Subleases Of Real Estate	Total
1975	$ 95,512	$8,522	$ 3,162	$1,539	$105,657
1976	94,013	8,522	3,090	1,240	104,385
1977	91,292	8,522	3,021	1,077	101,758
1978	88,087	7,272	2,993	916	97,436
1979	85,546	7,272	2,993	844	94,967
1980-1984	385,846	1,859	12,522	2,777	397,450
1985-1989	319,693	1,859	12,522	1,379	332,695
1990-1994	167,626	681	12,522	731	180,098
1995 and subsequent	8,391	---	8,139	113	16,417

The estimated present value of the net fixed minimum rental commitments for noncapitalized financing leases and the estimated impact on net earnings had such leases been capitalized is not currently available and will be included in the Company's Form 10-K annual report filed with the Securities and Exchange Commission. A copy of this information will be mailed to all stockholders.

THE PANTASOTE COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 6 (in part): Commitments and Contingencies— The Company and its subsidiaries rent real estate and equipment under long-term leases expiring at various dates to 1990. Certain of these leases require payment of maintenance charges and property taxes. Total rental expense for the two years ended December 31, 1973 was as follows:

	1973	1972
	($ thousands)	
Gross rental:		
Financing leases	$1,018	$ 943
Other leases	1,244	1,152
	2,262	**2,095**
Rental income from subleases:		
Financing leases	176	45
Other leases	150	80
	326	**125**
Rental Expense	**$1,936**	**$1,970**

At December 31, 1973, minimum rental commitments under all non-cancellable leases (reduced by sublease rentals), exclusive of leases capitalized in the balance sheet, expire as follows (000's omitted):

	Type of Property			Total
Year Ended December 31,	Real Estate	Machinery and Equipment	Financing Leases	All Other Leases
1974	$250	$1,565	$ 554	$1,261
1975	248	1,486	524	1,210
1976	243	1,365	526	1,082
1977	223	1,275	522	976
1978	216	1,073	504	785
1979-1983	954	2,459	1,367	2,046
1984-1988	404	1,210	783	831
1989-1990	81	241	322	--

The above minimum rental commitments have been reduced by the following sublease rentals:

1974	225	196
1975	228	183
1976	223	61
1977	218	15
1978	212	15
1979-1983	914	55
1984-1988	520	--

Certain leases include options for renewal or purchase of the leased property. The aggregate present values of minimum lease commitments included above by class of asset, with respect to non-capitalized "financing" leases at December 31, 1973 and 1972, were as follows:

	Rates of Interest Used to Compute Present Values			Amount	
		Weighted Average		1973	1972
Class of Asset	Range	1973	1972	(000's omitted)	
Real estate	4-10.4%	5.7%	5.2%	$1,462	$1,778
Machinery and equipment	4-12.5%	7.1%	6.7%	7,035	8,042
				8,497	**9,820**
Less present value of sublease rentals:					
Real estate	4%	4.0%		410	
Machinery and equipment	4-12.5%	4.8%		1,372	
				1,782	
Present value of non-capitalized financing leases net of subleases				**$6,715**	**$9,820**

Capitalization of the "financing" leases above, together with straight-line amortization of the resultant property rights and accrual of interest on the present value of the lease commitments would have resulted in an increase in reported net income for the years ended December 31, 1973 and 1972, of $123,000 ($.04 per share) and $113,000 ($.03 per share), respectively.

PHILLIPS PETROLEUM COMPANY (DEC)

Notes to Financial Statements

Note 7: Lease Rentals, Commitments, and Contingent Liabilities— Rentals on leases covering bulk and service stations, tank cars, office space, and other facilities entering into the determination of net income for 1973 and 1972, follow:

	1973	1972
Financing leases		
Basic rentals	$43,122,000	$44,523,000
Contingent rentals	3,795,000	3,742,000
Other leases		
Basic rentals	32,626,000	31,898,000
Contingent rentals	186,000	184,000
Total rentals	**79,729,000**	**80,347,000**
Less subleasing income	28,262,000	30,155,000
Net rentals	**$51,467,000**	**$50,192,000**

Contingent rentals relate to bulk and service stations and are generally based on the volume of motor fuel sold. Most station leases have renewal options for varying periods at monthly rentals at least equal to the rentals paid during the primary term of the lease. Some of these leases include purchase options exercisable after a specified number of years.

At December 31, 1973, basic rental commitments under noncancelable leases as follows:

	Basic Rental Commitments (Net of Subleasing Income)		Subleasing Income	
	All Leases	Financing Leases	All Leases	Financing Leases
	($ thousands)			
1974	$ 39,996	$ 36,444	$ 10,858	$ 8,761
1975	38,916	36,072	10,523	8,592
1976	37,512	35,606	10,094	8,229
1977	35,851	34,816	9,319	7,575
1978	34,174	33,392	8,719	7,117
1979-1983	147,443	147,518	30,584	24,638
1984-1988	96,852	97,356	9,152	7,708
1989-1993	40,854	40,536	587	426
Remaining years	10,307	9,072	5	5
Total	**$481,905**	**$470,812**	**$89,841**	**$73,051**

Basic rental commitments (net of subleasing income) at December 31, 1973 for all leases by class of property were:

	Production	Manufacturing	Marketing	Other	Total
	($ thousands)				
1974	$4.529	$2,724	$30,403	$2,340	$39.996
1975	4,521	2,676	29,727	1.992	38,916
1976	4,515	2,529	28,871	1,597	37,512
1977	4.508	2,297	27,890	1.156	35,851
1978	4,504	2,295	26,328	1,047	34.174
1979-1983	22.063	7,675	115,368	2,337	147,443
1984-1988	15,716	5.902	75,202	32	96,852
1989-1993	27	2,847	37,949	31	40,854
Remaining years	131	504	9,241	431	10,307
Total	**$60,514**	**$29.449**	**$380,979**	**$10,963**	**$481.905**

Present values of basic rental commitments and the related subleasing income for noncapitalized financing leases based on implied interest rates in the terms of the leases follow:

Property Classification	Basic Rental Commitments 1973	Subleasing Income 1973	Basic Rental Commitments 1972	Subleasing Income 1972
	Present Values at December 31 ($ thousands)			
Production	$ 40,320	$ 1,459	$ 42,245	$ 1,647
Manufacturing	16,828	---	17,807	---
Marketing	300,496	55,360	320,852	60,559
Total	**$357,644**	**$56,819**	**$380,904**	**$62,206**

The weighted average interest rate used in determining the present values of basic rental commitments was 6.3% for both 1973 and 1972, with rates ranging from 2.8% to 9.8%.

The effect upon net income of capitalizing all non-capitalized financing leases is not presented since it is less than three percent of the average net income for the most recent three years.

At December 31, 1973, the Company was contingently liable for $110,124,000 of obligations of other companies. In addition, the Company has contingent liabilities with respect to claims and commitments arising from agreements with pipeline companies in which it holds stock interests whereby it may be required to provide such companies with additional funds through advances against future charges for transportation of crude oil or petroleum products. A number of suits are also pending in various courts in which the parent company or a subsidiary appears as plaintiff or defendant, including a federal anti-trust proceeding seeking to force divestiture of the properties acquired from Tidewater Oil Company on July 14, 1966, in which the trial court has ruled that such acquisition was illegal and that some divestiture will be required, which ruling has been appealed to the U.S. Supreme Court. While it is impossible to estimate the ultimate liability in respect to contingent liabilities, the Company is of the opinion that the aggregate amount of such liabilities for which adequate provision has not been made is not significant in relation to total consolidated assets.

SCOVILL MANUFACTURING COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 1 — Total rental expense for all non-capitalized leases amounted to ($ thousands):

	1973	1972
Financing Leases:		
Minimum rentals	$3,242	$2,553
Other Leases:		
Minimum rentals	3,037	2,262
Contingent rentals	259	286
	$6,538	**$5,101**

The contingent rentals are based on additional usage of equipment and vehicles in excess of a specified minimum. Sublease rentals of $174 in 1973 and $163 in 1972 have been deducted from the amounts shown as minimum rentals.

At December 30, 1973, the minimum rental commitments under all non-cancelable leases with initial or remaining terms of more than one year are as follows ($ thousands):

Year	Total	Financing Leases: Land and Buildings	Financing Leases: Machinery Equipment and Vehicles	Other Leases: Land and Buildings	Other Leases: Machinery, Equipment and Vehicles
1974	$ 4,964	$ 2,323	$1,143	$ 1,074	424
1975	4,677	2,320	1.113	878	366
1976	3,814	2,316	580	706	212
1977	3,417	2,298	359	625	135
1978	2,963	2,274	240	430	19
1979-1983	13,266	11,145	274	1,847	
1984-1988	8,032	6,309		1,723	
1989-1993	4,728	3,023		1,705	
1994 and later	1,444			1,444	
	$47,305	**$32,008**	**$3,709**	**$10,432**	**$1,156**

Most leases for real estate include options to renew for periods ranging from 5 to 40 years. Sublease rental commitments (minor in amount), which expire in 1991, have been deducted from real estate commitments.

The estimated present values of the net fixed minimum rental commitments for all non-capitalized financing leases are summarized below ($ thousands):

	Weighted Average Interest Rate	December 30, 1973	December 31, 1972
Land and buildings	5.20%	$22,103	$22,626
Machinery, equipment and vehicles	7.81%	2,880	3,067
		$24,983	**$25,693**

The present values were computed using a range of interest rates from 3.88% to 8.92% for land and buildings and from 5.74% to 14.00% for machinery, equipment and vehicles after reducing total rental commitments by estimated amounts applicable to the lessors' payment of taxes and insurance and by estimated amounts of sub-lease rentals.

The impact on net earnings for 1973 and 1972 of capitalization non-capitalized financing leases (including amortization of the related assets on a straight-line basis and accrual of interest of the related liability) would be immaterial.

SQUIBB CORPORATION (DEC)

Notes to Financial Statements

Lease Commitments— The Company is obligated at December 31, 1973 under long-term leases with minimum aggregate rentals as follows: ($ thousands)

	Real property	Automotive equipment	Office equipment and other	Less sublease income	Financing leases	Other leases
1974	$12,755	$2,186	$2,601	$1,110	$11,721	$4,711
1975	12,016	1,312	2,530	1,030	10,734	4,094
1976	11,600	682	2,431	934	9,776	4,003
1977	11,410	26	2,193	917	9,105	3,607
1978	10,846	--	1,984	822	8,851	3,157
1979-1983	43,305	--	4,080	3,180	38,258	5,947
1984-1988	33,890	--	623	2,432	30,295	1,786
1989-1993	18,031	--	565	95	17,938	563
1994-2002	37,363	--	--	--	37,363	--

Most of the Company's leases are renewable for periods of three to five years, and contain clauses for escalations, payment of real estate taxes, maintenance, insurance and certain other operating expenses of the properties. Leases which expire are expected to be renewed or replaced.

Total rental expense for all leases amounted to:

($ thousands)

	1973	1972
Financing leases:		
Minimum rentals	$ 8,572	$ 5,953
Contingent rentals	5,532	3,958
Sublease rentals	(171)	(98)
Other leases:		
Minimum rentals	9,766	9,232
Contingent rentals	182	46
Sublease rentals	(683)	(445)
	$23,198	**$18,646**

Contingent rentals in certain leased facilities are determined on the basis of a percentage of sales in excess of stipulated minimums.

The estimated present values of the net fixed minimum rental commitments for all noncapitalized financing leases at December 31, 1973 and 1972 were as follows:

	Weighted average interest rate 1973	1972	Interest rate range 1973	1972	($ thousands) 1973	1972
Real property	6.9%	6.7%	3-8%	3-8%	$84,147	$71,031
Automotive equipment	7.5	7.7	7-8	7-8	3,718	3,359
Office equipment and other	7.3	7.1	5-8	5-8	2,708	1,981
					90,573	**76,371**
Less present value of sublease rentals	6.9	6.2	4-8	4-8	871	493
					$89,702	**$75,878**

The capitalization of the above financing leases would have no significant effect on net income in either year.

J.P. STEVENS & CO., INC. (OCT)

Notes to Financial Statements

Note 1: Leases— Certain plant machinery used by the Company is leased under financing leases for five year periods at the expiration of which the Company has the right, or at the lessor's option may be required, to purchase the machinery at the lessor's unamortized cost. At the expiration dates of such leases currently in effect and authorized to be entered into in 1974, the purchase prices (lessor's unamortized cost) thereof will aggregate approximately $15,650,000. The Company also leases transportation equipment under financing leases which are for four to eight year periods and provide for a nominal purchase price at the expiration of the leases.

Approximate minimum rental commitments under noncancelable leases, including commitments under the above-mentioned machinery and equipment leases, are as follows:

	($ thousands)		
	Financing leases		Other leases (principally real property)
Fiscal years	Plant machinery	Transportation equipment	
1974	$6,961	$893	$5,287
1975	5,382	603	4,842
1976	4,199	353	4,535
1977	2,399	141	4,221
1978	514	43	3,972
1979-1983		14	18,092
1984-1988			17,912
1989-1993			17,844
After 1993			8,435

Certain of the leases contain escalation clauses relating to taxes, maintenance, etc. The financing leases generally provide that the Company indemnify the lessor for taxes, claims, demands, liabilities, actions, costs and charges arising from the Company's operation, maintenance or use of the leased machinery or equipment.

The approximate present value of the minimum lease commitments under the financing leases at November 3, 1973 aggregated $14,450,000 with respect to plant machinery and $1,700,000 with respect to transportation equipment. Interest rates implicit in the financing leases range from 5.25% to 9.75% (weighted average 6.94%).

If the Company had capitalized its financing leases and the related assets were amortized on the straight line method, net income would have been increased by approximately $1,198,000 in 1973 and $812,000 in 1972. There would have been no material effect on net income if the related assets were depreciated under the Company's normal accelerated method.

Rental expense during the two years is summarized as follows:

	1973	1972
Financing leases	$ 8,920,000	$ 7,560,000
Other leases	9,840,000	9,751,000
	$18,760,000	**$17,311,000**

F. W. WOOLWORTH CO. (JAN)

Notes to Consolidated Financial Statements

Note 10: Leases— At January 31, 1974, the Company was obligated under more than 5,000 leases, principally for store properties. Many of the store leases contain renewal options and provide for additional rental payments based on a percentage of store sales. Under certain leases additional payments are required of the Company for real estate taxes, insurance and other expenses. Rent expense and rental income from subleases

are summarized below ($ thousands):

	1973			1972		
	Minimum Rent	% Rent	Total	Minimum Rent	% Rent	Total
Financing leases*	$138,238	$7,259	$145,497	$121,511	$5,191	$126,702
Other leases	21,880	---	21,880	19,529	---	19,529
	160,118	**7,259**	**167,377**	**141,040**	**5,191**	**146,231**
Rentals from subleases	(25,301)	(7,227)	(32,528)	(25,842)	(5,056)	(30,898)
Rent expense	**$134,817**	**$ 32**	**$134,849**	**$115,198**	**$ 135**	**$115,333**

The foregoing amounts include rentals under both cancelable and noncancelable leases. Minimum rental commitments under noncancelable leases in effect at January 31, 1974, excluding the portion of rentals under gross leases estimated to be applicable to lessors' real estate taxes, insurance and other expenses, are summarized as follows ($ thousands):

	Financing Leases*	Other Leases	Subleases	Net Rental Commitment
1974	$ 108,864	$ 12,335	($16,071)	$ 105,128
1975	107,088	11,375	(13,129)	105,334
1976	104,497	10,726	(9,965)	105,258
1977	101,166	10,011	(7,418)	103,759
1978	97,857	9,310	(3,762)	103,405
1979-83	433,488	37,186	(8,591)	462,083
1984-88	354,800	23,241	(2,586)	375,455
1989-93	215,625	11,271	(805)	226,091
Subsequently	74,714	37,518	(8)	112,224
	$1,598,099	**$162,973**	**($62,335)**	**$1,698,737**

*Certain of the Company's leases meet the criteria of a "financing lease" as defined by the Securities and Exchange Commission to be a lease which, during the noncancelable period, either 1) covers 75% or more of the economic life of the property, or 2) has terms which assure the lessor of a full recovery of the fair market value of the property at the inception of the lease plus a reasonable return.

The aggregate present value of minimum rental commitments of SEC defined financing leases at January 31, 1974 was $983,650 (December 31, 1972— $855,967). Present values were determined by discounting minimum commitments under the lease agreements at interest rates in effect at the time the leases became effective. Such interest rates range from 1.00% to 12.89%, and their weighted average was 6.21% (1972— 5.88%). The present value of rentals to be received under noncancelable subleases of properties, and included above, amounted to $11,315 at January 31, 1974 (December 31, 1972— $11,352). On the assumption that SEC defined financing leases had been capitalized, and the related property right amortized on a straight-line basis and interest expense computed on the basis of the present value of the declining outstanding balance of the lease commitments, net income would have been decreased $3,055 in 1973 and $2,978 in 1972. Under such assumptions amortization of property rights would have amounted to $59,183 (1972— $53,222) and the additional interest expense would have amounted to $53,701 (1972—$45,902).

During 1973 and 1972 several properties consisting of land and buildings were sold and leased back under long-term leases. The net proceeds received amounted to $4,738 and $9,555 respectively; no gains or losses were realized on these transactions.

Sale—Leaseback

BEATRICE FOODS CO. (FEB)

Summary of Significant Accounting Policies

Sale-and-Leaseback Transactions— Gains from sales of properties under sale-and-leaseback transactions are amortized over the lives of the related leases as an adjustment of rental expense.

Notes to Consolidated Financial Statements

Note 5: Sale-and-Leaseback Transactions— During the year ended February 28, 1973, the Company sold at cost ($9,900,725) and leased back certain newly constructed properties. The unamortized balance of deferred gains under prior sale-and-leaseback transactions aggregated $23,165,105 at February 28, 1973 ($24,146,745 at February 29, 1972) and is included in deferred credits in the balance sheet.

CONSOLIDATED PACKAGING CORPORATION (DEC)

	1973	1972
Deferred gain on sale and leaseback (Note 9)	$1,382,000	$1,983,000

Note 9: Sale and Leaseback Transaction— In December, 1972, the Company sold and leased back the property, plant, and equipment of its Crandon Mill at Ft. Madison, Iowa. The resulting gain of $1,983,000 less expenses and less the imputed value of warrants issued in connection with the transaction of $362,000 (see Note 5) has been deferred and will be amortized against rental expense over the lease term of ten years. Two officer-shareholders of the Company have agreed to a buy-out of the positions of the lessors in the event of a default on the lease by the Company.

THE F. & M. SCHAEFER CORPORATION (DEC)

OTHER LIABILITIES AND DEFERRED CREDITS:	
Employee benefits	$ 3,436,000
Deferred income taxes	5,146,000
Deferred credit arising from sale and leaseback of property (Note 10)	439,000
Other liabilities	1,401,000
	$10,422,000

Note 10 (in part): Leases and Commitments— On December 31, 1973, the company entered into a sale and leaseback arrangement for a distribution center. The property was sold for $750,000 and leased back for 20 years at $79,000 annually. The sale resulted in a gain of $439,000 which for financial statement purposes has been deferred and will be amortized to income over the term of the lease.

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.

Table 2-42 summarizes deferred tax presentations. Of the survey companies disclosing deferred taxes, 76 used the caption *Deferred Federal Income taxes* and 290 used the caption *Deferred Income Taxes.* Examples of deferred tax disclosures and presentations follow. Income tax expense disclosures are presented in connection with Table 3-15. Reasons for timing differences are detailed in Table 3-17.

TABLE 2-42: DEFERRED TAXES

	1973	1972	1971	1970
Noncurrent liability only	348	334	360	360
Noncurrent liability and current asset	58	56	42	38
Noncurrent liability and current liability	52	55	41	40
Current liability or current asset only	33	36	28	25
Noncurrent asset only	20	24	18	19
Noncurrent asset and current liability or asset	10	10	15	14
Other presentations	30	34	26	20
Total companies disclosing a balance sheet amount for deferred taxes	**551**	**549**	**530**	**516**

Noncurrent Liability

NATIONAL DISTILLERS AND CHEMICAL CORPORATION (DEC)

Consolidated Balance Sheet

	1973	1972
Deferred taxes on imcome and other deferred credits (Note 10)	$45,861,000	$38,332,000

Note 10: Provision for Taxes on Income

	December 31 1973	1972
CURRENT		
United States (Net of investment tax credits of $1,386,000 in 1973 and $1,540,000 in 1972)	$25,259,000	$21,355,000
Foreign	8,334,000	2,780,000
State and local	4,320,000	3,408,000
	37,913,000	**27,543,000**
TAX EFFECT OF TIMING DIFFERENCES		
United States	3,513,000	2,071,000
Foreign	29,000	471,000
	3,542,000	**2,542,000**
Provision for taxes on income	**$41,455,000**	**$30,085,000**

The tax effects of timing differences arise from the recognition of certain items of revenue and expense for tax purposes in years different from those in which they are recognized in the financial statements. The tax effects of these items which are added to (deducted from) the amount currently payable in determining the provision for taxes on income are as follows:

	1973	1972
Depreciation expense	$3,642,000	$1,999,000
Vineyard development costs	600,000	554,000
Facilities disposal costs	(590,000)	544,000
Other items	(110,000)	(555,000)
Total tax effect of timing differences	**$3,542,000**	**$2,542,000**

The Company's effective tax rate was 48.9% in 1973 and 46.5% in 1972. Reconciliation of the U.S. statutory rate of 48% and these rates may be summarized as follows:

	1973	1972
Statutory rate	48.0%	48.0%
State and local income taxes	2.7	2.7
Investment tax credit	(1.6)	(2.4)
Other items	(0.2)	(1.8-
Effective rate	**48.9%**	**46.5%**

The liability for deferred taxes on income was $41,831,000 and $38,332,000 at December 31, 1973 and 1972, respectively.

Current Asset and Noncurrent Liability

GENERAL FOODS CORPORATION (MAR)

	1973	1972
	($ Thousands)	
CURRENT ASSETS		
Cash	$ 31,874	$ 18,535
Marketable Securities, at cost, which approximates market	109,872	57,791
Receivables, less allowances of $9,423 in 1973 and $7,112 in 1972	318,637	295,430
Inventories	467,600	443,379
Deferred Income Tax Benefits (Notes 1 and 9)	42,517	33,500
Prepaid Expenses	16,357	19,580
Current Assets	**$986,857**	**$868,215**
Current liabilities	$553,836	$467,129
Long-term debt	215,897	222,150
Other non-current liabilities	27,237	22,412
Provision for discontinued operations	51,346	61,707
Deferred income taxes and investment tax credit (Notes 1 and 9)	51,858	35,388

Note 1 (in part): Significant Accounting Policies

Taxes on Income— Taxes on income are based on items included in the consolidated statement of earnings without regard to the period in which such items are reported for tax purposes. Deferred income tax benefits represent the tax effect of certain expenses accrued in the current year, principally marketing expenses, that will be deductible for tax purposes when such expenses are paid. Deferred income taxes represent principally the tax effect of the excess of depreciation deducted for tax purposes in the current and prior years over the amount recorded for financial reporting purposes. Beginning with fiscal 1972, the investment tax credit has been applied as a reduction of the provision for taxes on income. Investment tax credits for prior fiscal years have been deferred and are being taken into income over the recapture period of eight years.

No provision has been made for future U.S. income taxes on the undistributed earnings of foreign subsidiaries since they have been indefinitely reinvested in the foreign operations. If such earnings were distributed, U.S. income taxes would be substantially offset by available tax credits.

Note 9: Taxes on Income— In fiscal 1973 and fiscal 1972, taxes provided on income exceeded (were less than) income taxes payable by approximately $7,000,000 and ($10,000,000), respectively, representing the net tax effect of timing differences.

Investment tax credits applied as a reduction of taxes on income amounted to $3,200,000 and $2,600,000 in fiscal 1973 and 1972, respectively.

MUNSINGWEAR, INC. (DEC)

	1973	1972
CURRENT ASSETS		
Deferred income tax benefits	$369,000	$341,000
LIABILITIES		
Long-term debt, excluding current installments	$14,451,429	$11,282,299
Deferred income taxes	1,299,000	1,076,000
Minority interest in subsidiary company	179,929	172,460

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of Significant Accounting Policies

Income Taxes— Deferred income tax benefits relate to accrued vacation pay, allowances for cash discounts, doubtful accounts and cooperative advertising, all of which will be deducted for income tax purposes in the year incurred. The liability for deferred income taxes relates to the excess of depreciation claimed for income tax purposes over the amount recognized for financial statement purposes.

Note 2: Income Taxes— The 1973 provision for Federal and State income taxes is comprised of the amount currently payable, $2,819,000, plus provision for deferred income taxes, $223,000, less deferred income tax benefits credited to earnings during the year, $28,000, and the investment tax credit earned in 1973, $126,000. Corresponding amounts for 1972 are $4,217,000, $176,000, $44,000 and $164,000, respectively.

NORTON SIMON INC. (JUN)

Balance Sheet

	1973	1972
CURRENT ASSETS		
Future income tax benefits	$30,004,000	$32,428,000
LIABILITIES		
Long-term debt	$237,914,000	$255,439,000
Deferred subscription income	8,529,000	9,056,000
Deferred income taxes	51,931,000	46,083,000

Notes to Financial Statements

Summary of Significant Accounting Policies (in part) — The tax effects of transactions are recognized in the year in which they enter into the determination of net income, regardless of when they are recognized for tax purposes. The accumulated timing differences are shown as future income tax benefits or deferred income taxes in the balance sheet. The principal items which give rise to these differences are depreciation, certain lease payments, subscription income, and certain accruals and allowances.

Income Taxes— The provision for income taxes is as follows:

	1973	1972
Federal	$46,528,000	$40,615,000
Foreign	12,487,000	12,881,000
State	5,342,000	4,695,000
Total	**$64,357,000**	**$58,191,000**

Income tax expense includes provisions for deferred

income taxes of $13,367,000 in 1973 and $2,785,000 in 1972.

At June 30, 1973, Federal income taxes, which would not be significant, had not been provided on $40,675,000 of undistributed earnings of foreign subsidiaries.

Current and Noncurrent Liability

CONSOLIDATED FOODS CORPORATION (JUN)

	1973	1972
Consolidated Balance Sheets		
CURRENT LIABILITIES:		
Notes payable	$5,712,000	$1,678,000
Accounts payable	94,483,000	103,636,000
Accrued liabilities	69,763,000	60,119,000
Accrued income taxes	27,343,000	14,683,000
Deferred income taxes on customer installment accounts	16,961,000	15,380,000
Long-term debt payable within one year	9,266,000	11,685,000
Dividends payable	9,952,000	---
Total current liabilities	**$233,480,000**	**$207,181,000**
OTHER LIABILITIES AND DEFERRALS:		
Deferred income taxes (principally due to excess of tax over book depreciation) and investment tax credit	$19,084,000	$14,813,000
Other	2,376,000	2,249,000
	$21,460,000	**$17,062,000**
Consolidated Statements of Income		
Income before provision for income taxes and extraordinary items	$141,028,000	$124,945,000
Provision for income taxes (including deferred taxes of $5,508,000 in 1973 and $3,035,000 in 1972)	64,823,000	55,830,000
Income before extraordinary items	**$76,205,000**	**$69,115,000**

Summary of Accounting Policies

Income Taxes— The provisions for income taxes include Federal, foreign and state taxes based upon income. The provisions have been reduced by investment credits and, for 1972, by the tax benefit arising from the excess of fair market value over depreciated cost of property donated to an educational institution and a municipality.

The provision for deferred income taxes represents the tax effect of timing differences between financial and tax reporting, and includes those arising from the use of the installment method for certain customer accounts and from accelerated depreciation for tax purposes.

Job Development Investment Credits arising under the Revenue Act of 1971 are being accounted for by the flow-through method and, accordingly, estimated credits of $3,285,000 in 1973, and $3,205,000 in 1972, are reflected as a reduction of the respective year's Federal income tax provision.

Investment credits which arose under the Revenue Act of 1962 were deferred and are being amortized over a five year period to June 29, 1974; amortization of these credits reduced Federal income tax provisions by $887,000 and $923,000 in 1973 and 1972, respectively.

The Company accrues Federal income taxes, as applicable, on earnings of foreign subsidiaries which are intended to be remitted to the parent company. Unremitted earnings of foreign subsidiaries which are premanently reinvested for internal expansion, exclusive of those amounts which would result in little or no such tax by operation of relevant statues currently in effect, were immaterial in amount at June 30, 1973.

CONTROL DATA CORPORATION (DEC)

	1973	1972
	($ thousands)	
CURRENT LIABILITIES		
Payable to banks	$68,326	$66,412
Current maturities of long-term debt	19,376	12,186
Current portion of amounts due affiliates	75,800	61,125
Accounts payable and accrued liabilities	128,895	89,707
Accrued taxes (including deferred income taxes of $25,781 in 1973 and $17,229, in 1972)	54,698	66,978
Total current liabilities	**347,095**	**296,408**
DEFERRED INCOME TAXES, NET	78,135	51,598

Significant Accounting Policies

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, lease acquisition costs and revenues from noncancellable long-term lease contracts, 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 inter-company profit on sales of equipment to international subsidiaries are deferred in the financial statements 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 1973 or 1972 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 therof is postponed indefinitely.

Notes to Consolidated Financial Statements

Note D: Income Taxes— The provisions for income taxes consist of the following:

	Current	Deferred	Total
Year 1972:			
U.S. Federal	$(15,418,000)	$7,215,000	$(8,203,000)
Foreign	17,005,000	(462,000)	16,543,000
Other	1,220,000	---	1,220,000
Total 1972	**$2,807,000**	**$6,753,000**	**$9,560,000**
Year 1973:			
U.S. Federal	$(8,102,000)	$13,342,000	$5,240,000
Foreign	9,278,000	8,014,000	17,292,000
Other	676,000	---	676,000
Total 1973	**$1,852,000**	**$21,356,000**	**$23,208,000**

Foreign income taxes include $542,000 in 1973 and $3,093,000 in 1972 to reflect the effect of tax credits obtained principally from the carryforward of net operating losses, classified as extraordinary items.

The cumulative amount of undistributed earnings of international subsidiaries (including the Company's Domestic International Sales Corporation) on which he Company has not provided U.S. income taxes aggregated approximately $42,072,000 at December 31, 1973. If these earnings were distributed, the additional income taxes would approximate $5,390,000 (which represents, principally, the difference between U.S. and foreign tax rates and credits).

Amortization of investment tax credits amounted to approximately $1,124,000 in 1973 and $1,081,000 in 1972.

The 1973 deferred tax expense, arising from timing differences in reporting revenue and expenses for tax and financial statement purposes, is summarized below:

Excess of tax over book depreciation	$9,735,000
Lawsuit settlement proceeds recognized currently for tax purposes	(2,661,000)
Lease acquisition costs expensed for tax purposes but deferred in financial statements	2,297,000
Long-term leases recorded as sales in the financial statements and as rental revenues for tax purposes	4,910,000
Reversal of deferred taxes relating to transactions with international subsidiaries	7,080,000
Other	(5,000)
Total 1973 deferred income tax expense	**$21,356,000**

The 1973 provision for income taxes calculates to an effective rate of 55.6% on earnings before income taxes. Items accounting for the 1973 effective income tax rate are:

Normal U.S. Federal income tax rate	48.0%
Investment tax credit	(2.7)
Tax-deferred portion of Domestic International Sales Corporation earnings	(5.1)
Losses in international operations for which there is no current income tax benefit	11.5
Tax effect of loss of pooled company for period prior to acquisition	3.0
Other	0.9
Actual 1973 income tax rate	**55.6%**

JIM WALTER CORPORATION (AUG)

Consolidated Balance Sheet

	1973	1972
	($ thousands)	
CURRENT LIABILITIES:		
Short-term notes payable	$362,056	$283,498
Current maturities of long-term debt	17,991	14,122
Accounts payable	75,753	75,418
Accrued expenses	36,331	35,651
Income taxes currently payable	10,460	21,050
Deferred income tax (Note 5)	40,067	33,909
Total current liabilities	**542,658**	**463,648**
Deferred income tax (Note 5)	20,412	14,205

Consolidated Statement of Income and Retained Earnings

Provision for income taxes (Note 5):		
Current	(29,005)	(28,852)
Deferred	(12,365)	(6,717)
	$50,886	**$42,652**

Note 5: Income Taxes— The provision for deferred income taxes is based on reductions in income taxes currently payable principally from (i) utilizing for tax purposes the instalment method of accounting for homes sold for time payments and certain retail credit sales, (ii) accelerated depreciation methods, (iii) amortization of the investment tax credit over a seven-year period and (iv) unamortized discount on purchase of instalment notes receivable by a subsidiary from the Company and another subsidiary, restored in consolidation.

The consolidated tax provision is lower than normal and surtax rates principally due to percentage depletion, expensing of intangible drilling costs for tax purposes, capital gains tax rates applicable to certain revenues and amortization of the investment tax credit ($1,086,000 in 1973 and $849,000 in 1972). The effective rate is lower in 1973 than in 1972 reflecting the greater effect of such items on taxable income.

Current and Noncurrent Asset

INTERCO INCORPORATED

	Feb 28 1973	Nov 30 1972
CURRENT ASSETS:		
Cash	$17,352	$28,846
Receivables, less allowance for doubtful accounts and cash discounts, $3,164 ($3,073 at November 30, 1972)	136,898	134,271
Inventories:		
Finished products and other merchandise	169,672	167,668
Raw materials and work in process	52,412	46,749
	222,084	**214,417**
Prepaid expenses	2,460	2,495
Future income tax benefits	2,109	296
Total current assets	**380,903**	**380,325**
OTHER ASSETS:		
Future income tax benefits	2,646	2,928

Notes To Consolidated Financial Statements

Note 1 (in part): Income Taxes— A summary of the provisions for income taxes follows:

	3 months ended February 28, 1973	3 months ended February 29, 1972	12 months ended February 28, 1973	12 months ended February 29, 1972
			($ thousands)	
Current:				
Federal	$10,540	$7,634	$34,083	$28,181
State and city	959	634	3,085	2,000
Foreign (principally Canadian)	257	348	1,505	1,593
	11,756	**8,616**	**38,673**	**31,774**
Deferred	(1,531)	(43)	(1,973)	(671)
	$10,225	**$8,573**	**$36,700**	**$31,103**
Investment tax credits	$ 105	$ 65	$ 512	$ 289

State and city income taxes were classified in prior reports as operating expenses.

Deferred compensation, depreciation, profit on installment sales and certain reserves are recognized for income tax purposes in years other than the years in which they are reported in the financial statements. Provision has been made for resulting deferred taxes and future tax benefits. Investment tax credits are reflected as a reduction of Federal income taxes for the period in which qualified property is placed in service.

It is the company's intent that the undistributed earnings of subsidiaries will be reinvested in the subsidiaries. Accordingly, no provision has been made for income taxes on such undistributed earnings.

The Federal income tax returns of the company and its major subsidiaries have been examined through 1968. Examinations of years 1969 through 1971 are currently in process. Management is of the opinion that the results of these examinations will have no material effect on the company's financial position or results of operations.

Noncurrent Asset

HYGRADE FOOD PRODUCTS CORPORATION (OCT)

Consolidated Balance Sheet

Mortgages, notes receivable and other investments	$543,942
Deferred income taxes (Note 5)	524,000

Note 5: Income Taxes— Details with respect to the provision for income taxes are as follows:

	1973	1972
United States:		
Current	$ 765,000	$ – – –
Deferred	(106,000)	– – –
Offset by extraordinary item	2,241,000	2,155,000
	2,900,000	**2,155,000**
Foreign	182,567	153,038
	$3,082,567	**$2,308,038**

United States taxes currently payable have been reduced by application of investment tax credits amounting to $567,000.

The portion of the United States tax provision offset by an extraordinary credit in 1973 represents the tax benefits of prior years' loss carryforwards, which includes appropriate recognition of all timing differences. Timing differences relate primarily to certain closed plant costs, pension costs and depreciation.

Current Liability

BOND INDUSTRIES, INC. (JUL)

Consolidated Balance Sheets

CURRENT LIABILITIES:	
Notes payable–banks	$ 2,000,000
Accounts payable–trade	4,523,221
Accrued expenses and sundry liabilities–Note B	6.918,915
Deferred Federal income taxes–Note C	3.102,037
Total Current Liabilities	**$16,544,173**

Consolidated Statements of Operations and Retained Earnings

Federal income tax (credits)–Note C:	
Current	$(1,180,000)
Deferred	(330,000)
	$(1,510,000)

Note C: Federal Income Taxes— Deferred Federal income taxes principally arise from reporting certain sales on the installment method for tax purposes and from excluding manufacturing overhead from inventories computed for book and tax purposes.

Investment tax credits approximating $130,000 (1973) and $100,000 (1972) are included in the Federal income tax credit.

For Federal income tax purposes, net operating loss carryforwards (arising in 1973) aggregating approximately $2,200,000 are available until July 29, 1978 to reduce future taxable income. For financial statement purposes, available carryforwards have been utilized in computing the deferred Federal income tax credits for the year ended July 28, 1973. Upon utilization of such carryforwards to reduce future taxable income, deferred Federal income taxes will be restored in an amount approximating $1,100,000.

GRUEN INDUSTRIES, INC. (MAR)

Consolidated Balance Sheets

CURRENT LIABILITIES:	
Notes payable to banks	$3,539,749
Accounts payable and accrued expenses	1,562,445
U.S. and foreign income taxes, including deferred U.S. taxes of $21,000 in 1973	331,180
Total current liabilities	**$5,433.374**

Consolidated Statements of Income (Loss) and Retained Earnings

PROVISION FOR U.S., FOREIGN AND STATE INCOME TAXES:	
Currently payable (refundable)	$126,000
Deferred	30,000
	$156,000

Notes to Consolidated Financial Statements

Note 1 (in part) Summary of Accounting Policies: Income Taxes— Deferred income taxes arise principally as a result of 1) timing differences resulting from the deduction of certain currency revaluation costs for income tax purposes which have been included as inventory costs for financial statement purposes, 2) the deferral of taxes on intercompany profits in inventory and 3) the deduction of certain expenses for financial statement purposes which will be deductible for tax purposes in future periods.

U.S. income taxes have not been provided on the operating income of foreign subsidiaries. The cumulative amount of undistributed earniings of foreign subsidiaries on which U.S. income taxes have not been provided aggregates $1,842,000. It is the Company's present intent to continue to reinvest such undistributed earnings indefinitely in the businesses of such subsidiaries.

The investment tax credit is accounted for as a reduction in U.S. income taxes in the year in which the credit is utilized.

Current Asset

BRIGGS & STRATTON CORPORATION (JUN)

Consolidated Balance Sheets

CURRENT ASSETS:	
Future Income Tax Benefits (Note 5)	$3,959,000

Consolidated Statements of Income

PROVISION FOR INCOME TAXES:	
Federal—	
Current	$26,490,000
Deferred	(2,228,000)
State	3,838,000
	$28,100,000

Notes to Consolidated Financial Statements

Note 1 (in part): Taxes on Income— Future income tax benefits result from recognizing certain liabilities for financial reporting which are not currently deductible for tax purposes.

Note 5: Reclassification— In order to conform to the current year financial statement classifications, future tax benefits totaling $1,731,000 for 1972 have been reclassified in the consolidated balance sheet and related statement of changes in financial position. These amounts were previously deducted from the related liabilities.

TABLE 2-43: MINORITY INTEREST — BALANCE SHEET PRESENTATION

	1973	1972	1971	1970
Amount of minority interest disclosed	196	203	197	187
Minority interest indicated but amount not disclosed	21	25	26	17
No indication of minority interest	371	361	364	379
Statements not consolidated	12	11	13	17
Total	**600**	**600**	**600**	**600**

MINORITY INTERESTS

All but 4 of the 217 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 minority interest presentations and disclosures follow.

AMERICAN MAIZE-PRODUCTS COMPANY (DEC)

Consolidated Balance Sheets

Long-term debt, less current installments	$23,650,042
Deferred federal income taxes	1,294,320
Other non-current liabilities	1,361,631
Minority interest in subsidiary (Note C)	2,250,000

Note C: Minority Interest— The minority interest in subsidiary is represented by 20,000 shares of preferred stock of Boyer Bros., Incorporated ("Boyer"). Such stock has a minimum redemption value of $2,250,000, which may range up to $3,500,000, contingent upon future earnings of Boyer. The stock has no preference as to dividends through December 31, 1974. Subsequent to that date such stock is preferred as to cash dividends at the rate of $4.65 per share, cumulative only if earned in each year by Boyer. Notwithstanding the foregoing, the Boyer preferred stockholders may currently receive extra cash dividends, up to a maximum of $2.00 per share annually, contingent upon Boyer's attainment of certain earnings goals through December 31, 1979.

The Boyer preferred stock sinking fund requires the restriction of $396,000 of its retained earnings at December 31, 1973. The sinking fund must be at least $500,000 by January 1, 1975. Sinking fund requirements in excess of $2,250,000, if any, will be reflected in the consolidated financial statements of such future periods in which they arise as charges to income with a corresponding increase in minority interest in subsidiary.

The Boyer preferred stock may be redeemed at the option of the holders thereof after May 2, 1974, for an aggregate amount equal to the greater of $2,250,000 or the balance of the aforementioned sinking fund at that time. The preferred stock is effectively callable by Boyer after December 31, 1978, for an aggregate amount equal

to the maximum redemption value at such time.

The holders of the Boyer preferred stock have the right to convert, at any time until May 2, 1979, 1,334 of such shares, with an aggregate maximum redemption value of $233,450, into 10,005 Class A and 5,003 Class B shares of the Company's stock.

ARMADA CORPORATION (DEC)

Consolidated Balance Sheet

Total current liabilities	$11,987,000
Long-term debt	4,111,000
Minority interest in The Hoskins Manufacturing Company	6,669,000
	$22,767,000

Consolidated Statement of Income

COSTS AND EXPENSES:	
Cost of sales	$23,588,000
Selling, general and administrative expenses	2,458,000
Interest expense	567,000
Provision for income taxes	2,171,000
Minority interest in net income of The Hoskins Manufacturing Company	701,000
	$29,485,000

Notes to Consolidated Financial Statements

Note 3 (in part): Acquisition and Proposed Merger— In June 1973, the Company acquired 52.6 percent of the outstanding shares of The Hoskins Manufacturing Company (Hoskins) at a cash cost of $15,466,000, including related expenses. The transaction has been accounted for as a purchase and the accounts of Hoskins have been included in the consolidated financial statements since July 1, 1973. The minority shareholders' 47.4 percent interest in the net income and capital of Hoskins are shown as deductions in the income statement and balance sheet.

DRESSER INDUSTRIES, INC. (OCT)

Consolidated Balance Sheets

	1973	1972
	($ thousands)	
Long-term debt	$163,005	$170,444
Deferred compensation	9,601	7,867
Deferred income taxes	20,930	22,885
Reserve for foreign business risks (Classified as part of shareholders' investment in reports filed with the Securities and Exchange Commission)	5,000	5,000
Minority interests in subsidiaries	1,354	3,740

Consolidated Statements of Earnings

	1973	1972
Net sales and service revenues	$1,025,217	$906,947
Cost of sales and services	701,905	619,799
	323,312	**287,148**
Selling, engineering, administrative and general expenses	241,984	215,214
	81,328	**71,934**
Other income (deductions)		
Interest expense	(16,904)	(14,766)
Interest earned	2,417	1,553
Royalties earned	2,985	3,364
Other income net of other deductions	2,470	3,552
	(9,032)	**(6,297)**
	72,296	**65,637**
Income taxes		
Current— Federal	14,811	15,070
State and foreign	14,529	11,907
Deferred	(1,067)	(321)
	28,273	**26,656**
	44,023	**38,981**
Minority interests in (earnings) losses of subsidiaries	173	(48)
Net earnings	**$ 44,196**	**$ 38,933**

GENERAL ELECTRIC COMPANY (DEC)

Statement of Financial Position

	($ millions)
Total liabilities	$4,901.7
Minority interest in equity of consolidated affiliates	50.1

Statement of Current and Retained Earnings

Earnings before income taxes & minority interest	$1,011.6
Provision for income taxes	(418.7)
Minority interest in earnings of consolidated affiliates	(7.8)
Net earnings applicable to common stock	**$ 585.1**

1973 Financial Summary

Minority Interest in Earnings of Consolidated Affiliates represents the interest which other share owners have in net earnings and losses of consolidated affiliates not wholly owned by the Company.

GETTY OIL COMPANY (DEC)

Consolidated Balance Sheet

	1973	1972
Long-term debt—Note 5	$178,851,000	$112,913,000
Deferred credits—Note 6	85,222,000	84,645,000
Total liabilities	**574,207,000**	**509,993,000**
Minority interest in subsidiaries—Note 2	194,515,000	199,180,000

Consolidated Statement of Income

	1973	1972
Income before minority interest and extraordinary items	$149,853,000	$89,617,000
Less minority interest in income of consolidated subsidiaries—Note 2	(14,821,000)	(13,484,000)
Income before extraordinary items	**135,032,000**	**76,133,000**
Extraordinary items—Note 3	7,205,000	5,041,000
Net income	**$142,237,000**	**$81,147,000**

Note 2 (in part): Basis of Accounting for Subsidiaries and Affiliates— The accounts of all wholly owned subsidiaries and those of the majority-owned subsidiary, Mission Corporation, and that company's subsidiary, Skelly Oil Company, have been consolidated in the accompanying financial statements. On December 31, 1973, the company owned an 87.93 percent interest in Mission Corporation and a 3.56 percent interest in Skelly Oil Company. Mission owned a 72.53 percent interest in Skelly Oil. Directly and indirectly, through Mission, Getty Oil held a 67.34 percent interest in Skelly Oil. The comparable equity interests on December 31, 1972, were, respectively, 87.16 percent, 1.42 percent, 72.53 percent, and 64.64 percent.

The equity of the minority stockholders of Mission and Skelly Oil in the net assets of these companies was $194,515,000 on December 31, 1973, and $199,180,000 on December 31, 1972, as indicated in the consolidated balance sheet. The consolidated statement of income includes all of the revenues, costs and expenses of Mission and Skelly Oil. The interest therein of the minority stockholders of Mission and Skelly Oil ($14,821,000 in 1973 and $13,484,000 in 1972) has been deducted in arriving at the amount shown as consolidated net income.

GULF OIL CORPORATION (DEC)

Consolidated Statement of Financial Position

	1973	1972
	($ Millions)	
Total current Liabilities	$2,404	$1,492
Long-Term Debt	1,608	1,941
Deferred Income Taxes	105	141
Other Liabilities	122	94
Minority Interests (Note 15)	266	247
Total Liabilities	**$4,505**	**$3,915**

Consolidated Statement of Changes in Financial Position

FINANCIAL RESOURCES WERE PROVIDED BY		
Income before extraordinary item	$ 800	$ 447
Income charges (credits) not affecting working capital		
Depreciation, depletion, amortization and retirements	610	576
Deferred income taxes	12	11
Income applicable to minority interests	36	22
Net gain from sales of properties and investments	(24)	(1)
Foreign exchange translation loss related to long-term debt	4	43
Undistributed loss (earnings) of affiliated and associated companies including nuclear partnership	122	(8)
Working capital from operations	**$1,560**	**$1,090**

Note 15: Minority Interests— Minority interests reflect the ownership of minority shareholders in the equity of consolidated subsidiaries which are less than wholly-owned, primarily Gulf Oil Canada Limited, and were comprised of the following:

	Millions of Dollars December 31	
	1973	1972
Capital stock	$ 94	$ 93
Retained earnings	170	145
Other	2	9
	$266	**$247**

HARSCO CORPORATION (DEC)

Consolidated Balance Sheets

Total current liabilities	$ 64,110,000
Long-term debt	28,613,000
Taxes on foreign income payable after one year	2,470,000
Reserves and deferred credits	7,997,000
Minority interest in foreign subsidiaries	4,079,000
	$107,269,000

Consolidated Statements of Income

OTHER CHARGES:	
Minority interest in income of foreign subsidiaries	$1,566,000
Provision for unremitted foreign income	380,000
	$1,946,000

WESTVACO CORPORATION (OCT)

Consolidated Balance Sheet

	1973	1972
	($ thousands)	
Current liabilities	$ 90,119	$ 70,384
Long-term obligations	182,300	186,154
Deferred income taxes	32,616	37,124
Minority interest in U.S. Envelope (Note A)	1,159	11,374

Consolidated Statement of income and Retained Income

Income before taxes	$68,175	$17,979
Income taxes (Note H)	23,795	4,291
	44,380	**13,688**
Minority interest in net income of U.S. Envelope	890	588
Net income	**$43,490**	**$13,100**

Note A (in part): Subsidiaries— By a prospectus dated October 4, 1973 the Company offered to exchange .85 and .50 shares of its common stock, respectively, for each of the common and preferred shares of U.S. Envelope Company's capital stock held by the public. As a result of this exchange offer, at October 31, 1973 Westvaco had increased its equity in U.S. Envelope from 58% to 94% and in this connection was issuing 258,401 shares of common stock to which an aggregate value of $6,460,025 ($25 per share) has been assigned, which approximates the market quotations on the date the Com-

pany announced its intention to make the exchange offer. Subsequent to October 31, 1973, additional U.S. Envelope shares were received or guaranteed which will increase Westvaco's equity to 97%. The exchange offer terminates on December 4, 1973 unless extended.

A. E. STALEY MANUFACTURING CORPORATION (SEP)

Consolidated Balance Sheet

Long-term debt	$44,410,000
Deferred items	
Pensions	10,398,000
Income taxes	9,461,000
Total deferred items	**19,859,000**
Minority interests	**4,757,000**

Statement of Consolidated Earnings and Earnings Reinvested

COSTS AND EXPENSES	
Cost of products sold	$396,912,000
Selling and administrative expenses	45,312,000
Interest expense	5,205,000
Minority interests	1,698,000
Total costs and expenses	**$449,127,000**

XEROX CORPORATION (DEC)

Consolidated Balance Sheets

	1973	1972
	($ thousands)	
United Kingdom Corporation tax and deferred income	$ 8,752	$ 14,530
Deferred investment tax credits	23,167	17,137
Long-term debt	569,155	446,811
Outside shareholders' interests in equity of subsidiaries	163,162	116,230

Consolidated Statements of Income

Income before outside shareholders' interests	$366,637	$302,214
Outside shareholders' interests	66,153	52,707
Net income	**$300,484**	**$249,507**

TABLE 2-44: OTHER LONG-TERM LIABILITIES, DEFERRED CREDITS, AND RESERVES

Employee Liabilities	**1973**	**1972**	**1971**	**1970**
Deferred compensation, bonus, etc.	90	92	88	87
Pension or retirement plan	72	71	68	71
Other—not described	29	28	27	34
Estimated losses or expenses				
Foreign operations	41	28	32	35
Insurance	31	34	35	37
Discontinued operations	29	35	31	26
General contingencies	6	5	8	7
Repairs, furnace relining, etc.	5	5	6	5
Other—described	7	31	25	27
Deferred credits				
Payments received in advance, warranties, etc.	30	26	25	13
Deferred profit on sales	9	9	12	17
Excess of acquired net assets over cost	8	10	12	15
Production payments	7	13	12	7
Other—described	25	22	13	14
"Miscellaneous" or "other"	**236**	**178**	**169**	**164**
Total Presentations	**625**	**587**	**563**	**559**

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.

Employee Liabilities

ALAN WOOD STEEL COMPANY (DEC)

Liability for supplemental unemployment benefits	$626,135

AMERICAN BAKERIES COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of Accounting Policies: Retirement Plan— The Company has a retirement plan for all eligible employees in an executive, administrative, supervisory or clerical capacity. Retirement plan provisions were $595,469 in 1973 and $826,657 in 1972 and include amortization of past service costs over a thirty-five to forty year period. Changes during the year in certain actuarial methods and assumptions (including a change in the assumed interest rate), amendments to the plan (which are subject to Internal Revenue Service

approval) and a reduction of the number of participants had the effect of reducing pension cost for the year by approximately $230,000.

At December 29, 1973, accrued but unfunded pension costs amounting to approximately $3,318,000 were reflected in the accompanying balance sheet. $2,000,000 of these accrued expenses will not be funded in 1974 and, accordingly, have been classified as a long-term obligation. The available tax benefits related to current and long-term pension accruals have been reflected in the accompanying balance sheet as a future tax benefit and a reduction of deferred income taxes, respectively.

As of June 30, 1973, total assets in the retirement fund and the balance sheet accrual were in excess of the actuarially computed value of vested benefits at that date. Unfunded past service costs amounted to approximately $5,634,000 as of the most recent valuation date.

The Company also made contributions of approximately $5,900,000 in 1973 and $5,400,000 in 1972 to union pension funds in accordance with the provisions of negotiated labor contracts.

Note 4: Long-Term Liabilities— Long-term liabilities at December 29, 1973, and December 30, 1972, consisted of the following:

	1973	1972
Revolving credit bank note, interest at prime rate paid quarterly, to be converted to a term loan in July, 1974, interest at ½% over prime rate, payable quarterly and due in July, 1979	$ 8,000,000	$ 8,000,000
Discounted amounts of future rental payments under lease agreements—		
Real estate lease, expiring in 1996	2,813,461	2,864,865
Equipment lease, expiring in 1986	3,817,116	4,117,581
Notes payable:		
10¼%, due in 1975	1,500,000	1,500,000
6¼%, due in 1987	829,291	1,279,291
6% (or prime rate if less), due in 1981	720,000	820,000
6%, due in 1974	67,817	153,703
Accrued pension costs to be funded after 1974	2,000,000	---
Other debt	323,697	191,339
	$20,071,382	**$18,926,779**
Less— Current maturities	853,144	497,520
	$19,218,238	**$18,429,259**

COLGATE-PALMOLIVE COMPANY (DEC)

	($ thousands)
NON-CURRENT LIABILITIES	
Long-term debt	$68,954
Deferred income taxes	20,195
Staff leaving indemnities	26,246

Notes to the Consolidated Financial Statements

Note 2 (in part): Summary of Significant Accounting Policies: Retirement and Termination Costs— The company and all its domestic subsidiaries and certain foreign subsidiaries have contributory and noncontributory pension plans which cover substantially all employees. Pension costs are funded by annual payments to trustees or insurance companies. All past service costs arising from amendments to the company's plan are amortized over a maximum of three years. Kendall's plan is being funded over the average working lives of the applicable employees and Rubinstein's funding is being carried out over a period of approximately twenty-five years.

In those foreign countries where retirement or termination payments to employees are mandated by law, the subsidiaries generally provide staff leaving indemnities for the maximum amounts currently earned.

Note 9: Retirement and Termination Costs— Pension costs totaled $15,723,000 in 1973 and $13,843,000 in 1972 including amortization of past service costs. Unfunded past service costs at December 31, 1973, which were applicable to Kendall's and Rubinstein's plans, amounted to $6,498,000.

Operations were charged $5,581,000 in 1973 and $4,351,000 in 1972 for staff-leaving indemnities.

FANSTEEL INC. (DEC)

Deferred Pension Plan Contributions	$549,207

Financial Review

Pension Plans— The Company provides pension benefits under various plans for the majority of its employees. Pension costs of $948,000 in 1973 and $825,000 in 1972 include normal cost, interest on unfunded past service costs, and where applicable, a provision for vested benefits or a portion of unfunded past service costs. The cumulative excess of pension provisions over amounts funded has been recorded as deferred pension plan contributions. At the most recent valuation, the actuarially computed excess of vested benefits over pension fund assets and unfunded accruals was $2,220,000.

H. J. HEINZ COMPANY (APR)

LONG-TERM DEBT AND OTHER LIABILITIES:	
Long-term debt	$129,899,444
Liabilities under incentive profit sharing plans, less portion payable within one year	8,289,145
Deferred Federal and foreign taxes on income	15,368,474
Future foreign taxes on income	8,880,393
Sundry	8,501,788
	$170,939,244

HOUDAILLE INDUSTRIES, INC. (DEC)

	1973	1972
OTHER LIABILITIES (CURRENT PORTION INCLUDED IN CURRENT LIABILITIES):		
Long-term debt	27,700,000	$27,650,000
Long-term lease obligation	259,345	2,365,000
Deferred compensation plans (Note D)	1,836,607	1,026,662
Taxes on income deferred to future periods	3,488,290	3,785,084
Total other liabilities	**$33,284,242**	**$34,826,746**

Note D: Extra-Compensation Plan— Under the provisions of the Extra Compensation Plan for key employees, approved by the stockholders effective January 1, 1975, the Compensation Committee recom-

mended and the Board of Directors subsequently approved, provisions of $1,665,642 and $1,012,700 and awards of $1,142,250 and $1,012,700 for 1973 and 1972, respectively.

Included in the consolidated balance sheet under "Accrued payrolls, taxes, interest, etc." are $874,772 and $764,012 which represent the unpaid portions of prior and current years' awards for 1973 and 1972, respectively, which are payable in cash during 1974 and 1973, respectively. The remainder of the awards payable in the future under the earning out provisions of the plan and the unawarded provision for 1973, are both included under "Other Liabilities— Deferred Compensation Plans."

A. C. NIELSEN COMPANY (AUG)

Accrued Profit Sharing Expense Payable After One Year (Note 5)	$5,904

Note 5: Employee Benefit Plans— There are pension plans, some contributory and others noncontributory, covering substantially all employees. Amounts provided under all plans totaled $2,807,000 in 1973 and $2,497,000 in 1972. Benefits were increased under certain plans during 1973 and 1972. With one relatively minor exception, the market value of the assets of the various funds exceeded the actuarially computed value of vested benefits at the most recent valuation dates of the plans.

The Company and certain subsidiaries have profit sharing plans which provide for payment of annual bonuses to key employees. Most of these plans provide for the allocation of the profit sharing provision into three segments: one payable currently, another payable over a specified period of time (generally four years) and the third retained in a bonus reserve which is payable only on approval by the Boards of Directors of the participating companies. Amounts charged to income under all plans totaled $3,022,000 in 1973 and $2,524,000 in 1972.

PRATT-READ CORPORATION (JUN)

Long-Term debt	$585,000
Deferred Compensation (Note E)	343,911
Minority interest in consolidated subsidiary	615,456

Note E: Pension and Deferred Compensation Plans— Certain divisions and subsidiaries have pension plans covering their employees. Pension expense amounted to $323,218 and $322,903 for the years ended June 30, 1973 and 1972, respectively, and includes, as to certain of the plans, amortization of prior service cost over periods ranging from 10 to 30 years. The Company's policy is to fund pension costs accrued. On the most recent valuation dates, vested benefits exceed assets on deposit and balance sheet accruals by approximately $1,207,274.

The Company has employment agreements with certain key employees which provide, among other things, for deferral of compensation, which is payable on retirement, on death during full-time employment, or on other termination of full-time employment. The deferred compensation costs are accrued in the financial statements but are not deducted for income tax purposes until paid.

ROWE FURNITURE CORPORATION (NOV)

	1973	1972
Deferred liabilities (Note 4)	$188,362	$25,000

Note 4: Deferred Compensation Plans— Under the 1971 Executive Incentive Compensation Plan, composed of Part 1 Incentive Stock Units and Part II Deferred Compensation Awards, the Board of Directors may make awards to key employees of the Company, or of any of its wholly-owned subsidiaries.

Part I Incentive Stock Units— While common stock will not be issued, benefits under Part I are related to the increase, if any, of the market value of the common stock over the value at date of award. Awards amounted to 12,100 units at $15.27 per unit in 1973 and 16,750 units at $17.90 in 1972, therefore, no charge has been made to income.

Part II Deferred Compensation Awards— The Company at November 30, 1973, recorded a deferred liability for awards of $119,250 and related future income tax benefits of $60,818. These amounts included $54,250 and $27,668, respectively, that were applicable to November 30, 1972. A deferred liability of $25,000 and related future income tax benefits of $12,750 were recorded at November 30, 1972. Awards under Part II are fully vested at date awarded and are payable over ten annual installments following the year of termination of employment.

The Company has deferred compensation agreements with key employees in amounts ranging from $50,000 to $250,000. The employees become 50% vested at age fifty-five and vest an additional 5% each year thereafter, except there is no vesting in the event of voluntary termination of employment. Vested benefits are payable in 120 monthly installments upon cessation of employment. Life insurance contracts have been purchased which may be used to fund these agreements. At November 30, 1973, the Company recorded a deferred liability of $44,112 and related future income tax benefits of $22,497. The liability is based on the present value method, using a 10% per year discount rate.

Other Liabilities-Described

CARRIER CORPORATION (OCT)

NONCURRENT LIABILITIES	
Long-term debt	$182,430,000
Extended-term product guarantees	17,717,000
Deferred taxes on income	9,844,000
Other	7,185,000
	$217,176,000

Notes to Consolidated Financial Statements

Summary of Significant Accounting Policies (in part): Product guarantees— Current and extended-term product guarantees are established for the estimated future costs that will be incurred under product guarantees and warranties presently in force.

THE GRAND UNION COMPANY (FEB)

	1973	1972
Liability for unredeemed trading stamps, less amount included in current accrued liabilities (1973, $8,939,598; 1972, $8,283,366) (Note 1)	$3,000,000	$2,800,000

Note 1 (in part): Trading Stamp Revenue and Expense– The company records stamp revenue and provides for estimated cost of redemption at the time of issuance, based on periodically reviewed operating experience.

POTTER INSTRUMENT COMPANY, INC. (JUN)

Deferred income (Note 7)	$ 487,500
Deferred income taxes	47,752
Long-Term debt (Note 4)	15,705,589
Settlement Payments (Note 3)	810,000

Note 3: Settlement Agreement– In February 1970, the Company settled litigation with Management Assistance, Inc. (MAI). The settlement agreement provided for quarterly payments to MAI through February 28, 1975 up to a maximum of $5,600,000 based upon the number of units of specified equipment sold, leased, or otherwise marketed by the Company, but not less than $1,350,000 by August 31, 1973 or a cumulative minimum total of $2,160,000 by August 31, 1974. In fiscal 1970, the total minimum payable, plus related legal expenses, was reported as an extraordinary charge to income.

In July, 1971, after having made payments aggregating $224,000, the Company notified MAI that recent developments had nullified the agreement. The matter was submitted to arbitration and the arbitrators concluded that the agreement was still in effect. The Company subsequently in August and September 1973 paid to MAI a total of $797,000 for amounts accrued under the agreement through March 31, 1973 plus interest of $60,033 at 6% from the date the amounts were first due. No further payments have been made by the Company.

In August 1973, the Company notified MAI that, due to certain pricing action taken by International Business Machines Corporation, the settlement agreement was nullified. The Company expects the entire matter to be again submitted to arbitration. If the Company is successful in its contention, the reversal of the remaining unpaid liability will give rise to an extraordinary credit of approximately $1,139,000 when the matter is resolved.

TOBIN PACKING CO., INC. (OCT)

CURRENT LIABILITIES	
Accounts payable and accrued liabilities, including employees' compensation	$2,661,184
Accrued pension costs	951,162
Federal income taxes	30,799
Other taxes	161,334
Current installments on note payable	93,000
Current portion of allowance for future costs (Note 2)	65,156
Total current liabilities	**$3,962,635**
Allowance for future costs (Note 2)	$393,304

Note 2: Leased Plant Facilities– In May 1973 the Company secured a two-year sublease for a major portion of its leased plant in Miami, Florida, formerly operated by the Company. The 1973 extraordinary gain of $213,000, less applicable income taxes of $113,000, represents the recovery of a portion of certain costs and expenses over the sublease period, which had been fully provided for in 1972 as an extraordinary item in the amount of $922,000, less income tax benefit of $488,400, in connection with these Miami facilities.

At November 3, 1973 there remained a balance of $458,460 in the allowance for future costs related to net rental payments and additional anticipated costs to be incurred through the expiration of the Company's lease in September 1977. Changes with regard to the allowance for future costs and deferred taxes are summarized as follows:

	Allowance for Future Costs	Deferred Taxes
Balance, October 30, 1971	$ 80,000	$ 37,800
Year ended October 28, 1972		
Provided	922,000	488,400
Incurred	(168,107)	(87,200)
Balance, October 28, 1972	**833,893**	**439,000**
Year ended November 3, 1973		
Recovery	(213,000)	(113,000)
Incurred	(162,433)	(93,100)
Balance, November 3, 1973		
Current portion	65,156	34,300
Non-current portion	393,304	198,600
	$458,460	**$232,900**

The current portion of deferred taxes is included in prepayments and other current assets.

Deferred Credits

CHERRY-BURRELL CORPORATION (OCT)

DEFERRED INCOME AND LIABILITIES:	
Deferred income taxes	$550,000
Deferred rental income	310,955
Pension provisions not currently payable	773,666
	$1,634,621

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of Significant Accounting Policies: 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.

GAF CORPORATION (DEC)

DEFERRED CREDITS

Deferred income taxes	$27,575,000
Deferred investment tax credit	4,889,000
Deferred foreign currency translation gains(Note 1)	2,166,000
Total Deferred Credits	**$34,630,000**

Notes to Consolidated Financial Statements

Foreign Operations— In 1973, the Company had a $2,166,000 unrealized foreign currency exchange gain including $225,000 of unrealized gains at December 31, 1973 on forward exchange contracts. Unrealized foreign currency exchange losses for 1972, amounting to $447,000, were charged to income in 1972.

Reference is made to the Foreign Operations section of the Financial Review for amounts relating to net income and net assets of foreign subsidiaries.

S.S. KRESGE COMPANY (JAN)

Deferred Gain on Sales and Leasebacks	$9,196,000
Deferred U.S. and Foreign Income Taxes	35,129,000
Long-Term Debt, less portion due within one year	21,065,000
Minority Interest in Australian Subsidiary	4,019,000

Notes to Consolidated Financial Statements

Note A (in part): Summary of Significant Accounting Policies

Sale, and Leaseback— Gains or losses on sale and leaseback transactions are deferred and recognized in income over the initial terms of the leases.

LYKES-YOUNGSTOWN CORPORATION (DEC)

Voyages in Progress	$12,825,000
Long-Term Debt	517,050,000
Cumulative Tax Effects of Timing Differences	52,079,000

Notes to Financial Statements

Note 1 (in part): Statement of Significant Accounting Policies

Revenue Recognition— Revenue from sales of products is recognized upon passage of title to the customer which generally coincides with physical delivery and acceptance. Revenue from vessel operations is recognized upon unloading inbound cargoes (terminated voyage basis).

Voyages in progress in the accompanying consolidated balance sheet include revenues and expenses applicable to unterminated voyages. Revenues are recorded with respect to cargo loaded at the last port from which a vessel sails prior to the end of an accounting period; expenses are recorded for services rendered and supplies furnished, net of applicable subsidy, through the end of an accounting period.

MELVILLE SHOE CORPORATION (DEC)

Deferred credit on condemnation of property (Note 3)	$6,620,000

Note 3: Property, Plant, and Equipment— Pursuant to an order of condemnation, a subsidiary of the Company was compelled to surrender possession of certain land and building on April 20, 1971. The subsidiary has recorded as a deferred credit, $6,620,000 in payments it received in 1972 toward the final award. Relocation and related expenses incurred by the Company have been deferred and will be applied to the proceeds of the final award which is currently pending. In the opinion of management, the Company will not sustain a loss on the disposition of these assets.

REYNOLDS METALS COMPANY (DEC)

DEFERRED CREDITS AND OTHER LIABILITIES

Deferred taxes on income	$132,543,000
Government investment grant—Note A	33,153,000
Pensions—Note E	26,174,000
Deferred compensation and other	16,846,000
	$208,716,000

Note A (in part): Significant Accounting Policies—Investment Grants— Investment grants received from foreign governments for the purpose of subsidizing plant construction are applied in reduction of the related property additions. The investment grant received from the City of Hamburg, West Germany for general operating purposes is deferred until operations commence in 1974 when it will be amortized by the straight-line method over five years.

THE STANDARD OIL COMPANY (AN OHIO CORPORATION)

	($ thousands)
Deferred Revenue—Note D	$76,710

Note D: Deferred Revenues— A subsidiary has entered into three deferred revenue transactions:

(1) An agreement which provides for the advance sale of $200 million of crude oil from Prudhoe Bay reserves and grants purchase rights to a substantial portion of Prudhoe Bay gas reserves. Advance payments, $60 million at December 31, 1973, plus accrued interest and certain other costs, are to be repaid only from sales of crude oil from Prudhoe Bay leases. Subsequent advance payments are dependent upon the issuance of certain permits needed for construction of the trans-Alaska pipeline.

(2) Sales of interests in future coal production, with unliquidated balances at December 31, 1973, of $6,222,000, to be settled only by coal produced.

(3) An agreement effective January 1, 1974, which provides for the subsidiary to receive up to $300 million, to be repaid only from the sale of crude oil from Prudhoe Bay leases. The maximum available amount is to be reduced by any balance outstanding under the $100-million revolving credit agreement—Note C. Drawdowns are related to expenditures for the Prudhoe Bay leases and the trans-Alaska pipeline.

STANDARD PRESSED STEEL CO. (DEC)

Deferred investment grants	$373,550

Summary of Significant Accounting Policies

Investment Credit and Grants— United States investment credit is recorded as a reduction of income taxes

in the year earned.

United Kingdom investment grants are deferred and are being amortized over the lives of the assets to which they relate.

WEIGHT WATCHERS INTERNATIONAL, INC. (SEP)

DEFERRED CREDITS:	
Deferred subscription revenues, net	$607,000
Deferred federal income taxes	7,000
	$614,000

Notes to Consolidated Financial Statements

Note 1 (in part): Statement of Significant Accounting Policies

Deferred Subscription Revenues, Net– Subscription revenues, less commissions, advertising and promotion expenses to obtain such revenues, are apportioned equally over the subscription periods.

TABLE 2-45: USE OF TERM "RESERVE"

To describe deductions from assets for	1973	1972	1971	1970
Uncollectible accounts	53	62	64	74
Accumulated depreciation	20	26	26	26
Decline in value of investments	10	12	12	12
Adjustment in value of inventories	6	8	9	10
Other	14	20	9	13
Total Presentations	**103**	**128**	**120**	**135**
To describe accruals for				
Estimated losses or expenses relating to foreign operations	35	24	28	31
Employee benefits or compensation	34	34	47	48
Insurance	25	29	27	34
Estimated expenses relating to property abandonments or discontinued operations	15	22	26	N/C
Income taxes and other current liabilities	9	4	10	10
Deferred income taxes	7	14	18	24
Other– identified	26	28	16	17
Other– not identified	40	45	57	73
Total Presentations	**191**	**200**	**228**	**237**
Included in stockholders' equity	--	1	3	4
Number of Companies Presenting Reserves				
In assets only	47	78	59	63
In assets and liabilities	27	30	34	38
In liabilities only	102	156	108	108
In neither assets nor liabilities	424	336	399	391
Total	**600**	**600**	**600**	**600**

N/C– Not Compiled.

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 or liability sections of the balance sheet.

TITLE OF THE "STOCKHOLDERS' EQUITY" SECTION

Table 2–46 summarizes the titles used in the 1973 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	1973	1972	1971	1970
Equity	529	522	523	514
Investment	44	45	43	43
Other term	8	8	8	9
Subtotal	**581**	**575**	**574**	**566**
"Ownership" word omitted:				
Capital stock and retained earnings (or surplus, etc.)	8	11	10	14
Capital	4	6	7	7
Capital and retained earnings (or surplus, etc.)	2	2	4	6
Other terms or title not set forth	5	6	5	7
Total Companies	**600**	**600**	**600**	**600**
***Ownership Word**				
Stockholder	317	327	330	323
Shareholder	236	228	220	208
Other	28	20	24	35
Total	**581**	**575**	**574**	**566**

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.

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.

TABLE 2-47: CAPITAL STRUCTURES

Common stock with:	1973	1972	1971	1970
No preferred stock (*32, 521, 705)	173	164	164	165
One class of preferred stock (*384, 506, 716)	323	327	309	314
Two classes of preferred stock (*39, 92, 314)	88	81	92	88
Three or more classes of preferred stock (*230, 340, 738)	16	28	35	33
Total Companies	**600**	**600**	**600**	**600**
Companies using term "Capital Stock" (*103, 345, 538)	14	23	22	24
Companies included above with two or more classes of common stock (*336, 714, 744)	13	19	21	20

*Refer to Company Appendix Section.

Simple Capital Structures

THE AMALGAMATED SUGAR COMPANY (SEP)

CAPITAL STOCK:	
Preferred stock, no par value:	
Class A, authorized: 1,500,000 shares; none issued	
Class B, nonvoting; authorized: 500,000 shares; none issued	
Common stock, no par value:	
Authorized: 5,000,000 shares	
Issued: 2,071,647 shares	
Outstanding: 1973, 2,052,747 shares; 1972, 2,071,647 shares	$10,358,000
RETAINED EARNINGS	54,118,000
	64,476,000
Less treasury stock at cost: 18,900 shares	447,000
	$64,029,000

BAKER OIL TOOLS, INC. (SEP)

	($ Thousands)
SHAREHOLDERS' EQUITY	
Common stock, $1 par value (authorized 20 million shares; outstanding, 9,985,019 and 9,939,334 shares after deducting 87,365 and 133,050 treasury shares in 1973 and 1972, respectively)	$10,515
Preferred stock (authorized 4 million shares of $25 par value and 1 million shares of no par value; none issued)	---
Capital in excess of par value	15,383
Retained earnings	55,587
Total shareholders' equity	**$81,485**

FAIR LANES, INC. (JUN)

STOCKHOLDERS' EQUITY	
Common stock subscribed 30,001 shares	$100,005
Common stock, par value $1 per share; authorized 3,000,000 shares; issued 2,703,066–1973	2,703,066
Additional paid-in capital	13,930
Retained earnings	6,624,093
	9,441,094
Less common stock	
Reacquired, at cost 301,923 shares–1973	236,183
Subscriptions receivable	100,005
	336,188
Total stockholders' equity	**9,104,906**

Notes to Financial Statements

Note 11 (in part): Common Stock– The Company has stock subscription agreements with the former owners of a subsidiary acquired in 1968. These agreements are for the sale of 30,001 shares of common stock in December, 1973 at a subscription price of $3.33⅓ per share.

CITATION MANUFACTURING COMPANY, INC. (JUN)

	1973	1972
STOCKHOLDERS' EQUITY		
Common stock, par value $0.05 per share; authorized, 3,500,000 shares; issued and outstanding 2,765,974 shares at June 30, 1973, and 2,679,001 shares at June 30, 1972 Note 11	$ 138,299	$ 135,732
Common stock subscribed and paid for, but not issued 141,942 shares at June 30, 1973—Note 12	278,118	---
Capital in excess of par value—Note 11	967,405	825,592
Retained earnings	1,343,133	1,636,664
Total stockholders' equity	**$2,726,955**	**$2,597,988**

FOOD FAIR STORES, INC. (JUL)

SHAREHOLDERS' EQUITY:	
Preferred stock (Note 8)	$ 2,578,000
Common stock (Note 9)	7,554,000
Capital in excess of par	50,939,000
Retained earnings	73,790,000
	$134,861,000

Note 8: Preferred Stock— Preferred stock is $4.20 cumulative, $15 par (stated at liquidating value of $100 per share); 108,190 shares are authorized, of which 25,778 are issued and outstanding. The Company is obligated to set aside $120,000 semi-annually as a sinking fund for the redemption of the preferred stock which may be called for this purpose at $100 per share plus accrued dividends.

Note 9: Common Stock— Common stock is $1 par; 10,000,000 shares are authorized, of which 7,557,378 are issued, 3,300 are held in the Company's treasury and 7,554,078 are outstanding.

At July 28, 1973, options were outstanding to purchase 25,229 shares of common stock at $21.15 per share expiring April 16, 1974.

At July 28, 1973, warrants to purchase 400,000 shares of common stock were outstanding. These warrants are exercisable at $23.05 per share and expire December 17, 1979.

Complex Capital Structures

AMERICAN ELECTRONIC LABORATORIES, INC. (FEB)

	1973	1972
SHAREHOLDERS' EQUITY:		
Preferred stock, $1 par value; 200,000 shares authorized; none issued		
Class A common stock (non-voting), $1 par value; 3,500,000 shares authorized; shares issued, 1973—1,475,090; 1971—1,472,441	$1,475,090	$1,472,441
Class B common stock, $1 par value; 500,000 shares authorized; shares issued, 1973—258,671; 1971—259,634	258,671	259,634
Capital in excess of par value	4,017,381	3,684,254
Retained earnings (deficit)	468,956)	1,244,970
	5,282,186	**6,661,299**
Less 62,181 shares of Class A common stock in treasury, at cost	322,816	322,816
Total shareholders' equity	**$4,959,370**	**$6,338,483**

Notes to Consolidated Financial Statements

Note 10: Common Stock and Stock Option Plans— At February 23, 1973, 580,234 shares of Class A common stock were reserved; 137,902 shares for the exercise of stock options, 206,982 shares for the conversion of the 6¼% convertible subordinated sinking fund debentures, and 235,350 shares for the exercise of warrants issued in connection with the 6½% subordinated sinking fund debentures exercisable at $12.05 per share.

On March 24, 1972, the Company extended the expiration date of the warrants from April 3, 1972 to April 3, 1975. The Company has the right to increase or lower the exercise price of the warrants by up to $3 per warrant and to call the warrants at $5 each.

In April, 1972, the shareholders approved an amendment to the articles of incorporation allowing for the conversion of Class B common shares into Class A common shares on a one-for-one basis. If, at any one time, a majority of Class B common shareholders vote in favor of conversion or if less than 50,000 Class B common shares remain outstanding, all Class B common shares would automatically be deemed converted into Class A common shares, which would then assume the voting rights.

Under the Company's stock option plans for officers and other key employees, options may be granted at not less than 100% of the closing market price on the date of grant. At February 23, 1973, options for 70,387 shares were outstanding, which are exercisable at prices ranging from $1.86 to $16.13 per share. During the year, options to purchase 1,086 shares were exercised at $2.99 per share. Options to purchase 41,450 shares were granted and options for 19,585 shares were terminated.

ATLANTIC RICHFIELD COMPANY (DEC)

	1973	1972
SHAREHOLDERS' EQUITY (NOTE 6):		
Cumulative preferred stock 3.75% series B, par $100 (aggregate value in voluntary liquidation $35,728,000); shares authorized and issued 352,000	$ 35,200,000	$ 35,200,000
$3 cumulative convertible preference stock, par $1 (aggregate value in liquidation $115,428,720); shares authorized 1,729,379; shares issued 1,442,859	1,443,000	1,637,000
$2.80 cumulative convertible preference stock, par $1 (aggregate value in liquidation $842,162,650); shares authorized 15,235,382; shares issued 12,030,895	12,031,000	11,953,000
Common stock, par $5; shares authorized 75,000,000; shares issued 46,640,303	233,201,000	230,814,000
Capital in excess of par value of stock	728,257,000	719,270,000
Net income retained for use in the business	2,107,500,000	1,969,007,000
Less cost of common shares in treasury	---	27,000
	$3,117,632,000	$2,967,854,000

Note 6: Shareholders' Equity— The 3.75% series B preferred stock is redeemable at the option of the Board of Directors, and is entitled to $101.50 per share upon redemption or voluntary liquidation.

The $3 cumulative convertible preference stock is convertible into 1.70 shares of common stock. The 4⅜ convertible debentures due 1986 are convertible into 1 share of $2.80 cumulative convertible preference stock and 0.6 share of common stock for each $80.00 of principal amount until December 1, 1976, and thereafter at increasing prices. The $2.80 cumulative convertible preference stock is convertible into 0.6 shares of common stock.

The Company's articles of incorporation contain a provision restricting dividend payment; however, at December 31, 1973 net income retained for use in the business was substantially free from such restriction.

At December 31, 1973 shares of the Company's authorized and unissued capital stock were reserved as follows:

$3 Preference Stock:	
Conversion of 4⅜% debentures due 1983	8,745
$2.80 Preference Stock:	
Conversion of 4⅜% debentures due 1986	187,205
Common Stock:	
Conversions:	
4⅜% Debentures	224,646
$3 Preference Stock*	2,467,727
$2.80 Preference Stock*	7,218,537
Stock Option Plans	555,940
Warrants	718,360
Incentive Compensation Plan	119
	11,185,329

*Includes conversion and stock options.

The Warrants issued are exercisable at $127.50 per share and terminate December 31, 1976.

As of December 31, 1973 exercise of the warrants would not have had a dilutive effect on earnings per share.

Under the Company's incentive compensation plan awards of the Company's common stock may be made to directors, officers and key employees.

GREEN GIANT COMPANY (MAR)

	1973	1972
STOCKHOLDERS' EQUITY (NOTE 5):		
Convertible preference stock (involuntary liquidation value at March 31, 1973 $16,224,857)	$ 317,448	104,000
Preferred stock	2,405,900	2,417,400
Common stock	23,391,855	21,960,524
Additional paid-in capital	7,953,226	371,222
Retained earnings	56,307,709	52,527,630
COMMITMENTS		
	$90,376,138	**77,380,776**

Note 5: Stockholders' Equity— Authorized capital stock of the Company at March 31, 1973 and 1972 consisted of 6,000,000 shares of common stock (without par or stated value), 50,000 shares of 5% cumulative preferred stock of $100 par value per share (callable at $110 per share) and 1,000,000 shares of preference stock of $1 par value per share. Rights and preferences on the preference stock, which are established by the Board of Directors, are summarized as follows:

	Series A	Series B	Series C	Series D
Annual cumulative dividend per share	$ 4.75	4.75	3.84	1.76
Conversion ratio into common stock, which is also the involuntary liquidating value stated as a multiple of the common shares' liquidating value	3.5	3.5	4.0	1.4
Voluntary liquidation and redemption price per share	$103(a)	103(a)	112(b)	40(a)
Shares outstanding at March 31, 1973	32,000	32,000	40,000	213,448

(a) Redeemable by the Company at any time after October 29, 1973 for Series A; February 19, 1974 for Series B; and April 1, 1975 for Series D.

(b) Holders of these shares may require the Company to redeem the shares at $112 per share, in five equal annual instalments, beginning in June, 1977 and ending in June, 1981. The Company may redeem these shares at $115 per share from June, 1974 to June, 1978, and $112 per share thereafter.

Changes in preference stock during the two years ended March 31, 1973 were as follows:

	Shares	Amount
Outstanding at March 31, 1971 and 1972	104,000	$104,000
Series D issued in acquisition of John R. Thompson Co.	236,099	236,099
Series D converted into 31,708 common shares	(22,651)	(22,651)
Outstanding at March 31, 1973	**317,448**	**$317,448**

At March 31, 1973, 682,827 common shares were reserved for issuance upon conversion of all outstanding shares of convertible preference stock.

Changes in cumulative preferred stock during the two years ended March 31, 1973 were as follows:

	Shares	Amount
Outstanding at March 31, 1971	24,299	$ 2,429,900
Shares purchased by the Company	(125)	(12,500)
Outstanding at March 31, 1972	24,174	2,417,400
Shares purchased by the Company	(115)	(11,500)
Outstanding at March 31, 1973	**24,059**	**$2,405,900**

Changes in common stock during the two years ended March 31, 1973 were as follows:

	Shares	Amount
Outstanding at March 31, 1971	2,921,006	$21,578,632
Shares issued under Employees' Stock Purchase Plan	23,331	385,836
Shares reacquired by the Company	(641)	(6,545)
Shares issued to acquire a minor pooled company (note 1)	7,200	2,601
Outstanding at March 31, 1972	**2,950,896**	**$21,960,524**
Shares issued under Employees' Stock Purchase Plan	36,813	604,653
Shares issued upon conversion of Preference Stock	31,708	826,678
Outstanding at March 31, 1973	**3,019,417**	**$23,391,855**

Changes in additional paid-in capital for the two years ended March 31, 1973 are as follows:

	1973	1972
Balance at beginning of year	$371,222	$339,447
Excess of fair value over par value of preference stock issued in acquisition of John R. Thompson Co.	8,381,514	---
Excess of fair value over par value of preference stock converted into common stock	(804,110)	---
Adjustment for capital of a minor pooled company (note 1)	---	26,275
Discount on purchase of cumulative preferred stock	4,600	5,500
Balance at end of year	**$7,953,226**	**371,222**

GULF RESOURCES & CHEMICAL CORPORATION (DEC)

	1973	1972
STOCKHOLDERS INVESTMENT:		
Preferred Stock $1 par; authorized 4,000,000 shares—aggregate involuntary liquidating preference of $20,166,216 and cumulative dividends in arrears of $527,000 at December 31, 1973 (Note 5):		
Series A	$260,337	$278,849
Series B	763,602	763,612
Common Stock, $.10 par; authorized 10,000,000 shares; outstanding 4,110,783 and 4,084,855 shares; at the respective dates (Note 6)	411,078	408,486
Common stock purchase warrants (Note 3)	1,200,000	---
Capital in excess of par	21,603,726	21,587,807
Retained earnings (Note 3)	15,535,821	8,902,086
	$39,774,564	**$31,940,840**

Note 3 (in part): Long-term Debt and Dividend Restrictions— On December 27, 1973, and January 3, 1974, Gulf sold to institutional investors $37,000,000 and $13,000,000, respectively, or an aggregate of $50,000,000 of senior installment notes. The notes bear interest at 9.25% per year, payable semi-annually; and are due in twelve equal annual installments beginning January 1, 1978. Gulf issued warrants with the sale of the notes to purchase 800,000 shares of its Common Stock at a price of $10.00 per share (subject to adjustment) at any time prior to December 31, 1983. The fair market value of the $50,000,000 senior notes has been estimated by Gulf's investment bankers to the $48,800,000. The remaining amount, $1,200,000, has been assigned to the warrants. This transaction resulted in debt discount of $1,200,000, and this amount, together with related debt expenses of $809,000, will be amortized over the term of the notes.

Note 5: Preferred Stock—Series A Preferred Stock— There were 260,337 and 278,849 shares outstanding at December 31, 1973 and 1972, with an involuntary liquidating preference of $2,603,370 at December 31, 1973. The holders are entitled to receive an annual cumulative cash dividend of $.20 per share, payable semi-annually. Each share is convertible into two shares of Common Stock upon payment to Gulf of $10 cash for each share tendered. In addition, until July 1, 1978, each share is convertible into 1.4 shares of Common Stock with no cash payment. The stock may be redeemed by Gulf at any time until July 1, 1977, at prices ranging from $53 to $50 per share, plus accrued and unpaid dividends to the date of redemption. In 1972, Gulf deferred the May 1, 1972, semi-annual dividend payment of $.10 per share of $31,000. On March 15, 1974, Gulf paid the dividends in arrears on the Series A Preferred Stock as approved by the Board of Directors on February 19, 1974.

Series B Preferred Stock— There were 763,602 and 763,612 shares outstanding at December 31, 1973 and 1972, with an involuntary liquidating preference of $17,562,846 at December 31, 1973. The holders are entitled to receive an annual cumulative cash dividend of $1.30 per share, payable quarterly. Each share is convertible at any time into 1.25 shares of Common Stock. The stock may be redeemed by Gulf at any time.

Note 6: Common Stock— At December 31, 1973, shares of Gulf's Common Stock were reserved for issuance as follows:

Conversion of—	
Debentures (the issuance of stock options and warrants in 1973 adjusted shares reserved from 1,428,572 to 1,517,451)	1,517,451
Series A Preferred Stock	520,674
Series B Preferred Stock	954,503
Exercise of—	
Common Stock options	432,010
Warrants	800,000
Issuance of future stock pursuant to stock option plans	157,600
	4,382,238

Under qualified stock option plans for officers and key employees, options to purchase 431,010 and

163,510 shares of Common Stock at prices ranging from $6.875 to $10.25 per share were outstanding at December 31, 1973 and 1972. Options granted during 1973 totaled 283,000 (at option prices of $9.25 and $9.50), and forfeitures of options due to terminations totaled 14,500 (at an option price of $9.125).

On February 19, 1974, the Board of Directors, subject to the approval of the stockholders, approved an increase of the authorized shares of Common Stock to 20,000,000.

INTERNATIONAL MINERALS & CHEMICAL CORPORATION (JUN)

	1973	1972
SHAREHOLDERS' EQUITY:		
Preferred stock–		
4% cumulative, $100 par value, redeemable at $110 per share, 100,000 shares authorizedand issued, including treasury shares	$10,000,000	$10,000,000
Series preferred, $100 par value, 1,000,000 shares authorized, 496,226 shares outstanding	49,622,000	49,622,000
Common stock, $5 par value, 20,000,000 shares authorized, 11,212,648 shares issued in 1973, 11,160,063 in 1972, including treasury shares	56,064,000	55,801,000
Capital in excess of par value	3,947,000	3,167,000
Retained earnings	131,229,000	111,307,000
	250,862,000	**229,897,000**
Less treasury shares, at cost	1,190,000	221,000
Total shareholders' equity	**$249,672,000**	**$229,679,000**

Shareholders' Equity— Series preferred stock outstanding at June 30, 1973 and 1972 was:

Series A, 5%, convertible, cumulative, 259,243 shares authorized and outstanding	$25,924,000
Series B, 5%, convertible, cumulative, 40,000 shares authorized and outstanding	4,000,000
Series C, 1% to June 30, 1973, and 5% thereafter, convertible, cumulative, 199,583 shares authorized and 196,983 outstanding	19,698,000
	$49,622,000

The series preferred stock is currently convertible at $44.25 per share for Series A, $37.00 for Series B and $25.00 for Series C. It is redeemable at $104.50 per share for Series A and $105 for Series B and Series C, with the redemption price to be reduced annually by $.50 per share to $100 par value. The Series C stock is not redeemable until January 1, 1976 unless the average market price of the common stock is at least $50 per share for ten consecutive days.

A summary of changes in issued common stock and capital in excess of par value during 1973 and 1972 follows:

	Common stock Shares	Common stock Amount	Capital in excess of par value
Balance June 30, 1971	11,101.957	$55.510,000	$3.451,000
Exercise of stock options	500	3.000	4.000
Additional shares for prior year's business acquisition	57.606	288.000	(288.000)
Balance June 30, 1972	**11,160,063**	**55,801,000**	**3,167,000**
Exercise of stop options	52.585	263.000	780,000
Balance June 30, 1973	**11,212,648**	**$56,064,000**	**$3,947,000**

The accompanying consolidated financial statements at June 30, 1972, have been reclassified to show separately 4% cumulative preferred shares and common shares held in the treasury at that date. The cost of these shares ($221,000) had previously been shown as a reduction in the 4% preferred stock ($167,000) and in common stock ($201,000) and an increase in capital in excess of par value ($147,000). Changes in treasury shares during 1973 and 1972 follow:

	4% Preferred stock	Common stock	Total
Balance at June 30, 1971 and 1972 (1,670 preferred shares; 40,123 common shares)	$158,000	$63,000	$221,000
Acquisition of 65,975 common shares	---	1,279,000	1.279,000
	158,000	**1,342,000**	**1,500,000**
Issuance of 15, 975 common shares on exercise of stock options	---	310,000	310,000
Balance at June 30, 1973 (1,670 preferred shares; 90,123 common shares)	$158,000	$1,032,000	$1,190,000

In connection with the acquisition of a business, 9,438 common shares are to be issued for achievement of prescribed earnings and up to 99,166 additional shares may be issued depending upon future market prices of the stock.

At June 30, 1973 and 1972, common shares were reserved as follows:

	1973	1972
Conversion of debentures	77,843	839,327
Conversion of Series preferred stock	1,481,900	1,467,729
Issuance under stock option plans	376,503	445,063
Issuance to former shareholders of an acquired business	108,604	108,604
	2,744,850	**2,860,723**

ROCKWELL INTERNATIONAL CORPORATION (SEP)

	1973	1972
SHAREOWNERS' EQUITY		
Capital stock:		
Preferred stock, without par value:		
Series A (entitled in liquidation to $150,439,000)	$3,723,000	$3,723,000
Series B (entitled in liquidation to $100,405,000)	2,510,000	2,699,000
Common stock, $1 par value	27,245,000	28,685,000
Additional capital	158,979,000	165,322,000
Retained earnings	764,804,000	729,184,000
Total shareowners' equity	**$957,261,000**	**$929,613,000**

Notes to Financial Statements

Note 10: Capital Stock— The authorized capital stock of the Company consists of 12,000,000 shares of preferred stock and 50,000,000 shares of common stock. The aggregate liquidation value of all shares of preferred stock at any time outstanding cannot exceed $650,000,000.

Each share of Series A preferred stock is convertible (subject to adjustment under certain conditions) into 2.4746 shares of common stock. Each share of Series B preferred stock is convertible (subject to adjustment under certain conditions) at any time into .9 of a share of common stock, or until June 30, 1979, upon payment to the Company of $10.125, into 1.125 shares of common stock. The Series A and Series B preferred stocks are stated in the accompanying financial statements at the aggregate par value of the number of shares of common stock into which such preferred stocks are convertible without cash payment.

The Company may redeem Series A preferred stock at a redemption price of $104.25 a share, decreasing annually to $100 a share after June 30, 1982, and Series B preferred stock after June 30, 1976 at an initial redemption price of $38 a share, decreasing annually to $36 a share after June 30, 1981.

No dividends may be paid on common stock unless the full amount of cumulative preferred dividends at the annual rate of $4.75 a share on Series A and $1.35 a share on Series B have been paid or declared.

Changes in shares of capital stock outstanding during 1972 and 1973 are summarized as follows:

	Preferred		
	Series A	Series B	Common
Shares outstanding, October 1, 1971:			
As previously reported	1.504.361	3.245.399	22.210,924
Restatement to give retroactive effect to Rockwell Manufacturing Company acquired in a pooling of interests			6,639,265
As restated	1,504.361	3.245.399	28,850.189
Shares issued in connection with:			
Exercise of stock options	56	3,611	178,870
Conversion of preferred stock	(24)	(249,619)	224,714
Purchase of company			53,913
Shares purchased			(622,229)
Shares outstanding, September 30, 1972 (net of 2,600 Series A, 24,616 Series B, and 3,125,449 common shares held in treasury)	**1,504,393**	**2,99,391**	**28,685,457**
Shares issued in connection with:			
Exercise of stock options		4,566	87,959
Conversion of preferred stock		(214,918)	193,423
Shares purchased			(1,721,495)
Shares outstanding, September 30, 1973 (net of 2,600 Series A, 20,050 Series B, and 4,593,736 common shares held in treasury)	**1,504,393**	**2,789,039**	**27,245,344**

Shares of stock reserved for issuance at September 30, 1973 and 1972 were as follows:

	1973	1972
Common:		
For conversion of Series A preferred stock	3,729,257	3,729,257
For conversion of Series B preferred stock (including shares for additional conversion privilege: 1973, 634,502; 1972, 684,728)	3,172,509	3,423,639
For conversion of convertible debentures	1,086,957	1,086,957
For stock option plans:		
Options outstanding	986,642	782,997
Available for granting future options	722,000	335,240
For incentive compensation plan	125,000	125,000
Total	**9,822,365**	**9,483,090**
Series B preferred—for stock options outstanding	10,919	19,228

TABLE 2-48: COMMON STOCK

Valuation Bases	1973	1972	1971	1970
Par value stock shown at par value	506	505	502	498
Par value stock shown at amount in excess of per share par value	42	44	43	46
Par value stock shown at assigned value per share	2	2	5	5
No par value stock shown at assigned value per share	17	20	20	15
No par value stock shown at assigned value– per share value not disclosed	50	48	51	56
Issues Outstanding	**617**	**619**	**621**	**620**
Status				
Authorized, issued	369	366	369	354
Authorized, outstanding	104	108	124	132
Authorized, issued, outstanding	143	141	126	133
No disclosure of authorized shares	1	4	2	1
Issues Outstanding	**617**	**619**	**621**	**620**

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.

Examples of common stock presentations are shown in connection with Table 2–47.

TABLE 2-49: PREFERRED STOCK

Valuation Bases	1973	1972
Par value stock shown at par value	168	205
Par value stock shown at assigned value per share	12	11
Par value stock shown at liquidation or redemption value	5	5
No par value stock shown at assigned value per share	50	55
No par value stock shown at assigned value– per share value not disclosed	43	49
No par value stock shown at liquidating value	9	13
Other	10	–
Issues Outstanding	**297**	**338**
Status		
Authorized, issued	131	148
Authorized, outstanding	97	105
Authorized, issued, outstanding	67	85
No disclosure of authorized shares	2	–
Issues Outstanding	**297**	**338**
Number of Companies		
Showing preferred stock outstanding	236	253
Not showing preferred stock outstanding	364	347
Total	**600**	**600**

PREFERRED STOCK

Table 2-49 summarized 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.

APB Opinion No. 10 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 236 companies with preferred stock outstanding, 105 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

FOOTE MINERAL COMPANY (DEC)

	1973	1972
STOCKHOLDERS' EQUITY:		
Convertible preferred stock–$2.20 cumulative if earned, $1 par value (liquidating value $18,396,600). Authorized 652,351 shares (1972–1,455,700 shares); issued 459,915 shares (1972–1,263,264 shares)	$459,915	$1,263,264
Common stock, $1 par value. Authorized 10,000,000 shares; issued 2,140,867 shares	2,140,867	2,140,867
Additional paid-in capital	32,199,230	49,768,864
Retained earnings	27,249,737	24,586,246
	62,049,749	**77,759,241**
Less 164,220 shares common stock in treasury, at cost	3,368,610	3,368,610
Total stockholders' equity	**$58,681,139**	**$74,390,631**

TABLE 2-50: PREFERRED STOCK – LIQUIDATION PREFERENCE

	1973	1972	1971	1970
Aggregate liquidation preference disclosed on balance sheet	62	72	80	78
Aggregate liquidation preference disclosed in note to financial statements	25	22	35	36
Per share liquidation preference only, disclosed	18	24	14	15
Subtotal	**105**	**118**	**129**	**129**
Liquidating value does not exceed carrying value	25	31	28	30
Liquidating value not disclosed	106	104	102	104
Total companies with preferred stock outstanding	**236**	**253**	**259**	**263**

Notes to Consolidated Financial Statements

Note 5: Convertible Preferred Stock— The preferred stock, par value $1, is cumulative as to dividends to a maximum of $2.20, if earned, annually and is convertible at the holders' option into common stock on a share-for-share basis. The net earnings per share of preferred stock for the year ended December 31, 1973 were $2.22 and there were no earnings for the preferred stock for the year ended December 31, 1972, calculated in accordance with the preferred stock terms. The Company may redeem the preferred stock at $43.60 per share until September 30, 1974, thereafter, in a decreasing amount to $40 per share after September 30, 1982. In the event of liquidation, the holders of the convertible preferred stock will have a preferential right to receive $40 per share, an aggregate of $18,396,600 based on shares outstanding at December 31, 1973. The Company has been advised by counsel that under the laws of Pennsylvania, no dividend may be paid which would reduce its net assets below the aggregate preferential amount to which the holders of the convertible preferred stock would be entitled in liquidation. At December 31, 1973 consolidated net assets exceeded this aggregate preferential amount by $40,552,011. On December 31, 1973, 528,161 shares of common stock were reserved to meet the conversion requirements of the convertible preferred stock, including 68,246 shares in connection with the conversion of debentures.

An offer to purchase all of the outstanding shares of its convertible preferred stock for a cash price of $22 a share was made by the Company on July 30, 1973. The offer terminated on September 14, 1973, at which time 803,349 shares of preferred stock had been purchased and subsequently cancelled (see note 4).

The Board of Directors on February 6, 1974 declared a final 1973 dividend of $.55 per share on the Company's convertible preferred stock—$2.20 cumulative if earned, resulting in total 1973 dividends of $1,011,813 on the 459,915 preferred shares outstanding (equivalent to $2.20 per share).

GUARDIAN INDUSTRIES INC. (DEC)

	1973	1972
STOCKHOLDERS' EQUITY		
Preferred stock, $8.125 cumulative, par value $100:		
Authorized: 100,000 shares		
Issued and outstanding: 100,000 shares ...	$10,000,000	$ ---
Common stock, par value $1:		
Authorized: 7,500,000 shares		
Issued and outstanding: 5,694,970 shares	5,695,000	5,695,000
Paid-in capital	576,000	654,600
Retained earnings	26,479,900	17,258,800
	$42,750,900	**$23,608,400**

Notes to Consolidated Financial Statements

Note 9: Preferred Stock— The 100,000 shares of $8.125 cumulative preferred stock, sold on December 28, 1973, provide for redemption at par of 6,250 shares per year through the operation of a sinking fund commencing December 1, 1978. Redemption can be accelerated by the Company on or after December 1, 1976. Redemption can be accelerated by action of holders of at least 49 percent of the preferred stock on or after December 1, 1976 or on the occurrence of certain events of default including (i) acceleration of maturity of the Company's 8 percent Senior Notes, (ii) reduction of the Company's consolidated capital stock, paid-in capital and retained earnings below $20 million, or (iii) payment of dividends or acquisition of any common stock if the aggregate amount expended is in excess of 75 percent of the Company's consolidated net income subsequent to December 1, 1973. As of December 31, 1973, restrictions included in the Certificate of Incorporation in connection with the cumulative preferred stock precluded the payment of any common stock dividends or the redemption of any common stock. In the event of default in the payment of two consecutive quarterly dividends on preferred stock, the dividend rate will be increased to $16.25. In the event of voluntary liquidation, the holders of preferred stock are entitled to receive $108.125 per share plus accrued dividends.

O'SULLIVAN CORPORATION (DEC)

			1973	1972
STOCKHOLDERS' EQUITY				
5% cumulative preferred stock, par value $20.00 per share (Note 3)				
	1973	1972		
Authorized	139,844	142,399		
Issued	11,496	14,051		
In treasury	1,035	2,029		
Outstanding	10,461	12,022	$209,220	$240,440
Common stock, par value $1.00 per share (Note 4)				
	1973	1972		
Authorized	2,000,000	2,000,000		
Issued	932,119	896,872		
In treasury	2,855	2,855		
Outstanding	929,264	894,017	929,264	894,017
Additional paid-in capital (Note 5)			1,158,057	911,160
Retained earnings (Note 2)			5,310,805	4,683,822
Total Stockholders' Equity			**7,607,346**	**6,729,439**

Note 3: Preferred Stock Dividends— Cumulative preferred stock dividends were paid to October 1, 1973, and were declared for the quarter ending December 31, 1973, payable January 1, 1974.

Preferred Stock Sinking Fund— The certificate of incorporation provides that, each year, 5% of the annual net income 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, 1973, the net accumulated requirements for this purpose totaled $70,681. The Directors are not required to purchase or redeem any preferred stock until this fund equals or exceeds $10,000. In February 1974, 3,221 shares of preferred stock, costing $66,428, were retired by the sinking fund.

REED TOOL COMPANY (DEC)

	1973	1972
STOCKHOLDERS' EQUITY		
Preferred stock, par value $5 per share; authorized 2,000,000 shares, aggregate liquidation value $4,126,000 ($5,734,000 in 1972)	$ 516,000	$ 717,000
Common stock, par value $2.50 per share; authorized 6,000,000 shares, issued 2,982,522 (2,976,338 in 1972)	7,456,000	7,441,000
Additional paid-in capital	18,107,000	18,109,000
Retained earnings	18,401,000	17,443,000
	44,480,000	**43,710,000**
Less cost of 108,179 treasury shares of common stock (103,379 shares in 1972)	5,260,000	5,185,000
Total stockholders' equity	**$39,220,000**	**$38,525,000**

Note 4 (in part): Stockholders' Equity— Preferred stock in the accompanying consolidated balance sheet at December 31, 1973 and 1972 consists of the following:

	1973	1972
$2.20 Cumulative Convertible First Series (37,500 shares authorized and outstanding in 1972)	$ ---	$188,000
$2.20 Cumulative Convertible Second Series, 48,117 shares authorized and outstanding (50,259 shares in 1972)	241,000	251,000
$2.00 Cumulative Convertible Third Series, 55,035 shares authorized and outstanding (55,590 shares in 1972)	275,000	278,000
	$516,000	**$717,000**

The preferred stock is convertible into common shares under certain circumstances, which at December 31, 1973, indicated conversion rates for the Second and Third Series of 2.45 and 1.69 common shares, respectively, for each preferred share. Conversion of the Company's preferred stock into common stock during the years ended December 31, 1973 and 1972 were as follows: Second Series 2,142 shares for 5,247 common shares in 1973; Third Series 555 and 23 shares for 937 and 37 common shares in 1973 and 1972, respectively. Each share of the outstanding preferred stock has voting rights equivalent to one share of the Company's common stock and is redeemable by the Company at $40 per share, the liquidation value thereof. The Company's Articles of Incorporation provide with regard to the preferred stock that it, among other things, may be issued in series with the relative rights and preferences of each series being determined by the Company's Board of Directors. During 1973, in settlement of litigation, the Company redeemed the First Series preferred stock for $1,500,000, the liquidation value thereof.

Preferred Stock Extended at Stated Value

CROWN ZELLERBACH (DEC)

SHARE OWNERS' EQUITY:	1973	1972
Cumulative preferred stock—		
No par value, $100 liquidation and stated value.		
Authorized 402,386 in 1973 and 443,226 in 1972, issuable in series. Initial series $4.20 stock, issued and outstanding 155,489 shares in 1973 and 196,329 shares in 1972	$15,549,000	$19.633,000
Common stock—		
$5 par value. Authorized 40,000,000 shares in 1973 and 30,000,000 in 1972, issued and outstanding 23,913,778 shares in 1973 and 23,912,428 in 1972	119,569,000	119,562,000
Other capital	65,403,000	63,880,000
Income retained in the business	455,967,000	384,914,000
Total share owner's equity	**$656,488,000**	**$587.989,000**

Notes to Financial Statements

Cumulative Preferred Stock— The articles of Incorporation require an annual retirement fund deposit of $530,000 or, in lieu thereof, the application of purchased shares against such requirements at the rate of $102.50 a share. Total purchases of preferred stock have provided for this requirement through July 31, 1984.

DRESSER INDUSTRIES, INC. (OCT)

	1973	1972
	($ thousands)	
SHAREHOLDERS' INVESTMENT-NOTE E		
Convertible preferred shares, without par value, stated at $1.00 a share:		
$2.20 Series A (Liquidating preference $152,395,000)	$3,366	$3,427
$2.00 Series B (Liquidating preference $68,871,000)	1,673	1,716
Common shares, $0.25 par value	2,547	2,510
Capital in excess of par or stated value	96,581	94,916
Retained earnings	295,396	275,897
Total Shareholders' Investment	**$399,563**	**$378,466**

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, 1975, 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 at $44.55 a share through April 30, 1976, 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, 1973, the aggregate of such preferences in excess of stated values amounted to $216,227,000. In the opinion of counsel, the existence of this excess imposes no restiction upon retained earnings.

ENGELHARD MINERALS & CHEMICALS CORPORATION (DEC)

	1973	1972
	($ thousands)	
STOCKHOLDERS' EQUITY (NOTE 7):		
Preferred stock, without par value – authorized 2,500,000 shares; issued, $4.25 cumulative convertible preferred, assigned value $6.18 per share, 1973 – 594,799 shares; 1972 – 605,420 shares (liquidation value, 1973 – $35,688,000)	$3,676	$3,742
Common stock, par value $1 per share – authorized 50,000,000 shares; issued, 1973 – 26,914,940 shares; 1972 – 26,841,324 shares	26,915	26,841
Additional paid-in capital	47,737	47,664
Retained earnings	240,130	201,642
	318,458	**279,889**
Less common stock held in treasury, at cost, 1973 – 292,234 shares; 1972 – 52,230 shares	4,584	553
Total stockholders' equity	**$313,874**	**$279,336**

Note (7): Preferred stock— The $4.25 cumulative convertible preferred stock has an assigned value of $6.18 per share, equivalent to the par value of the 6.18 shares of common stock into which each share of preferred stock is convertible. The preferred stock is redeemable at the Company's option on or after September 27, 1974 at $104.25 per share the first year, reduced by 85 cents per share in each of the following five years. In the event of liquidation, dissolution or winding up, holders of the preferred stock will be entitled to receive $60 per share, plus accrued dividends, out of available distributable assets before any distribution is made to common stockholders.

In 1973, 10,742 shares of the preferred stock were converted into 66,352 common shares (1972—23,855 and 147,395 shares, respectively).

GAF CORPORATION (DEC)

	1973	1972
SHAREHOLDERS' EQUITY		
Preferred stock, $1 par value; authorized 6,000,000 shares of $1.20 convertible series; outstanding – 1973, 3,105,009 shares; 1972, 3,104,108 shares; at assigned value of $1.25 per share (liquidation value 1973, $85,388,000) (Note 7)	$ 3,881,000	$ 3,880,000
Common stock, $1 par value; authorized 25,000,000 shares; issued – 1973, 13,763,427 shares; 1972, 13,762,328 shares (Note 7)	13,763,000	13,762,000
Additional paid-in capital	52,053,000	51,769,000
Retained earnings (Note 3)	271,619,000	252,147,000
Total	**341,316,000**	**321,558,000**
Less common stock held in treasury, at cost – 1973, 90,149 shares; 1972, 36,209 shares	1,334,000	295,000
Total Shareholders' Equity	**$339,982,000**	**$321,263,000**

Note 7: Capital Stock— The $1.20 convertible preferred stock, dividends on which are cumulative, is convertible, at any time, into common stock at the rate of 1¼ shares of common stock for each share of preferred. The Company may redeem the preferred stock at specified prices ranging from $29.50 per share through May 31, 1974 to $27.50 per share after May 31, 1977.

The shares of common stock reserved for issuance at December 31, 1973 and 1972 were as follows:

	1973	1972
Reserved for:		
Conversion of $1.20 convertible preferred stock, including 2,685 and 3,911 shares, respectively, for deferred stock awards	3,883,946	3,884,046
Conversion of convertible subordinated notes	1,096,257	1,946,858
Exercise of stock option and purchase plans	871,750	968,750
Total	**5,851,953**	**6,799,654**

Transactions in common stock held in the treasury were as follows:

	1973	1972
Balance, January 1	$ 295,000	$ 54,000
Purchase of 173,000 shares in 1973 and 43,500 shares in 1972	2,434,000	668,000
Issuance of 119,060 shares in 1973 (primarily in connection with sales under the restricted stock purchase plan) and 17,291 shares in 1972 (in connection with an acquisition)	(1,395,000)	(427,000)
Balance, December 31	$1,334,000	$295,000

Liquidation Preference Disclosed in Balance Sheet

SUN OIL COMPANY (DEC)

	1973	1972
	($Thousands)	
STOCKHOLDERS' EQUITY		
Preferred Stock, $2.25 cumulative convertible, par value $1 per share		
Authorized – 16,281,663 shares		
Issued, 1973 – 16,263,607 shares (aggregate involuntary liquidation value $845,708,000)	$ 16,264	---
Issued, 1972 – 16,281,327 shares	---	$ 16,281
Common Stock, par value $1 per share		
Authorized – 100,000,000 shares		
Issued, 1973 – 36,900,931 shares	36,901	---
Issued, 1972 – 35,242,757 shares	---	35,243
Capital in Excess of Par Value	1,390,102	1,326,533
Earnings Employed in the Business	489,908	420,012
	1,933,175	**1,798,069**
Less Common Stock Held in Treasury, at cost		
1973 – 66,594 shares	3,544	---
1972 – 831,215 shares	---	37,937,
Total Stockholders' Equity	**$1,929,631**	**$1,760,132**

Notes to Financial Statements

Stockholders' Equity– Each share of $2.25 cumulative convertible preferred stock is entitled to one-quarter vote and each share of common stock is entitled to one full vote.

Each share of preferred stock is convertible into .895 of a share of common stock, subject to adjustment for stock dividends and certain other transactions, and is redeemable at Sun's option on or after February 1, 1977, at $59 per share, on or after June 1, 1977, at $58 per share and on or after June 1, 1978, at $57 per share. The holders of the preferred stock have a preferential right in involuntary liquidation to receive $52 per share, or $55 per share if the liquidation is voluntary. The aggregate involuntary liquidation value exceeds the aggregate par value by $829,444,000.

At December 31, 1973, 14,557,703 shares of unissued common stock are reserved for potential conversion of preferred stock.

EMERSON ELECTRIC CO. (SEP)

	1973	1972
STOCKHOLDERS' EQUITY		
Preferred stock of $2.50 par value per share		
Authorized 5,400,000 shares; issued 1,394,448 shares (1972 – 3,309,830 shares); aggregate liquidating value of $32,247,000 ($23.125 per share)	$ 3,486	$ 8,275
Common stock of $1 par value per share.		
Authorized 80,000,000 shares; issued 50,129,563 shares (1972 – 47,283,312 shares)	50,130	47,283
Additional paid-in capital	17,618	12,637
Retained earnings	380,558	337,134
	451,792	**405,329**
Less common stock in treasury, 193,902 shares (1972 – 198,730 shares), at cost	5,113	5,241
Total stockholders' equity	**$446,679**	**$400,088**

Notes to Consolidated Financial Statements

Note 4: Preferred Stock– The Company's preferred stock is issuable in series and has full voting rights. The $0.90 Cumulative Convertible Preferred Stock, Series B, is convertible at the rate of one and four tenths shares of common (adjusted to give effect to the common stock split referred to in Note 5) for each share of preferred and is callable after December 31, 1973 at $24.375 per share. On November 6, 1973, the Board of Directors of the Company resolved to call for redemption on January 2, 1974 all of the then outstanding shares of Series B preferred stock. During the year 1,915,382 shares (1972 – 123,761 shares) of Series B preferred stock were converted into 2,681,517 shares (1972 – 173,262 shares) of common stock.

H. J. HEINZ COMPANY (APR)

	1973	1972
SHAREHOLDERS' EQUITY:		
Cumulative preferred stock issuable in series:		
3.65% series (Note 7)	$ 3,030,000	$ 3,235,000
Second cumulative preferred stock, having an involuntary liquidation value of $100 per share or $1,382,900 based on shares outstanding ($1,657,300 in 1972), issuable in series (Note 7):		
$3.50 first series	48,285	51,615
$3.50 second series	207,552	254,986
Common stock (Notes 7 and 8)	62,818,054	62,716,412
Additional capital	56,911,135	56,438,168
Retained earnings (Note 5)	277,418,161	271,844,817
	400,433,187	**394,540,998**
Less Treasury shares at cost (Note 7)	826,498	21,867
	$399,606,689	**$394,519,131**

Note (7) (in part): Capital Stock– The number of shares authorized, outstanding, issued, retired, or converted, and the par values of the Company's capital

stock are presented in the table below.

	Preferred stocks				
		Second cumulative preferred			
	Cumulative preferred 3.65% series $100 par	$3.50 First series $18.50 par	$3.50 Second series $18.50 par	Common stock $4.16⅔ par	Treasury stock
Authorized as of:					
May 3, 1972	32,350	2,790	13,783	20,000,000	---
May 2, 1973	30,300	2,610	11,219	20,000,000	---
Outstanding, issued, retired, or converted:					
Year ended May 3, 1972:					
Outstanding at beginning	32,893	6,969	17,965	14,994,741	5,248
Reacquired and retired	(543)	---	---	---	---
Converted to common stock	---	(4,179)	(4,182)	---	---
Issued:					
For second cumulative preferred stock:					
$3.50 First series	---	---	---	18,570	---
$3.50 Second series	---	---	---	16,728	---
On exercise of stock options	---	---	---	21,900	---
Outstanding at end	**32,350**	**2,790**	**13,783**	**15,051,939**	**5,248**
Year ended May 2, 1973:					
Outstanding at beginning	32,350	2,790	13,783	15,051,939	5,248
Reacquired and retired	(2,050)	---	---	---	---
Converted to common stock	---	(180)	(2,564)	---	---
Treasury stock acquired	---	---	---	---	21,800
Issued:					
For second cumulative preferred stock:					
$3.50 First series	---	---	---	798	---
$3.50 Second series	---	---	---	10,256	---
On exercise of stock options	---	---	---	13,340	(3,250)
Outstanding at end	**30,300**	**2,610**	**11,219**	**15,076,333**	**23,798**

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"

MIDWEST RUBBER RECLAIMING COMPANY (OCT)

STOCKHOLDERS' EQUITY:	
Common stock, $2.50 par value, authorized 750,000 shares–issued 439,233 shares	$1,098,083
Contributed capital (no change during two years)	2,138,798
Retained earnings (Note 4)	6,312,477
Common stock held in treasury, at cost–2,100 shares	(17,063)
Stockholders' Equity	**$9,532,295**

PETTIBONE CORPORATION (MAR)

STOCKHOLDERS' EQUITY	
Contributed capital	
$5.75 cumulative preferred stock (note 7)	$ 3,000,000
Common stock–authorized, 3,000,000 shares of $10 par value; issued, 1,422,640 shares (note 8)	14,226,400
Additional contributed capital	4,653,429
	21,879,829
Retained earnings (note 3)	
Appropriated for contingencies	250,000
Unappropriated	23,587,234
	23,837,234
Less common stock reacquired and held in treasury–at cost (167,767 shares–1973 and 149,760 shares–1972) (note 9)	1,870,183
	$43,846,880

TABLE 2-51: ADDITIONAL CAPITAL

Caption Title	1973	1972	1971	1970
Additional paid-in capital	154	144	132	130
Capital in excess of par or stated value	149	153	142	133
Additional capital, or other capital	43	42	45	40
Paid-in capital, or other paid-in capital	30	31	25	25
Other captions using the term "capital"	24	17	25	25
Captions avoiding use of term " capital"	5	6	6	8
Subtotal	**405**	**393**	**375**	**361**
Capital surplus	99	111	122	129
Paid-in surplus	22	22	29	28
Other captions using term "surplus	–	–	–	1
Subtotal	**121**	**133**	**151**	**158**
Total	**526**	**526**	**526**	**519**
Number of Companies				
Presenting additional capital account	526	526	521	515
Not presenting any additional capital account	74	74	79	85
Total	**600**	**600**	**600**	**600**

AMERICAN AIR FILTER COMPANY, INC. (OCT)

SHAREHOLDERS' EQUITY:

Preferred stock of $25 par value per share. Authorized 1,000,000 shares; none issued.	
Common stock of $1 par value per share. Authorized 10,000,000 shares; issued 4,086,884 shares (4,071,281 in 1972)	$ 4,086,884
Other capital in excess of par value of shares	8,266,655
Retained earnings	36,417,161
Total shareholders' equity	**$48,770,700**

BROCKWAY GLASS COMPANY, INC.

SHAREHOLDERS' EQUITY

Preferred stock, par value $50, non-voting, 5% cumulative; authorized 70,000 shares, issued and outstanding 26,619 shares	$1,330,950
Common stock, par value $2.50; authorized 20,000,000 shares, issued 4,893,681 shares	12,234,202
Paid-in capital	32,475,154
Retained earnings	83,901,198
	129,941,504
Less common stock in treasury, at cost, 130,000 shares	2,647,887
Total shareholders' equity	**$127,293,617**

COLONIAL STORES INCORPORATED (DEC)

STOCKHOLDERS' EQUITY

4% cumulative preferred stock of $50 par value per share. Authorized and issued 21,134 shares	$1,056,700
Common stock of $2.50 par value per share. Authorized 8,000,000 shares; issued 4,375,224 shares (1972, 4,370,299 shares)	10,938,060
Capital in excess of par value of capital stock	1,339,119
Retained earnings	78,374,759
	91,708,638
Less common stock held in treasury, 549,520 shares (1972, 43,347 shares), at cost	10,550,074
	$81,158,564

THE QUAKER OATS COMPANY (JUN)

	($ thousands)
SHAREHOLDERS' EQUITY:	
Preferred, $50 par value, $3 cumulative convertible, authorized 153,897 shares; issued 148,165 and 158,899 shares, respectively	$ 7,408
Common, $5 par value, authorized 35,000,000 shares; issued 20,892,858 and 20,131,533 shares, respectively	104,464
Additional paid-in capital	22,359
Retained Earnings	184,610
	318,841
Less treasury common stock, at cost	6,046
Shareholders' equity	**$312,795**

Not Using Word "Capital"

CARRIER CORPORATION (OCT)

STOCKHOLDERS' EQUITY

Senior Preferred Stock, par value $50 per share; 4½% Series–authorized 162,651 shares; outstanding 137,866 shares in 1973 and 144,729 shares in 1972	$ 6,893,000
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 109,810 shares in 1973 and 112,810 shares in 1972	5,491,000
Common Stock, par value $2.50 per share; authorized 50,000,000 shares; outstanding 24,439,712 shares in 1973 and 24,430,562 shares in 1972	61,099,000
	73,883,000
Amounts contributed in excess of par value	24,821,000
Earnings retained	243,799,000
Total stockholders' equity	**$342,503,000**

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 companied showed dated retained earnings and 4 companies showed appropriated retained earnings. Examples of these practices are included in the following examples of captions for retained earnings.

TABLE 2-52: RETAINED EARNINGS — CAPTION TITLE

	1973	1972	1971	1970
"Retained Earnings"	435	429	420	408
"Retained earnings" with additional words	23	33	46	55
"Earnings" with additional words	77	68	57	57
"Income" with additional words	31	33	32	32
"Earned Surplus"	16	21	27	32
Other title	1	1	1	1
Subtotal	**583**	**585**	**583**	**585**
Companies with deficits	17	15	17	15
Total	**600**	**600**	**600**	**600**

Retained Earnings

ASG INDUSTRIES INC.

SHAREHOLDERS' EQUITY (Notes 4,5,7, and 9):	
Capital Stock:	
5% Cumulative Preferred, par value—$25 per share; none authorized in 1973, 160,395 shares authorized in 1972, with 142,907 shares issued and outstanding	$ --
Common, par value—$1 per share; authorized 10,000,000 shares; issued and outstanding 3,006,052 in 1973 and 2.575,331 in 1972	3,006,052
Paid-in capital	15,807,195
Retained earnings, from January 1, 1971	6,636,381
	$25,449,628

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 3,507,234 shares (1972—3,506,834 shares)	3,507,000
Capital in excess of par value of common stock	133,903,000
Earnings retained for use in the business, less amount capitalized through stock dividends	50,750,000
	188,160,000
Less 19,876 shares common treasury stock, at cost	872,000
Total shareholders' equity	$187,288,000

CORNING GLASS WORKS (DEC)

	($ thousands)
COMMON STOCKHOLDERS' EQUITY	
Common stock—par value $5 per share	
Authorized—25,000,000 shares including excess over par value	$94,276
Retained earnings employed in the business	416,196
Total common stockholders' equity	**$510,472**

FORD MOTOR COMPANY (DEC)

	($ millions)
STOCKHOLDERS' EQUITY	
Capital stock, par value $2.50 a share, 1973—99,190,217 shares and 1972— 101,485,442 shares	$248.0
Capital account in excess of par value of stock	380.5
Earnings retained for use in the business	5,776.6
Total stockholders' equity	**$6,405.1**

HOLLY SUGAR CORPORATION (MAR)

STOCKHOLDERS' EQUITY:	
Common stock (authorized, 5,000,000 shares of $5 par value each; 9,513 shares reserved for conversion of debentures; 1,675,409 shares issued)	$8,377,045
Additional paid-in capital	5,490,471
Retained earnings (available for payment of cash dividends, 1973 $3,311,876; 1972, $3,089,275)	35,610,245
Total	**49,477,761**
Less cost of 120,559 shares of common stock held in treasury	4,097,336
Total stockholders' equity	**$45,380,425**

TWENTIETH CENTURY-FOX FILM CORPORATION (DEC)

	1973	1972
	($ thousands)	
STOCKHOLDERS' EQUITY		
Preferred stock, without par value; authorized and unissued 2,000,000 shares	$ ---	$ ---
Common stock $1 par value; authorized 15,000,000 shares, issued 8,561,815 shares	8,562	8,562
Capital in excess of par value	82,240	82,240
Retained earnings (deficit)	5,362	(4,105)
	96,164	**86,697**
Less cost of 40,600 shares in treasury	321	---
	$95,843	**$86,697**

GENERAL AMERICAN TRANSPORTATION CORPORATION (DEC)

	($ thousands)
SHAREHOLDERS' EQUITY	
Preferred Stock, par value $1.00 per share, $2.50 Cumulative Convertible (liquidating value of outstanding shares at $60 per share – $38,202,000)	$ 637
Common Stock, par value $.625 per share	7,387
Additional capital	110,007
Reinvested earnings	254,419
	372,450
Less cost of shares in treasury	---
	$372,450

Earnings

ABBOTT LABORATORIES (DEC)

SHAREHOLDERS' INVESTMENT	
Preferred Shares, $1 par value (Note 5)	
Authorized–1,000,000 shares, issuable in series	
Outstanding–1973: 142,500 shares; 1972: 144,210 shares of $2 cumulative convertible, Series A (1973 aggregate involuntary liquidation preference $12,540,000)	$ 143,000
Common Shares, without par value (Note 6)	
Authorized–20,000,000 shares	
Outstanding at stated capital amount–1973: 13,623,275 shares; 1972: 13,570,747 shares	55,205,000
Earnings employed in the business	270,459,000
Total shareholders' investment	**$325,807,000**

OUTBOARD MARINE CORPORATION (SEP)

	1973	1972
STOCKHOLDERS' INVESTMENT:		
Preferred stock–Authorized 3,000,000 shares of $10.00 par value, none issued (Note 5)		
Common stock–Authorized 13,500,000 shares of $.30 par value, issued 8,265,012 shares in 1973 and 8,171,762 shares in 1972 (Note 3)	$ 2,480,000	$ 2,452,000
Capital in excess of par value of common stock (Note 3)	35,094,000	33,518,000
Accumulated earnings employed in the business (Note 2)	171,575,000	143,688,000
	$209,149,000	**$179,658,000**

AMERICAN CAN COMPANY (DEC)

	($ thousands)
SHAREHOLDERS' EQUITY	
Capital stock:	
Preferred, 7 per cent, cumulative and noncallable par value $25 per share; authorized 1,760,000 shares, issued and outstanding 1,661,502 shares	$41,538
Preference, without par value; authorized 5,000,000 shares, issued, none	---
Common, par value $12.50 per share; authorized 30,000,000 shares, issued: 1973, 17,834,815; 1972, 17,834,812 shares (Note 6)	222,935
Capital in excess of par value	20,711
Earnings reinvested in the business	423,413
	708,597
Less, Common treasury stock 85,363 shares, at cost	3,842
	$704,755

J.P. STEVENS & CO., INC. (OCT)

	Shares	($ thousands)
SHAREOWNERS' EQUITY–NOTES E, F AND G:		
Capital stock–par value $15 a share:		
Authorized	10,000,000	
Issued	6,256,609	$93,849
Capital in excess of par value		73,379
Accumulated earnings		224,043
		391,271
Less: Cost of capital stock held in treasury, 438,877 shares in 1973 and 189,677 shares in 1972	14,164	
Total shareowners' equity		**$377,107**

RALSTON PURINA COMPANY (SEP)

	($ thousands)
SHAREHOLDERS EQUITY:	
Preferred stock, 6,000,000 shares authorized, $1 par value– Series A $1.20 Convertible– Outstanding 559,921 shares in 1972	
Common stock, 40,000,000 shares authorized, $1.25 par value–	
Issued 35,432,275 shares in 1973 and 34,424,638 in 1972	$ 44,290
Capital in excess of par value	70,656
Earnings invested in the business	424,018
Common stock in treasury, at cost– 67,337 shares in 1973 and 73,672 in 1972	(1,533)
Total shareholders equity	**$537,431**

WM. WRIGLEY JR. COMPANY (DEC)

STOCKHOLDERS' EQUITY:	
Capital stock, no par value–	
Authorized–8,000,000 shares	
Issued–4,000,000 shares	$19,200,000
Accumulated earnings retained for use in the business	116,576,000
Accumulated earnings appropriated for guarantees under employment assurance contracts	2,000,000
	137,776,000
Less capital stock in treasury, at cost (63,032 shares)	1,502,000
Total stockholders' equity	**136,274,000**

Income

AKZONA INCORPORATED

	($ thousands)
SHAREHOLDERS' EQUITY:	
Preferred stock–without par value; authorized 1,000,000 shares; issued–none	
Common stock $1.25 par value; authorized 20,000,000 shares; issued: 12,603,707 shares	15,755
Additional capital	63,244
Accumulated income reinvested in the business	230,072
	309,071
Treasury stock, at average cost: 1973–174,927 shares; 1972–209,922 shares	5,413
Total shareholders' equity	**$303,658**

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 $56,000)	$ 15,821
Common stock–authorized 60,000,000 shares of $5 par value each	146,320
Additional paid-in capital	115,529
Income retained in the business	867,584
Total Shareholders' Equity	**$1,145,254**

THE HOOVER COMPANY (DEC)

	1973	1972
STOCKHOLDERS' EQUITY		
Common Stock–par value $2.50 a share:		
Authorized 15,000,000 shares		
Issued 13,583,930 shares at December 31, 1973 and 13,557,035 shares at December 31,1972 (including shares held in treasury)	$33.959,825	$33,892.588
Other capital	12,000,745	11,563,820
Income employed in the business	163,765,587	141,805,970
	209,726,157	**187,262,378**
Less cost of Common stock held in treasury (403,613 shares at December 31, 1973 and 278,613 shares at December 31, 1972)	9,825,413	6,400,413
Total Stockholders' Equity	**$199,900,744**	**$180,861,965**

Deficit

CONSOLIDATED PACKAGING CORPORATION (DEC)

	1973	1972
Common stock	$6,883,000	$6,995,000
Capital in excess of par value	7,626,000	7,283,000
Accumulated deficit	(5,083,000)	(7,871,000)
Total shareholders' equity	**$9,426,000**	**$6,407,000**

GENERAL RESOURCES CORPORATION (OCT)

	1973	1972
STOCKHOLDERS' EQUITY (NOTE K):		
Capital stock:		
Preferred stock	$ 562,500	$ 400,000
Common stock	1,499,019	796,508
Additional paid-in capital	3,485,457	971,666
Deficit:		
Total deficit to October 31, 1973 and 1972	(1,988,087)	(2,207,579)
Less deficit at April 30, 1972 charged to additional paid-in capital, such action being permissible under Delaware law	1,925,317	1,925,317
Deficit since April 30, 1972	(62,770)	(282,262)
	$5,484,206	**$1,895,912**

Note K: 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 additional paid-in capital. The Company's stockholders approved this action on October 23, 1973. This procedure permits the Company to reflect losses and undistributed earnings subsequent to April 30, 1972 as retained earnings (deficit), instead of as an increase in or reduction of the deficit charged off to additional paid-in capital. One result of this procedure is to permit the distribution, as ordinary dividends, of retained earnings accruing subsequent to April 30, 1972, without regard to the deficit charged off to additional paid-in capital. Furthermore, if earnings subsequent to April 30, 1972 are less than the deficit written off, distributions thereof may, in effect, represent distributions of capital or additional paid-in capital.

RESTRICTIONS ON RETAINED EARNINGS

Table 2-53 shows that a large portion of the survey companies disclosed restrictions, usually imposed by debt agreements, limiting cash dividend payments, additional borrowings, capital expenditures, treasury stock purchases, and other corporate activities. Such restrictions were based usually on a specified amount of retained earnings or a specified amount or percent of working capital. Examples of restriction disclosures are shown below and in connection with Table 2-39.

TABLE 2-53: RESTRICTIONS ON RETAINED EARNINGS

Source of Restrictions	1973	1972	1971	1970
Bond or note indentures, credit agreements	416	407	404	413
Preferred stock or certificate of incorporation	15	18	19	12
Total	**431**	**425**	**423**	**425**
Nature of Restrictions				
Limitation on retained earnings only	164	168	180	194
Limitation on retained earnings and working capital	81	88	98	105
Limitation on retained earnings, working capital and other restrictions	125	112	99	77
Limitation on retained earnings and other restrictions	39	36	28	29
Other restrictions	22	21	18	20
Total	**431**	**425**	**423**	**425**
Number of Companies				
Referring to restrictions	431	425	423	425
Not referring to restrictions	169	175	177	175
Total	**600**	**600**	**600**	**600**

Restrictions Imposed by Indebtedness

ASG INDUSTRIES, INC. (DEC)

Notes to Financial Statements

Note 4 (in part): Long-term Debt— Under the Indenture of Mortgage and Deed of Trust relating to all the 6% First Mortgage Bonds, the Company has pledged substantially all of its properties as collateral for the bonds. The agreements relating to the bonds and the 9¼% Promissory Note contain provisions as to minimum working capital requirements. The agreements relating to the bonds, the 9¼% Promissory Note, the 9% Subordinated Promissory Note, and the Debentures contain limitations and restrictions as to payment of dividends on the Company's Common Stock. At December 31, 1973, under dividend restrictions, a deficit of approximately $7,034,000 existed in earnings available for payment of dividends.

APECO CORPORATION (NOV)

Notes To Consolidated Financial Statements

Note 4 (in part): Financing Arrangements— The Company entered into a Revolving Credit and Term Loan Agreement dated December 15, 1972, with a group of banks whereby the Company may borrow up to $15,000,000 on 90-day revolving credit notes at the prime rate of interest to December 31, 1973 and at the prime rate plus ¼ of 1 per cent to December 31, 1974. The notes become due on December 31, 1974, at which time, if no events of default exist, the Company may convert all or any part of the notes to term notes, payable in ten semi-annual installments to December 31, 1979. Under the agreement interest on the term notes was to be ½ of 1 per cent above the prime rate. The Company and the banks agreed on February 19, 1974, that the interest rates be increased to prime rate plus ¾ of 1 per cent for the remainder of the revolving credit period (to December 31, 1974) and to 1 per cent over prime for the term notes. It is presently the intention of management to convert the revolving credit notes into term notes on December 31, 1974.

The original agreement, provided, among other things, that APECO must not permit (a) current assets, as defined to include the amount of unused credit under this agreement, less current liabilities (net working capital) to be less than $20,000,000; (b) the ratio of current assets to current liabilities (current ratio) to be less than 2.0 to 1.0; and (c) total liabilities, as defined to exclude deferred income, to be more than net worth (liability ratio), as defined to exclude 50% of the excess of cost over book value of companies acquired. In addition, the agreement provided that APECO not repurchase its stock or declare or pay cash dividends thereon in excess of 50% of cumulative net income after November 30, 1970.

During 1973, certain waivers and amendments to the Revolving Credit and Term Loan Agreement were obtained to (a) permit unsecured bank borrowings in connection with the loan of $5,000,000 to Van Dyk Research

Corporation and (b) permit the Company to exceed the liability ratio for various periods to November 30, 1973.

In December, 1973, the Company obtained a waiver of noncompliance from the banks regarding the liability ratio for the months of September, October and November, 1973, provided that such ratio does not exceed 1.2 to 1.0 at November 30, 1973. On February 19, 1974, the Company obtained a letter from all the banks summarizing changes (amendments) to be made to the agreement. This letter provides that compliance as of November 30, 1973, with the current ratio and the liability ratio be waived. It also provides for a waiver on restrictions of cash dividends paid in 1973 and on deficiencies related to the negative net worth of two newly organized foreign subsidiaries. However, the letter provides (a) that the current ratio not be less than 1.7 to 1.0 during the period December 1, 1973 to May 30, 1974, 1.8 to 1.0 during the period May 31, 1974 to November 29, 1974, 1.9 to 1.0 for the period November 30, 1974 to February 28, 1975 and then 2.0 to 1.0 for the remaining period of the agreement; (b) that the liability ratio not be more than 1.5 to 1.0 during the period December 1, 1973 to May 30, 1974, 1.4 to 1.0 during the period May 31, 1974 to August 30, 1974, 1.3 to 1.0 during the period August 31, 1974 to February 28, 1975 and 1.0 to 1.0 for the remaining period of the agreement; (c) that cash dividends be permitted only out of cumulative earnings subsequent to November 30, 1973, in excess of $10,000,000; (d) that short-term borrowings be limited to $12,000,000 (excluding $4,000,000 of short-term transaction loans due in monthly payments of $1,000,000 beginning on March 31, 1974); (e) that aggregate lease obligations be limited to $10,000,000 during the term of the agreement and to no more than $17,000,000 in total; (f) that fixed asset expenditures be limited to depreciation on an annual basis; and, (g) that the two newly organized foreign subsidiaries may have a negative net worth during the period December 1, 1973 to May 30, 1974.

Net working capital was $28,064,000 at November 30, 1973, and $38,168,000 at November 30, 1972. The current ratio was 1.79 to 1.00 at November 30, 1973, and 3.86 to 1.00 at November 30, 1972. The liability ratio was 1.46 to 1.00 at November 30, 1973, and 0.73 to 1.00 at November 30, 1972. No retained earnings were available for the payment of cash dividends or the acquisition of the Company's common stock at November 30, 1973, under the loan agreement terms.

The Company also has informal compensating cash balance arrangements under this agreement at rates of 15% or 20% of the credit available under this agreement. Included in cash is a compensating balance of $500,000 (which is being maintained and which is in addition to the short-term compensating cash balances of $690,000) required by one bank under this agreement; however, compensating cash balances of $1,875,000 for the remaining two banks were not fully maintained at November 30, 1973.

THE BARDEN CORPORATION (OCT)

Notes to Financial Statements

Note E (in part): The 5% Note is payable in semi-annual installments of $175,000 and matures in 1980. The Note agreement provides, among other things, certain restrictions on the borrowing of money, on the declaration or payment of dividends (other than stock dividends) and on the distribution or payment toward the redemption, retirement or purchase of any shares of the Company's capital stock and further provides that the Company is to maintain a specified amount of working capital. As at October 31, 1973, the aggregate amount which may be paid as dividends on the Company's capital stock and for redemption, retirement or purchase of such stock was limited by formula to approximately $2,700,000.

BOBBIE BROOKS, INCORPORATED (APR)

Notes to Consolidated Financial Statements

Note 4 (in part): Long-Term Debt— Under the most restrictive terms of the Company's various debt agreements it is required to maintain both minimum consolidated working capital and defined tangible net worth of $42,000,000 through April 30, 1974, each increasing periodically thereafter to a maximum of $54,000,000 on May 1, 1979. As so defined, the Company's tangible net worth was $45,852,000 at April 30, 1973. Cash dividends are limited to 50% of the cumulative excess of consolidated earnings plus depreciation accruing subsequent to April 30, 1972, less the aggregate of capital expenditures and repayments of funded debt after such date. At April 30, 1973 retained earnings are totally restricted as to the payment of cash dividends. Additionally, the agreements restrict capital expenditures, rentals, creation of bank indebtedness, and other items.

ESB INCORPORATED (MAR)

Notes to Consolidated Financial Statements

Long-Term Debt— A summary of long-term debt is as follows:

	1973	1972
Notes payable to banks under revolving credit agreement	$20,000,000	$20,000,000
Term loan	30,000,000	30,000,000
Capitalized lease obligation	4,290,000	4,500,000
Mortgage notes payable	114,000	126,000
	54,404,000	**54,626,000**
Less current maturities	233,000	222,000
	$54,171,000	**$54,404,000**

The revolving credit agreement with three banks provides for loans up to $40,000,000. Under the agreement $20,000,000 or more must be borrowed at all times. The loan agreement terminates June 30, 1974 with provision for five one year extensions at ESB's option. Borrowings thereunder bear interest at the prime rate. Amounts borrowed may be repaid and reborrowed without penalty.

The term loan is payable to a bank on June 30, 1979 and bears interest at one percent above the prime rate limited to a maximum average of eight percent. The company may prepay the note in part or in full before it matures.

Under the revolving credit agreement the company must maintain consolidated working capital of at least $60,000,000, and a current ratio of at least 1.5 to 1. Under the revolving credit and term loan agreements, the company must maintain a ratio of consolidated tangible assets to long-term debt of at least 2.5 to 1. Under terms of these agreements, the company is restricted from declaring dividends and reacquiring stock in an aggregate amount exceeding its net income earned after March 31, 1972 plus $20,000,000. At March 31, 1973, approximately $26,000,000 of retained earnings was free of these restrictions.

HYGRADE FOOD PRODUCTS CORPORATION (OCT)

Notes to Consolidated Financial Statements

Note 3: Term Loan Payable— The term loan at November 3, 1973 is due in annual installments of $600,000 through December 1, 1980 with interest at 5½%. The agreement stipulates, among other restrictions, that until the loan is paid the Company shall not pay cash dividends on its common stock or acquire any of its common stock which on a cumulative basis from October 30, 1966 will exceed the sum of (1) 75% of net earnings (as defined) subsequent to October 30, 1966, (2) the fair value of net current assets acquired for capital stock issued by the Company, (3) cash proceeds (with limited exceptions) from the sale of capital stock, and (4) contributions to the capital of the Company; and such agreement also provides that no such dividend payments or acquisitions may be made unless certain amounts of net current assets and net tangible assets are maintained. As of November 3, 1973 approximately $7,200,000 of consolidated retained earnings were free from such restrictions, except that annual cash dividends on common stock are not to exceed $1.50 per share.

In connection with the foregoing loan, the Company issued a warrant for purchase of 31,228 shares (as adjusted on issuance of additional shares) of its common stock exercisable at any time during the term thereof of $14.51 a share (as adjusted). The warrant is subject to further adjustments on issuance of additional shares or stock options, or on reclassification of shares.

KEYSTONE CONSOLIDATED INDUSTRIES, INC. (JUN)

Notes to Consolidated Financial Statements

Note C (in part): Long-Term Debt— The agreements related to the debentures and revolving credit notes contain various covenants common to such agreements including, among other things, the maintenance of specified working capital, limitation on acquisition or lease of plant and equipment, and limitation on payment of dividends. Under the most restrictive of such covenants, dividends may not exceed 30% of net earnings after May 1, 1971, up to a maximum of $1,130,000 during any fiscal year. At June 30, 1973, sufficient retained earnings were available to permit the maximum dividend under such covenant.

LESLIE FAY INC. (APR)

Notes to Consolidated Financial Statements

Note 4 (in part): Long-Term Debt— Mortgage notes are due in varying installments through 1986 and are collateralized by property assets with a depreciated cost of approximately $5,000,000 at April 30, 1973.

Under the most restrictive terms of the several debt agreements, the Company is required to maintain a minimum consolidated working capital and current asset ratio, as defined. Additionally, dividends, funded debt, capital expenditures, rentals, and other items are restricted. At April 30, 1973, consolidated working capital exceeded requirements by $11,130,000 and approximately $2,285,000 of retained earnings were available for cash dividends and certain other restricted expenditures.

THE MACKE COMPANY (SEP)

Notes to Consolidated Financial Statements

Note 4 (in part): Long-Term Obligations— The Loan Agreement, as amended, is with five participating banks and provides for loans up to $20,000,000 of which $15,000,000 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 $15,000,000 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 October 31, 1979. The Company is required under the Loan Agreement to maintain, among other things, consolidated current assets, as defined, of at least 140% of consoidated current liabilities, as defined, at all times and consolidated net current assets, as defined, of $5,000,000 during the first two fiscal quarters each year; $6,000,000 during the thrid 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 165% of consolidated tangible net worth, as defined. The Loan Agreement also limits cash dividends and certain investments to 50% of consoidated net income subsequent to September 30, 1972, plus $3,000,000. As of September 30, 1973, retained earnings of $11,509,000 is restricted as to payment of dividends.

THE MAY DEPARTMENT STORES COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 2:Long-Term Debt— Depreciated cost of properties pledged under long-term debt amounted to $92,568,000 and $94,095,000 at February 2, 1974, and February 3, 1973, respectively.

The annual maturities, including sinking fund require-

ments against which cancelled debentures and mortgage bonds aggregating $11,822,000 may be applied, are as follows for years through 1978; 1975—$14,030,000; 1976—$64,102,000; 1977—$14,323,000; and 1978—$19,812,000.

Under the terms of the long-term debt: (1) stockholders' investment must be at least $250,000,000; (2) accumulated earnings retained in the business of approximately $239,176,000 at February 2, 1974, are subject to dividend restrictions; (3) additional long-term borrowing by the Company and certain of its subsidiaries is limited to approximately $14,581,000 at February 2, 1974; (4) working capital must be at least $120,000,000 for the Company and certain of its subsidiaries; and (5) long-term leases are limited to the extent that rentals may not exceed 2% of net retail sales.

RAYGO, INC. (OCT)

Notes to Consolidated Financial Statements

Note 3: Long-Term Debt— At October 31, 1973 and 1972 long-term debt was:

	1973	1972
Unsecured Notes, 8¾%, due in semi-annual installments of $175,000 commencing July 1, 1974 to 1988	$5,000,000	$ ---
Industrial Development Revenue Bonds, 6.00% to 6.75%, due in annual installments of $30,000 to $90,000 commencing July 1, 1974 to 1993	1,000,000	---
First Mortgage Notes, 7¼% and 8% due in monthly installments, including interest, of $5,286 to 1981 and $3,145 thereafter to 1986	459,281	486,056
Other	9,389	28,684
Total	**$6,468,670**	**$514,740**
Less—Current maturities	240,150	39,913
	$6,228,520	**$474,827**

Under the terms of its loan agreements, the company has agreed, among other things to the following:

(a) Not to pay dividends or redeem its stock in amounts in excess of 50% of consolidated net income earned subsequent to October 31, 1972. Accordingly, retained earnings of $5,369,697 are restricted at October 31, 1973 as to the payment of dividends or the redemption of stock.

(b) Not to incur additional long-term debt in excess of $461,000, unless certain financial ratios have been maintained, nor to incur current debt related to capital assets in excess of $50,000.

(c) Not to enter into long-term leases unless certain financial ratios have been maintained.

(d) To maintain working capital of $9,000,000 or 125% of long-term debt, whichever is greater, and to maintain a ratio of current assets to current liabilities of two-to-one.

The company has complied with the provisions of its loan agreements for the year ended October 31, 1973.

Restrictions Imposed By Preferred Stock Or Certificate of Incorporation

ATLANTIC RICHFIELD COMPANY (DEC)

Notes to Consolidated Financial Statements 1973

Note 6 (in part): Shareholders' Equity— The Company's articles of incorporation contain a provision restricting dividend payment; however, at December 31, 1973 net income retained for use in the business was substantially free from such restriction.

COLGATE-PALMOLIVE COMPANY (DEC)

Notes to the Consolidated Financial Statements

Note 8: Dividend Restrictions— The preferred stock provisions of the Certificate of Incorporation contain restrictions on the payment of cash dividends to convertible second preferred stockholders and common stockholders. At December 31, 1973, domestic retained earnings were free of such restrictions to the extent of $245,882,000.

THE FLINTKOTE COMPANY (DEC)

Notes to Financial Statements

(All dollar amounts except per share amounts expressed in thousands of dollars)

Note 4 (in part)— The indentures covering the sinking fund debentures and the long-term note agreements and the Company's Articles of Organization contain restrictive provisions as to the payment of cash dividends and the purchase or redemption of Company stocks. Under the most restrictive of these provisions, the amount of retained earnings available for cash dividends on common stock at December 31, 1973, was approximately $35,265.

PENNWALT CORPORATION (DEC)

Notes to Consolidated Financial Statements

Dividend Restriction— Terms of the long-term debt and preference stock agreements contain certain provisions as to the payment of dividends. In addition, under Pennsylvania law no dividend may be paid which would reduce the Company's net assets below the liquidation value of its outstanding preference stock. Under the most restrictive of these limitations, at December 31, 1973, approximately $15,000,000 of earnings retained for use in the business was not restricted as to the payment of dividends.

OWENS-ILLINOIS, INC. (DEC)

Financial Review

Restrictions on Retained Earnings— The Amended Articles of Incorporation and certain long-term debt agreements include convenants restricting the payment of dividends. At December 31, 1973, the amount of retained earnings not available for the payment of dividends under the most restrictive of such covenants was $212 million.

WESTVACO CORPORATION (OCT)

Notes to Financial Statements

Note 1 (in part): Shareholders' Equity— At October 31, 1973, $72 million of consolidated retained income was restricted under certain provisions of the Company's Certificate of Incorporation and the indenture under which the Company's 4¼% Debentures due January 1, 1978 were issued. In addition consolidated retained income included $26 million of undistributed earnings of subsidiary companies which have been indefinitely reinvested in such subsidiaries or must be retained by the subsidiaries in accordance with various loan agreements.

TABLE 2-54: STOCK OPTION PLANS

Relation of Opinion Price to Market Value at Date of Grant of Option	1973	1972	1971	1970
Not less than market	399	383	371	360
Not less than 95% of market value	9	27	54	51
90% or less	8	8	8	13
Not disclosed	134	156	164	160
Total Plans	**550**	**574**	**597**	**584**
Number of Companies				
Referring to stock option plans	532	536	533	538
Not referring to stock option plans	68	64	67	62
Total	**600**	**600**	**600**	**600**
Number of companies with stock purchase plans	80	69	81	77

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 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.

STOCK OPTION PLANS

Tandem Plans

EMERSON ELECTRIC CO. (SEP)

Notes to Consolidated Financial Statements

Note 5 (in part): Common Stock— Under various qualified and nonqualified stock option plans, certain officers and employees may purchase shares of common stock. Qualified options are granted at market value, expire in five years and are exercisable in installments. Nonqualified options expire ten years from date of grant and are exercisable in installments. Substantially all treasury shares are reserved for issuance of nonqualified options. Commencing in January 1973, differences between nonqualified option prices and market values at date of grant are charged to expense upon grant of the related options. Changes in the number of shares reserved for options granted are summarized as follows:

	Qualified Options		Nonqualified Options	
	Average Price	Number of Shares	Average Price	Number of Shares
October 1 1971	$26.43	251,548	$32.14	108,000
Add (deduct):				
Options granted	41.06	40,200	37.35	42,000
Options exercised	24.58	(65,206)	32.14	(2,064)
Options cancelled	25.25	(6,016)	---	---
September 30, 1972	**29.67**	**220,526**	**33.70**	**147,936**
Add (deduct):				
Options granted	43.13	48,000	38.91	51,000
Options exercised	25.56	(98,852)	31.68	(4,828)
Options cancelled	33.19	(1,386)	35.83	(10,668)
September 30, 1973	**35.89**	**168,288**	**35.08**	**183,440**
Shares exercisable at September 30, 1973		73,150		26,323

GENERAL SIGNAL CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 6: Stock Option Plans— Under a stock option plan approved by stockholders on April 16, 1971, options may be granted to key employees to purchase a

maximum of 160,000 shares of the company's common stock. Under the 1959 plan, which terminated at the time the 1971 plan was adopted, no additional options may be granted. Options outstanding under the 1959 plan were granted at the fair market value on the date such options were granted and are exercisable over a period of five years. Options granted under the 1971 plan may include options which can be exercised, in whole or in part, either as qualified or as non-qualified options, at the determination of the recipient. Qualified options are exercisable over a five-year period from date of grant, and non-qualified options are exercisable over a ten-year period. The option price for the shares covered by each option is the fair market value on the date such option is granted.

At December 31, 1973, 178,350 shares of common stock are reserved for issuance under these plans.

An additional 13,800 shares are reserved for stock options which were assumed by the company upon acquisition of Mixing Equipment Co., Inc.

The following table summarizes the plan for 1973 and 1972:

	1971 Plan	1959 Plan
Shares under option at January 1, 1972—at prices ranging from $23.25 to $35.75	36,400	72,752
Options granted during 1972—at prices ranging from $48.50 to $55.65	14,000	---
1973—at prices ranging from $42.40 to $53.00	31,700	---
Options exercised during 1972—at prices ranging from $23.25 to $35.75	3,250	16,362
1973—at prices ranging from $23.25 to $35.75	500	33,290
Options terminated during 1973	---	1,000
Shares under option at December 31, 1972—at prices ranging from $23.25 to $55.65	47,150	56,390
1973—at prices ranging from $23.25 to $55.65	78,350	22,100
Shares exercisable at December 31, 1973—at prices ranging from $24.68 to $55.65	28,050	20,100

HEWLETT-PACKARD COMPANY (OCT)

Note 4 (in part): Stock Option Plans— Under various qualified stock option plans adopted in prior years, the Company is empowered to grant options to employees for a total of 899,800 shares, of which options for an aggregate of 848,300 shares have been granted at prices equal to market value of the stock at date of grant. Generally, options are exercisable cumulatively at the rate of 25% annually beginning one year from grant date and expire five years from such date.

Following is a summary with respect to options during the two years ended October 31, 1973:

	Option price per share	Shares Outstanding	Shares Exercisable	Available for grant
At November 1, 1971	$25-54	601,206	308,156	108,000
Granted	69	56,500	---	(56,500)
Became exercisable	31-54	---	137,799	---
Exercised	25-54	(116,171)	(116,171)	---
At October 31, 1972	25-69	541,535	329,784	51,500
Granted	---	---	---	---
Became exercisable	33-69	---	136,176	---
Exercised	25-69	(98,082)	(98,082)	---
Cancelled	25-69	(18,263)	(16,375)	---
At October 31, 1973	$25-69	425,190	351,503	51,500

The Company has also adopted a non-qualified employee stock option plan whereby options can be granted to holders of qualified stock options for shares equal in number to those unexercised under the primary plan at the time of their expiration. Such "tandem" options are at prices equal to, and expire five years from expiration date of, the original options. Included above are options for 25,335 shares at prices from $25 to $38 per share, of which 6,810 shares and 6,250 shares were exercised in 1973 and 1972, respectively, under such "tandem" plan.

STANDARD PRESSED STEEL CO. (DEC)

Summary of Significant Accounting Policies

Nonqualified Stock Options— The potential cost of nonqualified stock option grants issued prior to December 31, 1972 is being charged to earnings over a four-year period commencing in 1972 based on the aggregate market value on date of grant. Costs of options granted under this plan subsequent to December 31, 1972 are charged to earnings based upon the excess of the market value over the exercise price of such options at the reporting date.

Notes to Financial Statements

Note 9: Common Stock and Capital in Excess of Par Value of Common Stock— The Company has three stock option plans—a 1964 qualified plan and two plans, one qualified and one nonqualified, approved by shareholders in April 1972. Under each of the 1972 plans, options to purchase up to an aggregate of 250,000 shares may be granted. Under the qualified plans, options are granted at market value on date of grant and are exercisable on a pro rata basis over a four-year period commencing one year from date of grant. Under the nonqualified plan, options are granted at market value on date of grant subject to a reduction equivalent to the increase in market value at exercise date over initial option price, but not below zero. Options under the non-qualified plan are exercisable over a 10-year period, subject to an exercise limitation of 40% in any one year of the aggregate number of options held by an employee. The 40% limitation may be waived by the stock option committee.

Options granted prior to 1973 exercised under either of the qualified plans will reduce options held by an employee prior to 1973 under the nonqualified plan on a share-for-share basis; conversely, options exercised

under the nonqualified plan which were granted prior to 1973 will similarly reduce outstanding options granted prior to 1973 under the qualified plans. The provisions of the plans prior to 1973 effectively limit the number of shares exercisable under option at December 31, 1973 to a maximum of 154,758 shares. No additional options can be granted under the 1964 qualified plan.

The activity in the plans is summarized below:

	1973		
	1964 Qualified plan	1972 Qualified plan	1972 non-qualified plan
Shares under option at beginning of year	93,000	39,000	155,760
Additions (deductions):			
Options granted	---	---	7,750
Options expired or terminated	(7,750)	(5,500)	(8,752)
Shares under option at end of year (to 54 officers and key employees)	85,250	33,500	154,758
Average price of outstanding options	$10.99	$8.00	$7.80
Shares reserved for future option grants	---	216,500	95,242

Compensation expense relating to the nonqualified stock options, of $322,000, was recorded in 1973 and 1972.

During 1973 and 1972, the Company purchased 150,554 shares and 46,700 shares, respectively, of its stock for use in the stock option plans.

VARIAN ASSOCIATES (SEP)

Notes to Consolidated Financial Statements

Stock Option Plans— The Company has reserved an aggregate of 489,667 shares of common stock for issuance to officers and key employees under both the qualified stock option plan and the non-qualified stock option plan. All options under both plans have been granted at prices equal to the fair market value of the stock on the date of grant. All options are exercisable in cumulative installments of one-third each year, commencing one year following date of grant, and expire if not exercised within five years from date of grant for qualified options and within ten years from date of grant for non-qualified options. Information as to the activity under the plans during the fiscal year ending September 30, 1973, is presented below:

	Qualified Option Plan	
	No. of Shares	Price Per Share
Shares subject to option as of September 30, 1972	356,250	$12.94-31.94
Options granted	22,575	10.13-21.06
Options terminated	(48,883)	12.38-31.25
Options exercised	(7,000)	12.94-13.19
Shares subject to option as of September 30, 1973	322,942	$10.13-31.94
Options exercisable at September 30, 1973	51,038	$15.13-31.94

	Non-Qualified Option Plan	
	No. of Shares	Price Per Per Share
Shares subject to option as of September 30, 1972	217,275	$14.56-16.06
Options granted	95,305	10.88-18.81
Options terminated	(32,100)	14.56-18.81
Options exercised	(3,333)	16.06
Shares subject to option as of September 30, 1973	277,147	$10.88-18.81
Options exercisable at September 30, 1973	124,127	$14.56-16.06

The number of shares held under certain qualified options are reduced (share for share) for any non-qualified options exercised by the employee. The number of shares held under certain non-qualified options are reduced (share for share) if an employee exercises certain qualified options. The combined total number of shares actually subject to options under both plans is 413,647 shares and exercisable is 147,332 because of the above provisions of the options. Therefore, as of September 30, 1973, 76,020 shares remained available for future options under the plans.

Qualified Options Only

INTERNATIONAL HARVESTER COMPANY (OCT)

Financial Review

Stock Option Plan— The Qualified Stock Option Plan provides for the granting of options to key employees for the purchase of the Company's common stock at a price equal to the fair market value of the stock on date of grant. These options have a term of not more than five years from date of grant and are not exercisable during the first year. The status of the Plan at October 31, 1973 and the changes during the year are as follows:

	Number of Shares
Under option at October 31, 1972	131,145
Granted	30,210
Exercised	(55,475)
Terminated	(19,470)
Under option at October 31, 1973	86,410
Exercisable at October 31, 1973	56,200
Available for grant at October 31, 1973	353,150
Average option price per share:	
Granted	$34.47
Exercised	$33.08
Under option at October 31, 1973	$32.50

WHITE CONSOLIDATED INDUSTRIES, INC. (DEC)

Notes to Financial Statements

Note F: Stock Options— The Corporation has granted options to key employees to purchase Common Stock at or above market price at date of grant. The options expire five years from date of grant and become exercisa-

ble in scheduled amounts on a cumulative basis during the life of the respective options. A summary of option transactions during the two years ended December 31, 1973 follows:

	Number of shares	Option Prices		
		Range per share	Total	Market Price
Year ended December 31, 1972:				
Granted	155.500	$15.25	$2.371.375	$2.371.375
Became exercisable	98.749	10.68-21.62	1.823.294	1.759.206
Exercised	22.029	10.68-17.76	287.259	495.703
Terminated	57.033	10.68-22.23	905.123	
Expired	24.377	17.76-22.23	521.872	
Year ended December 31, 1973:				
Granted	267.472	12.62-17.25	4.576.892	4.576.892
Became exercisable	98.958	10.68-20.75	1.589.495	1.530.265
Exercised	14.649	10.68	156.420	225.289
Terminated	262.217	15.25-21.62	5.652.245	
Expired	3.925	21.62	84.975	
At December 31, 1973:				
Outstanding	462.008	10.68-20.75	7.576.206	
Exercisable	147.987	10.68-20.75	2.439.218	
Reserved for future options	6.458			

There have been no charges or credits to income in connection with such options, and none are anticipated.

Option Plan Adopted or Amended

CARRIER CORPORATION (OCT)

Notes to Consolidated Financial Statements

Capital Stock— The Senior Preferred Stock, 4½% Series, is subject to retirement at an annual rate of approximately $346,000. This requirement has been met through 1974.

Each share of Cumulative Preferred Stock, $2.25 Series and $3.00 Series, outstanding at October 31, 1973, is convertible into $1.86 shares and 2 shares, respectively, of Common Stock.

In 1971, the Corporation sold warrants to purchase 1,125,000 shares of Common Stock which are exercisable at $27.33 per share through July 15, 1976. At October 31, 1973, no warrants had been exercised.

The Corporation's stock option plans of 1968 and 1971 provide that options to purchase not more than 750,000 shares of Common Stock may be granted to officers and key employees on or before November 29, 1977. Such options are exercisable either over five years (qualified options) or ten years (nonqualified options), at 100% of the fair market value at date of grant.

In February, 1973, the stockholders of the Corporation approved the Incentive Stock Option Plan (1973) which also provides for the granting of options to purchase not more than 750,000 shares of Common Stock at prices of not less than 100% of the fair market value at date of grant. The period during which these options are exercisable is fixed by the Corporation at the time of grant, but it is not to exceed ten years. Those options which are not exercisable after five years from date of grant are intended to be qualified stock options, while options granted which are exercisable for more than five years from date of grant will be nonqualified stock options.

Changes during the year ended October 31, 1973, in shares optioned are as follows:

	1968/1971 Plans	1973 Plan
Price range per share	$19.38-$32.17	$19.38-24.75
Shares under option October 31, 1972	677,914	---
Granted	52,800	122,850
Exercised	(3,150)	---
Cancelled	(51,780)	(1,000)
Shares under option October 31, 1973	675,784	121,850
Options exercisable at October 31, 1973	357,029	---

At October 31, 1973, in addition to the 1,465,274 shares of authorized and unissued Common Stock reserved for stock options, 1,150,616 shares were reserved for conversion of the subordinated debentures, 1,125,000 shares for exercise of warrants, 234,500 shares for conversion of the cumulative preferred stock and 3,000 shares were reserved under a contingency related to a prior acquisition.

JOHN FLUKE MFG. CO., INC. (SEP)

Notes to Consolidated Financial Statements

Note 3: Stock Options— Changes during fiscal 1973 in the company's employee stock option plans were as follows:

SHARES

	Total	Option Plan of		Price Range
		1960	1970	
Outstanding Sept. 30, 1972	28,140	11,190	16,950	$10.375 -$13.75
Options Granted	50,950		50,950	$22.875 -$31.75
Options Exercised	(19,848)	(9,925)	(9,923)	$12.06 -$13.75
Options Terminated	(200)	(200)		$12.625
Outstanding Sept. 30, 1973	59,042	1,065	57,977	$12.06 -31.75
Options Exercisable at Sept. 30, 1973	8,092	1,065	7,027	10.375 -$13.75

On January 9, 1973, the stockholders authorized an increase of 50,000 shares of common stock (from 45,000 shares to 95,000 shares) under the 1970 plan for granting of options to key employees. Under the 1960 plan, options are exercisable after three years' continuous employment and expire at various dates to August 7, 1974. Under the 1970 plan, options are exercisable after one year continuous employment, and expire five years from date of grant. Options granted under both plans are at market value at date of grant. At September 30, 1973, 18,300 shares remained available for further options.

During fiscal 1972, an option for 300 shares at $13.75 per share was granted to an employee who was ineligible under the 1970 qualified plan because of the attribution rules of the Internal Revenue Code. An additional

600 shares were granted to the same employee during fiscal 1973 at $22.875 per share. The terms of these options are otherwise similar to the company's 1970 plan and are subject to stockholder approval.

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

Notes to Consolidated Financial Statements

Note 9: Stock Options— At December 31, 1973, there were 131,483 shares under option for purchase by certain officers and key employees. These options which were granted under the 1968 Plan are exercisable as to 50% thereof after one year from the date of grant and as to the remaining 50% after the end of the second year. The option periods do not exceed five years from dates of grant and the option prices are equal to the market values at the dates of grant.

On April 25, 1973, the shareholders of the Company approved a new stock option plan covering an additional 200,000 shares of common stock. The 1973 Plan authorizes the granting of qualified stock options, non-qualified stock options or combinations of both. The provisions of the qualified stock options under the 1973 Plan are similar to the 1968 Plan. Non-qualified options differ primarily in that they may be granted at prices not less than 85% of fair market value and they are exercisable for up to ten years after the date of grant. There have been no transactions in the 1973 Plan since adoption.

Transactions relating to the stock options for 1973 and 1972 are as follows:

	Shares	
	1973	1972
Options outstanding at beginning of year	94,700	120,948
Options granted during year:		
At prices average $23.84 per share	44,783	---
Options exercised during the year:		
At prices averaging $21.04 per share	---	26,248
At prices averaging $26.69 per share	1,000	---
Options expired during the year	7,000	---
Options outstanding at end of year:		
At prices averaging $24.93 per share		**94,700**
At prices averaging $24.32 per share	**131,483**	
Available at end of year for future grants:		
1968 Plan	4,017	45,300
1973 Plan	200,000	---
	204,017	**45,300**

At December 31, 1973, options for 86,700 shares were exercisable at prices averaging $24.57 per share, an aggregate of $2,130,037.

PALL CORPORATION (JUL)

Notes to Consolidated Financial Statements

Note 8: Stock Option Plans: The Pall Corporation: 1966 Qualified Stock Option Plan— The Pall Corporation 1966 Qualified Stock Option Plan was approved by stockholders at the annual meeting held in November 1966 and provides for the issuance of a maximum of 45,000 shares of the Company's Common Stock to certain officers and employees of the Company and its subsidiaries.

The balance of unexercised optioned stock as at July 31, 1973 was as follows:

Date Granted	No. of Shares	Option Price Per Share	Total
Aug. 30, 1968-Jan. 24, 1973	16,200	$9.69-$17.50	$227,274

All options expire five years from the date of grant and are exercisable in equal annual increments over that period. Options exercisable at July 31, 1973 were for 5,660 shares. There were no options exercised during the year ended July 31, 1973.

The Pall Corporation: 1973 Qualified Stock Option Plan— The Pall Corporation 1973 Qualified Stock Option Plan was adopted by the Board of Directors on July 2, 1973, subject to stockholders' approval at the November 1973 stockholders' meeting. The Plan provides for the issuance of a maximum of 55,000 shares of the Company's Common Stock to certain officers and employees of the Company and its subsidiaries. Options granted under this Plan may not be exercised until the Plan has been approved by shareholders. The terms and conditions of options granted under the 1973 Plan are substantially the same as the terms and conditions of options granted under the 1966 Plan, except that the 1973 Plan permits payment of the exercise price in installments meeting the requirements of Regulation G of the Federal Reserve Board, and except that options granted under the 1973 Plan are exercisable in full from the outset.

Unexercised options stock as at July 31, 1973 was as follows:

Date Granted	No. of Shares	Option Price Per Share	Total
July 2, 1973	46,500	$10.75	$499,875
July 18, 1973	8,500	12.875	109,438

The Company makes no charge against income with respect to options.

SCOVILL MANUFACTURING COMPANY (DEC)

Notes to Consolidated Financial Statements

Note H— Effective April 1973, the Company adopted a stock option plan, approved by the stockholders, which replaces the 1966 Plan except as to shares grant-

ed prior to April 16, 1973. The 1973 Plan provides for granting either "qualified" or "non-qualified" options for up to 400,000 shares at prices not less than the fair market value on the date of grant. Each option granted under this Plan, which expires on April 15, 1983, may be exercised only after one year of continued employment following the date of grant. Under the 1973 Plan options for 73,500 shares have been granted at a price of $11.75 per share (aggregate price $864,000) and remain outstanding at December 30, 1973. The aggregate number of shares which may be purchased under options granted to any one employee cannot exceed 40,000.

The 1966 Employee Stock Option Plan, as amended and approved by the stockholders, provided for granting options for up to 520,000 shares of Common Stock at prices not less than fair market value at date of grant. Options granted generally become exercisable in three approximately equal installments after two years of continued employment and expire five years after date of grant. Options granted under the 1966 Plan remain in effect and at December 30, 1973 and December 31, 1972 options were exercisable as to 219,810 and 134,710 shares respectively. Transactions during the two years ended December 30, 1973, under this Plan are summarized as follows:

	Number of Shares	Option Price Per Share	Option Price Total
1972			
Outstanding at beginning of year			
Common	282.036	$9.42 -$24.28	$6.018.000
Preferred	1.418	49.00 -49.75	70,000
Granted – Common	98.500	27.25 -29.75	2.915.000
Exercised			
Common	74.386	9.42 -21.38	1.550.000
Preferred	1.168	49.00 -49.75	58.000
Cancelled			
Common	8.840	20.38 -21.38	189.000
Preferred	250	49.00	12.000
Outstanding at end of year			
Common	297.310	16.25 -29.75	7.194.000
1973			
Granted	22.000	22.44	494.000
Exercised	600	21.38	13.000
Cancelled	5.300	16.25 -21.38	106,000
Outstanding at end of year	313.410	16.25 -29.75	7.569.000

At December 30, 1973 there were 2,400,077 (1972–2,516,596) shares of Common Stock of the Company reserved for conversion of the Preferred Stock outstanding and 713,410 (1972–444,610) shares reserved for Common Stock options)

Options Expired or Not Exercised

FOREMOST-McKESSON, INC.

Financial Notes

Stockholder Equity– The prior preferred stock is being retired through annual sinking fund payments equivalent to the par value of 8,428 shares of such stock. Each share of Series A preferred stock is convertible, at the option of the holder, into 1⅝ shares of common stock and is callable at $37. At March 31, 1973 and 1972, there were 5,159,843 and 5,428,855 common shares, respectively, reserved for conversion of the Series A preferred stock and the 6% and 5½% debentures.

Options, which are exercisable at various times through 1982, have been granted at quoted market to key employees to purchase common stock; options to purchase units, consisting of one share of Series A preferred stock and ¾ share of common stock, expired during 1973 and no additional options to purchase units may be granted. Option transactions (in shares) were as follows:

	Common	Series A Preferred
Outstanding, March 31, 1971	764,401	26,978
Granted	5,000	
Exercised	(21,290)	(17,328)
Cancelled	(32,452)	(1,748)
Outstanding, March 31, 1972	**715,659**	**7,902**
Granted	114,500	
Exercised	(7,806)	(6,854)
Cancelled	(69,560)	(1,048)
Outstanding, March 31, 1973	**752,793**	---

Common stock options were exercised at prices ranging from $81.75 to $25.50 in 1973 and from $16.88 to $25.50 in 1972. Options for units were exercised at $33.38 in 1973 and at $33.38 and $42.75 in 1972. Options outstanding at March 31, 1973 are at prices ranging from $17.13 to $35.00 per share (aggregate price of $15,998,000, aggregate market value of $12,327,000) and included 168,450 shares for which options became exercisable in 1973. Shares of common stock are reserved for the outstanding options. In addition, at March 31, 1973 and 1972, common shares aggregating 76,575 and 168,650 were available for additional grants.

Debt agreements and the provisions of the preferred stocks contain restrictions as to maintenance of consolidated working capital, purchase of shares of the Company's capital stock and payment of dividends. The amount of consolidated retained earnings free of such restrictions at March 31, 1973 was approximately $26,000,000.

GENERAL FOODS CORPORATION (MAR)

Notes to Consolidated Financial Statements

Note 10: Stock Option Plans– In July 1972, the stockholders approved a new stock option plan whereby key employees under age 60 may be granted options to purchase General Foods common stock at a price that is not less than the full market value on the dates of grant for period not exceeding ten years. Generally, options granted under the previous plan and the 1972 plan became exercisable in equal annual installments during the five years following dates of grant, except that no option is exercisable during the first twelve months. A report on stock options for fiscal 1973 follows:

	Number of Shares	Option Price Per Share	Option Price Aggregate
Options outstanding April 1, 1972	1,071,690	$32-$40	$39,065,019
Options granted	150,000	$28-$30	4,406,360
	1,221,690		43,471,379
Less–Options cancelled	202,890	$32-$40	7,671,852
Options outstanding March 31, 1973 (exercisable 490,860 shares)	**1,018,800**	**$28-$40**	**$35,799,527**

The proceeds from sale of common stock for options exercised each year are credited to the common stock account at par ($840 for 840 shares in fiscal 1972) and the excess ($28,976 in fiscal 1972) over par is credited to additional paid-in capital. No options were exercised in fiscal 1973.

At March 31, 1973, there were 600,000 shares available for options that may be granted through July 26, 1977.

MARTIN MARIETTA CORPORATION (DEC)

Financial Review

Stock Option Plans— Martin Marietta has granted options to purchase its common stock to officers and key employees under 10-year plans adopted by the shareowners. The plans provide that options shall be granted at prices equal to the market value at date of grant, shall be exercisable in three equal annual installments beginning one year after date of grant, shall expire five years from such date, and may be financed under certain conditions by interest-bearing notes payable to the Corporation. Information regarding options for the years ended December 31, 1973 and 1972, follows:

Common Stock Options	Number of Shares Available for Grant	Number of Shares Options Outstanding	Option Price Per Share Range	Option Price Total Amount (Add 000)	Option Market Value (Add 000)
Year 1972:					
Granted	(120,500)	120,500	$18.75 -$22.00	$2,509	$2,509
Exercised	---	(97,650)	13.25 -21.38	1,582	2,170
Cancelled	77,800	(77,800)	---	---	---
Expired	(197,350)	---	---	---	---
December 31, 1972	88,850	389,950	13.25 -24.75	6,759	6,759
Exercisable during 1972	---	135,950	13.25 -24.75	2,029	3,081
Exercisable at year-end	---	184,000	---	---	---
Year 1973:					
Granted	(38,500)	38,500	16.13 -18.13	669	669
Exercised	---	(40,650)	13.25 -15.13	540	684
Cancelled	8,600	(8,600)	---	---	---
Expired	---	(15,000)	---	---	---
December 31, 1973	58,950	364,200	13.25 -24.75	6,437	6,437
Exercisable during 1973	---	123,350	13.25 -22.00	1,921	2,081
Exercisable at year-end	---	246,200	---	---	---

Martin Marietta Aluminum also grants options to purchase its common stock under key employee stock option plans and the company has reserved shares for issuance under these plans. Options were outstanding at December 31, 1973, to purchase 148,000 shares at prices of $9.00 to $16.07 per share, of which 72,500 were exercisable. No options were exercised in either year.

Options of Acquired Company

AMERICAN CYANAMID COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 5: Stockholders' Equity: Authorized Capital— Includes 650,000 shares of preferred stock with a par value of $1 per share, none of which is outstanding.

Stock Options— Under the company's stock option plan key employees may be granted options to purchase common stock at not less than 100% of market value on the date of grant. 1,500,000 shares were originally reserved for stock options. In 1968 and 1969 qualified stock options were granted exercisable over a period of not more than five years from date of grant, and subsequently non-qualified stock options were granted exercisable over ten years from date of grant, all in cumulative installments of one-third of the number of shares commencing one year after date of grant and annually thereafter.

Details of stock option activity for 1973 and 1972 follow:

	Number of shares	Option Price Per share	Option Price Total	Market Value Per share	Market Value Total
Options granted:				(at date of grant)	
1973	168,275	$28.50	$4,796	$28.50	$4,796
1972	201,350	35.75 -37.25	7,244	35.75 -37.25	7,244
Options which became exercisable:				(at date exercisable)	
1973	171,436	$31.00 -37.25	$5,681	$18.44 -25.00	$3,619
1972	113,839	25.75 -36.00	3,558	30.62 -31.94	3,810
Options exercised:				(at date exercised)	
1973	210	$25.75 -33.50	$6	$21.62 -31.19	$6
1972	169,363	25.75 -33.50	5,623	33.25 39.81	6,303
Options outstanding:				(at date of grant)	
Dec. 31, 1973	688,158	$25.75 -37.25	$22,001	$25.75 -37.25	$22,001
Dec. 31, 1972	710,428	25.75 -37.25	23,570	25.75 -37.25	23.570

At December 31, 1973, options to purchase 331,739 shares (336,458 shares at December 31, 1972) were exercisable, and 626,524 shares (604,464 shares at December 31, 1972) were available for option.

In connection with the Shulton, Inc., merger in 1971, the company assumed the obligations under various stock option and purchase plans of Shulton. At December 31, 1973, there were options outstanding to purchase 9,890 shares of Cyanamid's stock at prices from $37.21 to $44.30 per share. All such options were exercisable. No options were exercised during 1973. Options for 30,274 were exercised in 1972 at an average price of $23.51.

Upon exercise of options, the excess of proceeds over the par value of shares issued or cost of treasury stock ($5 in 1973 and $5,226 in 1972) is credited to additional paid-in capital.

Additional Paid-in Capital Increases during the years 1973 and 1972 were attributable solely to the issuance of shares under stock options (see above) and in 1972 to stock issued to the former shareholders of The Ervin Company (see Note 2)

Treasury Stock Is acquired from time to time and used to fulfill obligations under the company's incentive compensation and stock option plans as well as to provide for a contingent obligation under a prior acquisition. During 1973, 1,000,444 such shares were acquired (2,280 in 1972), and 5,807 shares were issued to retired participants under the incentive compensation plan (11,821 shares in 1972). In 1972, 4,995 treasury shares were issued to employees under the stock option plan.

Participants' Borrowings

BAUSCH & LOMB INCORPORATED (DEC)

Notes to Financial Statements

Capital Stock and Stock Option Plans— Changes in the number of common and Class B shares outstanding were:

	1973	1972
Balance at beginning of year	5,578,945	5,482,656
Shares issued under stock options	19,660	73,090
Shares issued upon conversion of debentures	16,729	23,199
Balance at end of year	**5,615,334**	**5,578,945**

The difference between proceeds of exercised options and principal amount of converted debentures and par value of issued shares has been added to captital in excess of par value.

Under the Stock Option Plan approved by the shareholders in 1970, 200,000 shares of Class B stock were authorized and reserved for sale to certain key executives. Class B stock possesses equal rights with common stock as to voting, dividends, and liquidation. Class B stock and common stock do not have pre-emtive rights.

Options granted under the Plan may be qualified or nonqualified and will expire, respectively, five and ten years from date of grant. Option prices are equal to the market value of the company's common stock on the date of grant. Subject to the approval of the Executive Committee, a participant may borrow the full amount of the option price from the company at an annual interest rate of not less than 4%.

Class B shares issued pursuant to the Plan are not listed on a stock exchange and are issued subject o restrictions limiting their transferability. At the request of a holder of Class B stock, the company is obligated either to repurchase the stock for cash at the market value of common stock on the date the request for repurchase is made, or to exchange the shares held for the same number of shares of common stock.

Under the Qualified Stock Option Plan approved by the shareholders in 1965, options may be granted to key executives for the purchase of common stock of the company. Options for such shares were granted at the market value of the company's common stock on date of grant and they expire five years from date of grant.

Combined activity in the plans for 1973 and 1972 was:

	Price range per share	Number of unexercised option shares
December 26, 1971	$7.38-$70.82	194,536
Granted	23.25-89.94	56,700
Exercised	7.38-70.82	(73,090)
Cancelled	23.25-34.44	(880)
December 31, 1972	14.00-89.94	177,266
Granted	22.38-45.38	14,600
Exercised	14.00-58.97	(19,660)
Cancelled	23.25-70.82	(13,826)
December 30, 1973	**$14.00-$89.94**	**158,380**
	1973	1972
Exercisable shares	153,800	166,426
Shares available for future grants	33,756	34,530
Participants' borrowings under the 1970 plan	**$950,000**	**$739,000**

STOCK PURCHASE PLANS

ARMADA CORPORATION (DEC)

STOCKHOLDERS' EQUITY	
Preferred stock, $1 par:	
Authorized: 1,000,000 shares	
Outstanding: None	
Common stock, $1 par:	
Authorized: 4,000,000 shares	
Outstanding: 1,344,544 shares in 1973	$1,345,000
Outstanding: 1,295,444 shares in 1972	
Additional paid-in capital	10,218,000
Earnings retained for use in the business	4,686,000
Notes receivable under restricted stock purchase agreement	(350,000)
	$15,899,000

Notes to Financial Statements

Note 8: Stock Options, Warrants and Restricted Stock Purchase Agreement— Under the terms of the 1969 qualified stock option plan, 100,000 shares of the Corporation's common stock were reserved for issuance to management personnel. During 1973, no options were granted or exercised. At December 31, 1973, employees held options to purchase 62,500 shares at prices from $6.94 to $9.94 per share. Of the options outstanding, 45,833 shares were exercisable. All options expire five years from date of grant.

Warrants to purchase 30,000 shares of common stock at $13 are held by the holders of now retired debt. The warrants expire October 1, 1977.

Pursuant to a Restricted Stock Purchase Agreement approved by the stockholders on May 25, 1973, 70,000 shares of the Company's Common Sotck, par value $1.00 per share were sold in a private sale to two directors of the Company. The Company received $70,000 and promissory notes for $350,000 from the purchasers of the shares on September 17, 1973. The notes are due in five consecutive equal annual installments commencing on September 17, 1974 and bear interest on the unpaid principal at a 5% annual rate.

The common stock account has been increased $70,000, additional paid-in capital has been increased $350,000, and the related notes receivable are reflected as a reduction in stockholders' equity until paid. No amounts, other than interest income, are to be reflected in the income statement with respect to the Restricted Stock Purchase Agreement.

At January 1, 1973, 367,200 shares of common stock were reserved for issuance to certain employees under the Plan, against which purchase elections for 192,965 shares were outstanding at prices ranging from $15.43 to $23.32 per share. During the year, employees were granted elections to purchase 54,956 shares at $25.65 per share (representing fourteen times the average earnings per share during the preceding five years), agreements for 2,655 shares were cancelled and 38,603 shares were fully paid for and issued. At December 31, 1973, 328,597 shares were reserved, against which purchase elections for 206,663 shares were outstanding.

Under the Internal Revenue Code and pertinent regulations of the United States Treasury Department, the company is entitled to tax deductions relating to the difference between the employees' purchase price and the market value of the shares at certain applicable measurement dates. With respect to purchase agreements dated prior to January 1, 1973, an amount equivalent to the tax benefit provided by these regulations has been charged to income and has been credited to capital surplus as additional consideration received by the company for the stock sold under the Plan. With respect to purchase agreements dated after December 31, 1972, a charge to income is reflected over a five year period for compensation expense equal to the difference between the purchase price and the market value of the shares at the applicable measurement date. During 1973, 686,000 was charged to income. The measurement dates and the timing of expense for financial accounting and tax purposes differ. Deferred taxes have been provided for the related future tax benefit. Additional tax effects arising from the change in market values on these different measurement dates will be applied to capital surplus.

BOWNE & CO., INC. (OCT)

Notes to Consolidated Financial Statements

Note 2: Employees Stock Purchase Plan— Certain subsidiaries adopted the Company's employees' stock purchase plan, which is available to all eligible employees, the Company contributes 50% of amounts withheld from employees to a trust for investment in the common stock of the Company. Contributions made by the Company will not vest with the employees until two years after the date of such contributions. Charges to income for the current year were nominal.

CHESEBROUGH-POND'S INC. (DEC)

Notes to Consolidated Financial Statements

Stock Purchasing Plan— The Plan provides that no more than 150,000 shares can be subscribed for in any one year and no more than 4% thereof can be allocated to any one individual in any year. Employees may pay for shares over a period of five years. Shares may not be disposed of for a period of five years from the date of the purchase agreement with respect to agreements dated prior to January 1, 1973. With respect to agreements dated after December 31, 1972, the Plan was amended to provide that one fifth of the shares may be disposed of after each anniversary of the date of the purchase agreement.

GRANGER ASSOCIATES (AUG)

Notes to Financial Statements

Note 5 (in part): Capital Stock— At August 31, 1973, there were 62,713 shares of authorized but unissued capital stock reserved for sale to officers and employees under two Qualified Stock Option Plans. The plans provide that the option price is equal to the fair market value on the date granted. Options are exercisable to the extent of 25% after eighteen months and 25% after the 2nd, 3rd and 4th anniversaries, cumulatively. All options expire after five years from the date granted.

Details of options at August 31, 1973, and for the year then ended are as follows:

	Shares	Option Price Per Share	Option Price Total
Outstanding options, August 31, 1973			
Total	57,663	$1.38- $10.00	121,472
Exercisable	12,375	$3.13- $10.00	44,510
Options exercised during the year	None		

The Company makes no charge to income in connection with the sale of stock under option.

At August 31, 1973, there were 33,804 shares reserved for sale to employees, directors and consultants under

the Employee Stock Purchase Plan. Eligible employees are permitted to invest up to 6% of their straight-time earnings. Non-employee directors are limited to $600 per year and consultants to 6% of fees or retainers or $50 per quarter, whichever is greater. The Company contributes approximately 25% of the issue price which is based on current market value. Charges to income for the Company's contribution were $6,891 and $10,170 for the years ended August 31, 1973 and 1972, respectively. The Plan was suspended from June 1, 1972, to February 28, 1973.

RANCO INCORPORATED (SEP)

Notes to Consolidated Financial Statements

Note 5: Employee Stock Purchase Plan— On July 2, 1973 An Employee Stock Purchase Plan, (Term 1) approved by the Board of Directors and Shareholders, became effective for an initial two year term. At September 30, 1973, 100,000 unissued common shares of the Company were reserved for sale to substantially all domestic employees participating under the Plan. The option price will equal the lower of 90% of the market value on the commencement, or termination dates (or mid-point or termination dates for employees participating on the first anniversary of the commencement date) of the Plan. Employees participate in the plan through payroll deductions (up to a maximum of 10% of base pay) and have the right to withdraw from the Plan at any time before common shares become issuable on July 2, 1975.

STEWART-WARNER CORPORATION (DEC)

Notes to the Consolidated Financial Statements

Note 3 (in part): Capital Stocks— In addition, the Corporation has a stock purchase plan which permits officers and key employees to purchase shares of the Corporation's treasury stock at the market price prevailing at the time of purchase. Current forms of contracts provide for minimum initial payments of 10% of the purchase price, and for payments of not less than 10% of the remaining balances annually, with interest at 1% per annum. All shares sold under this plan either are held in escrow or are subject to repurchase agreements. During 1973, 36,459 shares of treasury stock were sold under the plan to employees at prices averaging $28.90 per share, having an aggregate market value of $1,053,000 (1,022 shares in 1972 at prices averaging $35.67 per share; market value $36,000). At December 31, 1973, $1,116,000 ($288,000 in 1972) was due from officers and key employees under the plan.

The changes in capital in excess of par value were—

	1973	1972
Proceeds in excess of par value received from the sale of 37,059 treasury shares (2,560 in 1972) to officers and key employees under the stock purchase and stock option plans.	$980,000	$71,000

SUNDSTRAND CORPORATION (DEC)

STOCKHOLDERS' EQUITY	
Preferred stock, without par value, authorized 3,000,000 shares; $3.50 Cumulative Convertible Preferred Stock, authorized 783,484 shares, issued and outstanding—776,562 shares (preferential amount on involuntary liquidation exceeds stated value by approximately $69,100,000)	$777,000
Common stock, par value $1, authorized 15,000,000 shares; issued 1973—5,560,971 shares, 1972—5,472,242 shares	5,561,000
Additional contributed capital	54,734,000
Retained earnings	88,133,000
Common stock reacquired and held in treasury at cost, 1973—9,750 shares, 1972—49,374 shares	(262,000)
Unamortized value of restricted stock issued	(1,209,000)
	$147,734,000

Financial Summary

Stock Option and Restricted Stock Plans— At December 31, 1973, 257,900 shares of common stock, including 1,200 shares for options granted under a non-qualified plan, were reserved for issuance to eligible employees under Sundstrand stock option plans. In addition, 4,941 shares of the $3.50 preferred stock and 3,369 shares of common stock were reserved for issuance in partial satisfaction of deferred compensation liability. All options are at 100 percent of the quoted market value on the date of grant. Prices of options range from $14.41 to $34.92 a share (adjusted for stock split).

	Available For Granting	Outstanding
December 31, 1972	97,000	166,575
Options granted	(63,100)	63,100
Options forfeited or canceled	13,400	(13,775)
Options exercised	---	(5,300)
December 31, 1973	47,300	210,600

During 1973 and 1972, in accordance with the terms of the Sundstrand restricted stock plans, which were approved by the stockholders, 74,950 shares and 22,050 shares, respectively, of common stock have been sold to key managerial employees at a price substantially below market price. This common stock may not be resold, except to Sundstrand, until the restrictions placed on these shares expire. The amount of compensation represented by the effect of the sale of restricted stock is being amortized over the vesting period. At December 31, 1973, 78,400 shares were reserved for future issuance under restricted stock plans.

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-eight companies held both common and preferred treasury stock, 6 held only preferred treasury stock and 384 held only common treasury stock.

Examples of treasury stock presentations are shown below.

TABLE 2-55: TREASURY STOCK – BALANCE SHEET PRESENTATION

Common Stock	**1973**	**1972**	**1971**	**1970**
Cost of treasury stock deducted from total of capital stock, additional capital (if any), and retained earnings (*41, 168, 399)	357	336	328	328
Par or stated value of treasury stock deducted from issued stock of the same class (*8, 300, 390)	51	63	63	69
Cost of treasury stock deducted from stock of the same class (*128, 398)	8	13	14	12
Shown as a noncurrent asset (*202, 268)	11	15	19	19
Other	25	17	22	25
Subtotal	**452**	**444**	**446**	**453**
Preferred Stock				
Cost of treasury stock deducted from total of capital stock, additional capital (if any), and retained earnings (*265, 467, 713)	42	43	42	53
Par or stated value of treasury stock deducted from issued stock of the same class (*250,323,451)	25	32	32	37
Other	11	6	8	8
Subtotal	**78**	**81**	**82**	**98**
Total Presentations	**530**	**525**	**528**	**551**
Number of Companies				
Disclosing treasury stock	453	440	443	455
Not disclosing treasury stock	147	160	157	145
Total	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

Deduction in Stockholders' Equity

BIRD & SON, INC. (DEC)

	1973	1972
STOCKHOLDERS' EQUITY		
5% cumulative preferred stock, par value $100 per share, callable at $110 per share:		
Authorized and issued – 15,000 shares	$1,500,000	$1,500,000
$2.75 convertible preference stock, without par value, stated at $65 per share:		
Authorized and issued – 150,000 shares	9,750,000	9,750,000
Common stock, without par value, stated at $1⅔ per share:		
Authorized and issued – 1,800,000 shares	3,000,000	3,000,000
Other capital	1,483,000	1,477,000
Retained earnings	53,998,000	46,592,000
	69,731,000	**62,319,000**
Less – Treasury stock, at cost:		
5% preferred – 1,268 shares in 1973 (480 in 1972)	(95,000)	(41,000)
$2.75 convertible preference – 141,157 shares in 1973 (139,996 in 1972)	(9,175,000)	(9,100,000)
Common – 240,812 shares in 1973 (127,240 in 1972)	(4,204,000)	(1,200,000)
	$56,257,000	**$51,978,000**

ESB INCORPORATED (MAR)

	1973	1972
	($ Thousands)	
STOCKHOLDERS' EQUITY:		
Preferred stock, $1.00 par value; shares authorized, 1,000,000; shares issued, none	$ ---	$ ---
Common stock, $6.66⅔ par value; shares authorized, 10,000,000; shares issued, 5,648,406	37,656	37,656
Retained earnings	111,562	103,284
Treasury stock, at cost; 1973, 160,281 shares; 1972, 132,651 shares	(4,543)	(3,457)
Total stockholders' equity	**$144,675**	**$137,483**

Notes to Consolidated Financial Statements

Treasury Stock— The changes in treasury stock during the year ended March 31, 1973 were as follows:

	Shares	Cost
Balance, beginning of year	132,651	$3,457,000
Purchases	71,400	2,210,000
Stock options exercised	(43,770)	(1,124,000)
Balance, end of year	**160,281**	**$4,543,000**

GENERAL FOODS CORPORATION (MAR)

	1973	1972
	($ Thousands)	
STOCKHOLDERS' EQUITY (Note 11)		
Common Stock Issued	$ 50,792	$ 50,792
Additional Paid-In Capital	143,881	143,881
Retained Earnings	664,482	623,994
Common Stock Held in Treasury, at cost	(30,621)	(30,621)
Stockholders' Equity	**$828,534**	**$788,046**

Note 11: Capital Stock

	1973	1972
Shares authorized		
Preferred, $1 par	3,000,000	3,000,000
Common, $1 par	60,000,000	60,000,000
Shares issued		
Preferred	none	none
Common	50,791,680	50,791,680
Less–Treasury Shares	819,598	819,598
Common Shares Outstanding	**49,972,082**	**49,972,082**

Treasury stock includes 1,000 shares purchased during fiscal 1972 at a cost of $37,000. No treasury stock was acquired in fiscal 1973. Substantially all of the 819,598 shares of common stock held in the treasury were purchased in fiscal 1969 and prior years and are reserved for use in future acquisitions. The 1,000,000 treasury shares to be purchased under the program authorized early in fiscal 1974 will be reserved for stock option plans. At March 31, 1973, 2,784,838 shares of common stock were reserved for conversion of the 4⅝% Convertible Debentures and stock option plans.

MERCK & CO., INC. (DEC)

STOCKHOLDERS' EQUITY	1973	1972
Cumulative preferred stock	$12,000,000	$12,000,000
Common stock	2,074,000	2,069,000
Other paid-in capital	134,023,000	125,318,000
Deferred compensation payable in common stock	14,937,000	14,448,000
Retained earnings	561,393,000	474,863,000
	724,427,000	**628,698,000**
Less treasury stock, at cost	28,917,000	20,465,000
Total stockholders' equity	**695,510,000**	**$608,233,000**

Notes to Financial Statements

Note 5: Stockholders' Equity— Authorized cumulative preferred stock is 150,000 shares without par value and redeemable at $102 per share. There were 120,000 shares of $3.50 cumulative preferred stock issued, of which 86,352 shares were held in the treasury at December 31, 1973.

Authorized common stock is 78,000,000 shares with a par value of $.02 7/9 each. There were 74,681,623 and 74,510,031 shares issued at December 31, 1973 and 1972 respectively, of which 23,667 and 35,627 shares respectively were held by a subsidiary to satisfy remaining obligations under the Kelco Stock Option Plan and were not outstanding. At December 31, 1973, 352,334 shares of common stock were held in the treasury. In addition, at December 31, 1973 and 1972, common shares not issued but contingently payable as deferred compensation amounted to 409,522 and 421,971 shares respectively.

A summary of treasury stock transactions and balance is as follows:

	($ thousands)			
	1973		1972	
	Shares	Cost	Shares	Cost
Cumulative Preferred Stock, $3.50 Series				
Balance, January 1	85,641	$6,684	84,708	$6,631
Purchases	711	37	933	53
Balance, December 31	**86,352**	**6,721**	**85,641**	**6,684**
Common Stock				
Balance, January 1	258,482	13,781	226,000	11,342
Purchases	116,900	10,430	33,000	2,484
Issued in payment of deferred compensation	(23,048)	(2,015)	(518)	(45)
Balance, December 31	**352,334**	**22,196**	**258,482**	**13,781**
Total Treasury Stock, December 31		**$28,917**		**$20,465**

TEXASGULF INC. (DEC)

STOCKHOLDERS' EQUITY			1973	1972
Preferred stock, $1 par value– Authorized but unissued 5,000,000 shares			$---	$---
Common stock, without par value– Authorized 45,000,000 shares; issued as follows:				
	1973	1972		
Outstanding	30,447,377	30,407,572		
In treasury	4,112,623	4,152,428		
Issued	34,560,000	34,560,000	$26,175,000	$26,175,000
Contributed capital			$1,425,000	1,010,000
Retained earnings			437,900,000	383,446,000
			465,500,000	**410,631,000**
Less cost of treasury stock			25,134,000	25,377,000
Stockholders' Equity			**$440,366,000**	**$385,254,000**

WINN-DIXIE STORES, INC. (JUN)

STOCKHOLDERS' EQUITY:	1973	1972
Capital stock (notes 4,6 and 7):		
Common stock, $1 par value per share. Authorized 23,636,925 shares; issued 12,955,140 (12,915,324 shares in 1972 as adjusted)	$12,955,140	$8,610,216
Class B common stock (accumulating convertible), $1 par value per share. Authorized 6,368,230 shares; issued 6,367,541 (6,406,284 shares in 1972 as adjusted)	6,367,541	4,270,856
Total Capital Stock	19,322,681	12,881,072
Capital in excess of par value of capital stock	---	6,363,858
Retained earnings	207,068,400	180,311,552
	226,391,081	**199,556,482**
Less cost of common stock reacquired for employees' stock purchase plan, stock option plans, or for other corporate purposes, 161,197 shares (86,659 shares in 1972 as adjusted)	3,257,303	933,031
Total stockholders' equity	**$233,133,778**	**$198,623,451**

Included in Assets

GENERAL MOTORS CORPORATION (DEC)

Common stock held for the Incentive Program (Note 6)	$137,407,501

Notes to Financial Statements

Note 1 (in part): Significant Accounting Policies Incentive Program— A reserve is maintained for purposes of the Bonus Plan and Stock Option Plan to which may be credited each year an amount which the independent public accountants of the Corporation determine in accordance with the provisions of the Bonus plan; however, for any year the Bonus and Salary Committee may direct that a lesser amount be credited. Bonus awards under the Bonus Plan, contingent credits under the Stock Option Plan and such other amounts arising out of the operation of the Incentive Program as the Committee may determine are charged to the reserve. As a result of tentative determinations of awards by the Committee, the amount provided is transferred to current liabilities, other liabilities and deferred credits at December 31.

If participants do not meet the preconditions entitling them to receive undelivered instalments of bonus awards and contingent credits, the amount of any such instalments is credited to income. Upon the exercise of stock options, the related contingent credits are proportionately reduced with the amount of the reduction credited to income.

Note 6 (in part): Common Stock Held for the Incentive Program

	Shares	Amount
Balance at beginning of the year	1,693,625	$129,540,350
Acquired during the year	839,190	57,296,450
Delivered to participants during the year	(654,927)	(49,430,924)
Revaluation in accordance with the Bonus Plan	---	1,625
Balance at end of the year:		
Held for instalment deliveries of bonus awards and contingent credits related to prior years	823,807	62,428,888
Available for contingent credits related to outstanding stock options	175,422	13,914,493
Available for current bonus awards and contingent credits	887,659	61,064,120
Total	**1,886,888**	**$137,407,501**

W. T. GRANT COMPANY (JAN)

COMMON STOCK OF W. T. GRANT COMPANY	
Held for Deferred Contingent Compensation Plan, at cost—155,400 and 145,400 shares, respectively	$2,499,538

Deducted from Same Issue

ALLEGHENY LUDLUM INDUSTRIES, INC. (DEC)

	($ thousands)
SHAREHOLDERS' EQUITY:	
Capital stock (Notes 5 and 6):	
$3.00 Convertible Preferred Stock (involuntary liquidation value at December 31, 1973—$121,027,000)	$2,017
Common stock	4,744
Additional paid-in capital (Notes 5 and 6)	82,715
Retained earnings (Notes 4,8 and 10)	182,854
	$272,330

Note 5: Capital Stock— Following is a description of capital stock at December 31, 1973 and 1972:

	Shares outstanding	
	1973	**1972**
$3.00 Convertible Preferred Stock—$1.00 par value—authorized 2,200,000 shares	2,017,122	2,017,052
Cumulative Preferred Stock, issuable in series—no par value—authorized 1,000,000 shares	---	---
Common stock—$1.00 par value—authorized 20,000,000 shares	4,744,359	4,744,359

For presentation purposes, 4,500 common treasury shares in 1973 and 1972 have been offset against shares issued and the excess of cost over par value of $226,000 applied to additional paid-in capital. The 1973 and 1972 increases in $3.00 Convertible Preferred Stock resulted primarily from exercise of stock options.

Shares of $3.00 Convertible Preferred Stock may be converted at any time into Common Stock. At December 31, 1973, the conversion rate, which is subject to adjustment, was on a share for share basis. The Corporation may redeem the $3.00 Convertible Preferred Stock in whole or in part at $64.00 per share through June 30, 1974, and thereafter the redemption price is reduced by $1.00 each year until it is $60.00 per share after June 30, 1977, plus in each case accrued dividends. In the event of voluntary liquidation, the holders of $3.00 Convertible Preferred Stock are entitled to receive an amount equal to the redemption price then in effect, plus accrued dividends.

At December 31, 1973, 2,426,799 shares of Common Stock were reserved for conversions of $3.00 Convertible Preferred Stock and 4% Convertible Subordinated Debentures and for outstanding options and the granting of options under the employees' stock option plan.

BROWN GROUP, INC. (OCT)

STOCKHOLDERS' EQUITY	
Preferred Stock, $1 par value; authorized 1,000,000 shares; none issued	
Common Stock, $3.75 par value; authorized 12,000,000 shares; issued and outstanding 7,301,921 shares in 1973 and 7,569,940 in 1972 (excluding shares held in treasury—600,035 in 1973 and 301,716 in 1972)— Note C	$ 27,382,204
Additional capital	14,062,796
Retained earnings	145,314,825
	$186,759,825

KELLOGG COMPANY (DEC)

STOCKHOLDERS' EQUITY:	
3½% Cumulative Preferred Stock, $100 Par Value—	
Authorized and issued 85,513 shares, less 61,526 shares in treasury (89,263 less 64,946 in 1972)	$ 2,398,700
Common Stock, $.50 Par Value—	
Authorized 80,000,000 shares in 1973 and 40,000,000 in 1972; issued 73,105,631 shares in 1973 and 36,432,807 shares in 1972	36,552,816
Capital in Excess of Par Value	14,918,934
Retained earnings	265,573,782
Total Stockholders Equity	**$319,444,232**

Notes to Financial Statements

Note 5: Preferred Stock— The Company may redeem its outstanding preferred shares at a price of $101.50 currently ($100 after 1985). Each year the Company must offer to purchase 3,750 shares of preferred stock at a current maximum price of $100.50 ($100 after 1975), or apply previously acquired shares (61,526 shares in treasury at December 31, 1973) against this requirement.

STEWART-WARNER CORPORATION (DEC)

SHAREHOLDERS' EQUITY:	
Capital Stock (Note 3)	
Common Stock:	
Authorized— 10,000,000 shares of $2.50 par value each	
Issued— 4,316,044 shares	$ 10,790,000
Less: Treasury stock— 191,299 shares (228,358 in 1972)	478,000
Outstanding— 4,124,745 shares (4,087,686 in 1972).	**$ 10,312,000**
Capital in Excess of Par Value (Note 3)	34,585,000
Retained Earnings	63,431,000
Total Shareholders' Equity	**$108,328,000**

NORTON SIMON INC. (JUN)

SHAREHOLDERS' EQUITY:	
Preferred stock	$ 18,342,000
Common stock	39,246,000
Additional paid-in capital	301,313,000
Retained earnings	241,304,000
Total Shareholders' Equity	**$600,205,000**

Notes to Financial Statements

Capital Stock (in part)— Authorized capital stock consists of 140,000,000 shares of $1 par value common stock and 10,000,000 shares of $5 par value preferred stock; 5,000,000 shares of preferred stock are designated as Series A Convertible Preferred Stock, 49,360 as Series B Convertible Preferred Stock, 26,500 as Series C Convertible Preferred Stock and the remaining 4,924,140 as undesignated. Changes in shares of capital stock were as follows:

	Common Stock	Preferred Stock
Shares outstanding, July 1, 1971, as previously reported	24,927,608	3,679,373
Pooling of interests	11,606,076	---
Restated balance, July 1, 1971	**36,533,684**	**3,679,373**
Issued for:		
Common stock dividend— 2½%	587,124	---
Exercise of stock options	460,250	19,523
Conversion of debentures and preferred stock	10,522	(2,230)
Stock dividend of pooled company	227,508	---
Other changes	(16,602)	(5,958)
Shares outstanding, June 30, 1972	**37,802,486**	**3,690,708**
Issued for:		
Common stock dividend— 2½%	654,594	---
Exercise of stock options	583,213	9,441
Conversion of debentures and preferred stock	140,212	(31,842)
Other changes	65,414	---
Shares outstanding, June 30, 1973	**39,245,919**	**3,668,307**

Common stock outstanding at June 30, 1973 and 1972 is after deducting 5,906,684 and 5,762,620 shares, respectively, held in treasury. Series A Convertible Preferred Stock outstanding at June 30, 1973 and 1972 is after deducting 834,502 shares held in treasury.

Section 3: Income Statement

TITLE OF INCOME STATEMENT

Table 3-1 summarizes the key word terms used in income statement titles. Eleven companies changed the key word term. Examples of income statement titles follow.

Income

BRIGGS & STRATTON CORPORATION

Consolidated Statements of Income

ELI LILLY AND COMPANY

Statement of Consolidated Income and Reinvested Earnings

Earnings

BRUNSWICK CORPORATION

Consolidated Statements of Earnings

ESMARK, INC.

Consolidated Statement of Current and Accumulated Earnings

MOTOROLA, INC.

Statements of Consolidated Earnings and Retained Earnings

Operations

THE RATH PACKING COMPANY

Statement of Operations and Retained Earnings

UMC INDUSTRIES, INC.

Consolidated Statement of Operations

THE UNITED PIECE DYE WORKS

Consolidated Statement of Operations & Retained Earnings

Other

ASG INDUSTRIES INC.

Statement of Income and Expense

TABLE 3-1: INCOME STATEMENT TITLE

	1973	1972	1971	1970
Income	378	376	375	380
Earnings	180	178	180	178
Operations	39	41	41	37
Other	3	5	4	5
Total Companies	**600**	**600**	**600**	**600**

INTERPHOTO CORPORATION

Consolidated Statements of Income (Loss)

FORM OF THE INCOME STATEMENT

The form of the income statement falls into two general types, namely, the "single-step" form and the "multiple-step" form. 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

Single-step form	1973	1972	1971	1970
Federal income tax shown as separate last item (*31, 373, 682)	306	289	269	256
Federal income tax listed among operating items (*25, 368, 639)	96	124	128	135
No provision shown for Federal income tax	–	2	4	6
Subtotal	**402**	**415**	**401**	**397**
Multiple-step form				
Costs and expenses deducted from sales to show operating income (*106, 274, 767)	101	83	89	93
Costs deducted from sales to show gross margin (*85, 374, 743)	97	98	110	110
Other	–	4	--	--
Subtotal	**198**	**185**	**199**	**203**
Total Companies	600	600	600	600

*Refer to Company Appendix Section

REVENUE

Paragraph 148 of *APB Statement No. 4* 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 than 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,* 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 and/or rendering services. 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 revenue items follow. See Tables 2-23 to 2-26 and Table 3-21, respectively, for additional examples of equity in earnings of investees and gains from translation adjustments.

Revenue From Product Sales And Services

ADDRESSOGRAPH MULTIGRAPH CORPORATION (JUL)

SALES AND OTHER INCOME:	
Net sales	$375,545,000
Service billings and machine rentals	114,304,000
Interest, discount and other income	8,609,000
	$498,458,000

CLAROSTAT MFG. CO., INC. (DEC)

Net sales and other revenues	$14,882,157

FRUEHAUF CORPORATION (DEC)

REVENUES:	
Commercial sales	$658,089,372
Lease equipment rentals	43,047,137
Defense sales	26,242,691
Sales and Rentals	**$727,379,200**

TABLE 3-3: SALES—CAPTION TITLE

	1973	1972	1971	1970
Net Sales				
Net sales (*248, 499, 768)	365	366	365	361
Net sales and operating revenue (*44, 286, 724)	26	23	28	33
Net sales combined with other terms (*199, 280, 758)	17	18	20	17
Subtotal	**408**	**407**	**413**	**411**
Sales				
Sales (*151, 367, 744)	93	94	85	89
Sales and operating revenue (*220, 355, 721)	45	42	42	42
Sales combined with other terms (*160, 189, 213)	11	11	15	16
Subtotal	**149**	**147**	**142**	**147**
Other Captions				
Revenue or gross operating income (*18, 236, 549)	25	24	24	22
Gross sales, income, billings, shipments, etc.	18	22	21	20
Subtotal	**43**	**46**	**45**	**42**
Total Companies	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

TABLE 3-4: OTHER REVENUE

Nature	1973	1972	1971	1970
Interest (*35. 297. 751)	174	172	165	192
Equity in earnings of investees	150	139	106	81
Dividends (*89. 494. 728)	69	70	79	100
Royalties (*77. 315. 653)	55	61	49	44
Gains on dispositions of assets (*13. 469. 747)	53	30	25	27
Translation adjustments	16	15	19	N/C
Other– described (*111. 359. 739)	73	74	40	95
Other	408	436	438	454
Total Presentations	**998**	**997**	**921**	**993**
Number of Companies				
Presenting above items	497	508	490	474
Not presenting above items	103	92	110	126
Total	**600**	**600**	**600**	**600**

N/C—Not Compiled

*Refer to Company Appendix Section

HARNISCHFEGER CORPORATION (OCT)

REVENUES	
Net sales of products	$200,891,692
License and technical service fees– net	3,316,291
Other income	1,382,135
Equity in earnings of unconsolidated subsidiaries and an associated company–net of related income taxes	637,967
	$206,228,085

LOUISVILLE CEMENT COMPANY (DEC)

Billings to customers	$61,675,165
Less freight and discounts	12,055,569
	$49,619,596

PITNEY-BOWES, INC. (DEC)

REVENUES FROM	
Sales	$241,772,000
Rentals	97,880,000
Service	45,248,000
Total revenues	**$384,900,000**

Net shipments

WHITE MOTOR CORPORATION (DEC)

	($ thousands)
SALES AND OTHER REVENUES:	
Net sales	$1,179,425
Income before income taxes of unconsolidated finance subsidiaries	8,632
Interest income	1,802
Gain on sale of fixed assets and other– net	3,229
	$1,193,088

Interest Income

AMERICAN HOSPITAL SUPPLY CORPORATION (DEC)

	1973	1972
	($ thousands)	
Net sales	$829,322	$688,270
Cost of products sold	563,253	457,634
	266,069	**230,636**
Selling, shipping, warehousing and administrative expenses	192,401	167,033
	73,668	**63,603**
Other income	2,067	3,219
Interest expense	(2,756)	(1,576)
Earnings before income taxes	**72,979**	**65,246**
Income taxes	33,120	30,150
Net earnings	**$ 39,859**	**$ 35,096**

Notes to Financial Statements

Note G (in part): Other Income, Income Taxes, and Costs and Expenses:

($ thousands)	1973	1972
OTHER INCOME:		
Interest	$1,224	$1,956
Royalties	853	760
Foreign exchange gains	340	154
Acquisition expenses, capital gains and miscellaneous	(350)	349
	$2,067	**$3,219**

LEHIGH PORTLAND CEMENT COMPANY (DEC)

	1973	1972
REVENUES		
Sales, less discounts	$137,829,000	$125,204,000
Interest and other income (Note 5)	3,234,000	1,642,000
	$141,063,000	**$126,846,000**

Note 5: Interest and Other Income— Interest and other income for the years ended December 31, 1973 and 1972, are summarized below:

	1973	1972
	($ thousands)	
Interest income	$1,632	$1,006
Gain on sales of real estate	545	---
Rental and royalty income	489	304
Gain on sinking fund debentures acquired	497	88
Other	71	244
	$3,234	**$1,642**

OWENS-ILLINOIS, INC. (DEC)

	($ thousands)
REVENUES:	
Net sales	$1,856,906
Dividends	3,295
Interest	7,242
Royalties and net technical assistance	13,431
Equity in earnings of associates	9,157
Gains on sales of assets	4,729
Other	6,749
	$1,901,509

Dividend Income

AMERICAN METAL CLIMAX, INC. (DEC)

	1973	1972
	($ thousands)	
Earnings from operations	$145,330	$87,820
Dividend income (page 29)	14,180	8,030
Interest expense, net and other (Note 4)	(9,960)	(5,080)
Earnings before Federal and foreign income taxes	**$149,550**	**$90,770**

Financial Review (Page 29)

Dividends from AMAX Investments in Other Companies

	1973	1972
	($ thousands)	
In Africa		
Roan Consolidated Mines Limited	$ 9,670	$5,850
Tsumeb Corporation Limited	2,700	1,210
O'okiep Copper Company Limited	1,400	750
Miscellaneous	410	220
Total before U.S. tax	**$14,180**	**$8,030**

Note 4: Interest Expense, Net and Other:

	1973	1972
	($ thousands)	
Gross interest expense	$(40,920)	$(32,640)
Interest capitalized	13,990	11,600
Interest income	22,600	12,640
Other	(5,630)	3,320
	$ (9,960)	**$ (5,080)**

ROBERTSHAW CONTROLS COMPANY (DEC)

REVENUES	
Net sales	$193,334,876
Dividends (1973– $171,885; 1972– $109,389) and equity in undistributed earnings of unconsolidated foreign subsidiaries and associated company	2,253,076
Gain from sale of property	1,230,134
Other revenue	1,076,656
	$197,894,742

Royalty Income

JANTZEN INC. (AUG)

SALES AND OTHER INCOME:	
Net sales	$95,634,016
Royalties	771,168
Other income	217,867
Total Sales and Other Income	**$96,623,051**

Notes to Financial Statements

Note 1 (in part): Royalty Income— Royalties are included in income as received.

WEIGHT WATCHERS INTERNATIONAL, INC. (SEP)

REVENUES:	
Franchise commissions	$ 7,715,000
Lecture income– company operated classes	4,789,000
Circulation, advertising and other magazine revenues	3,031,000
Sales of Weight Watchers products and aids	912,000
Sales of franchise territories	41,000
Royalties– food products	1,187,000
Royalties– books	532,000
Interest and other income	313,000
Total Revenues	**$18,520,000**

Gain From Sale of Assets

ELECTRIC HOSE & RUBBER COMPANY (AUG)

Net sales	$44,019,800
Gain on sale of property– Note 9	282,200
Other revenues	114,100
	$44,416,100

Note 9: Gain on Sale of Property— Gain on sale of property represents a pretax gain of $282,200 resulting from the sale of a warehouse located in Skokie, Illinois. The net gain after taxes approximated $196,300.

REYNOLDS METALS COMPANY (DEC)

	($ thousands)
REVENUES	
Net sales	$1,449,751
Equity in net income of unconsolidated subsidiaries and associated companies (dividends: 1973– $3,155,000; 1972– $2,772,000)	8,473
Gain on mineral properties– Note L	15,282
Interest and other income	13,119
	$1,486,625

Note L: Gain on Mineral Properties— In the fourth quarter of 1973 the Company transferred to Texaco Inc. a major portion of its interests in over 30,000 acres of land owned and held under contract, as well as associated coal and water rights and permits, located in Wyoming. Pursuant to this transfer, the Company has recorded a gain of $15,282,000 which, after applicable income taxes, had a $10,500,000 effect on net income for the year. The agreement also provides that the Com-

pany shall receive minimum advance royalties of $12,000,000 per year for the next ten years beginning in 1974 to apply against the first 700 million tons of coal to be mined. Thereafter the Company is to receive a royalty of twenty cents per ton of coal mined, with provision for escalation. The Company has retained certain land, coal and water rights in Wyoming to provide for future manufacturing operations.

THE SUPERIOR OIL COMPANY (DEC)

OTHER INCOME (EXPENSE)	
Dividends and miscellaneous income	$8,801,000
Gain on sale of 205,000 shares of Texaco stock	4,747,000
Equity in earnings (losses) of affiliated companies	12,021,000
Interest expense	(14,368,000)
Income taxes	(5,051,000)
	$6,150,000

Other

ENGELHARD MINERALS & CHEMICALS CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 4: Non-recurring Income and Expense— Earnings before income taxes for the year 1973 include the following items of non-recurring income and expense applicable to the Englehard Industries Division (in thousands of dollars):

Gains arising from permanent reductions of precious metals inventories carried on the last-in, first-out (LIFO) method of valuation	$6,113
Non-recurring expenses—	
Pre-operating expenses of automobile catalyst program	(2,923)
Expenses in connection with relocation of certain precious metals operations	(1,789)
Write-down of slow moving inventories to estimated realizable value	(1,419)
Net effect of above items on earnings before income taxes	$ (18)

GIDDINGS & LEWIS

	1973	1972
OTHER INCOME (DEDUCTIONS):		
Profit on disposal of property and equipment	$463,708	$451,671
Gain on repurchase of convertible debentures (Note 4)	439,796	207,439
Interest expense	(1,597,565)	(1,436,336)
Miscellaneous income—net	435,508	504,112
	$(258,553)	**$(273,114)**

Note 4 (in part): Long-Term Debt and Restrictions on Dividends and Other Payments— The long-term debt at December 31, 1973 and 1972 consists of:

	1973	1972
4⅝% convertible subordinated debentures due October 1, 1987	$ 8,026,000	$ 9,328,000
4¾% convertible unsecured loan stock of overseas subsidiary due February 28, 1989 (2,000,000 pound sterling)	4,700,000	4,700,000
5¼% notes payable, final maturity April, 1974	5,400	185,188
7% note payable due $89,264 quarterly	535,582	---
4¾% notes payable	---	400,000
	13,266,982	**14,613,188**
Less current portion	362,455	579,788
	$12,904,527	**$14,033,400**

The 4⅝% convertible subordinated debentures are convertible at any time into common stock at $36.35 per share, subject to adjustment in certain events. At December 31, 1973, 220,798 shares of the authorized common stock are reserved for the debenture conversion. The debentures are redeemable at the option of the Company to October 1, 1974, at a redemption price of 103.125% plus accrued interest and subsequently at prices declining annually. During 1973 and 1972, the Company repurchased $1,302,000 and $657,000, respectively, of the debentures with the resulting gains included in earnings. Sinking fund payments of $666,000 are required annually through 1986. Conversions, repurchases and redemptions which may be applied against sinking fund payments have occurred in sufficient amount to cover the 1974 and a substantial portion of the 1975 requirement.

HARSCO CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of Significant Accounting Policies:

Foreign Investment Grants— Foreign investment 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.

Note 2 (in part): International Operations— Foreign investment grants included in the consolidated statements of income amounted to $329,000 in 1973 and $386,000 in 1972.

HAZELTINE CORPORATION (DEC)

REVENUES	
Sales (Note 9)	$75,915,585
Patent income (Note 2)	3,464,021
Total revenues	**$79,379,606**

Notes to Financial Statements

Note 1 (in part): Summary of Significant Accounting Policies

Revenue Recognition— Sales of products and ser-

vices to customers, and sales after March 31, 1973 of computer peripheral equipment to an unrelated leasing company, which are outright sales (see Note 9), are reported in operating results at the time of delivery of product or performance of services pursuant to contractual terms. Sales of computer peripheral equipment to an unrelated leasing company prior to April 1, 1973 are reported in operating results only to the extent of revenues related to the rental period or to any subsequent renewal thereof. Patent income is recognized in operating results when the amounts due are reported to the Company.

Note 2: Patent Income— Certain significant United States color television patents owned and licensed by Hazeltine Research, Inc. expired in December 1973 and any income from those patents thereafter would depend on Hazeltine Research, Inc. obtaining payment for use of the patented inventions in color television products manufactured prior to the expiration of the patents by unlicensed companies.

Patent revenues of Hazeltine Research, Inc. amounted to $2,375,000 for 1973 and $2,892,000, including $680,000 for prior year's patent usage, for 1972. A number of Hazeltine Corporation's principal foreign patents continue for additional years.

Note 9: Sales to Leasing Company— In 1973 the Company entered into an arrangement with U.S. Leasing International, Inc. and The St. Paul Companies which provides financing to assist the Company in marketing computer terminals and related equipment taken by customers on one-year rental. Under that arrangement, an unrelated leasing company jointly owned by U.S. Leasing and St. Paul, has agreed to purchase on an outright basis during the period ending June 30, 1974 up to $13.5 million of computer peripheral equipment for delivery to rental customers. The leasing company may elect by April 1, 1974 to extend the agreement to purchase up to an additional $17.5 million of such equipment for an additional year. As at December 31, 1973, sales to the leasing company under this arrangement aggregated $4.3 million.

The Company is not subject to any risk or obligation to remarket equipment which may be returned by the rental customers.

In connection with this arrangement, the Company granted to U.S. Leasing and St. Paul options for each of them to purchase up to 25,000 shares of common stock at $10 per share over five years. The options on half of these shares cannot be exercised unless the leasing company elects to extend the agreement for the additional $17.5 million for the second year.

MILTON ROY COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Changes in reporting entity— During 1973 the Company acquired for $50,000 cash a 50% interest in MilRoy-Extracorporeal, Inc., a joint venture which was formed to engage in sales, development and servicing of kidney dialysis machines and related equipment. These products are manufactured by the Company and marketed by Extracorporeal Medical Specialties, Inc., (EMSI), the other 50% shareholder. In connection with the formation of this venture, EMSI issued 10,000 (adjusted for the 2 for 1 stock split on November 26, 1973) of its common shares to the Company and EMSI was granted the exclusive distribution rights for the above products in the United States and Canada through June, 1983. The fair market value of these shares, $162,720, has been included in other income. The Company may receive up to 16,000 additional shares if certain minimum sales levels are not met by EMSI through 1976.

OPELIKA MANUFACTURING CORPORATION (SEP)

Income from operations	$3,117,701
Other income and (Expenses):	
Sale of cotton contract (Note K)	985,125

Note K:Sale of Cotton Contract— In September of 1973 the Company sold for $985,125 a contract (dated April 17, 1973) to purchase for delivery at a future date approximately 2,775,000 pounds of raw cotton at 30½c per pound. The amount of $985,125 represents the difference between the market price prevailing at the date of sale (66c per pound) and the contract price.

SEABOARD ALLIED MILLING CORPORATION (MAY)

Operating income	**$5,464,507**
OTHER INCOME:	
Rent	52,186
Interest:	
Foreign subsidiaries	38,215
Other	89,994
Equity in earnings of 50% owned joint ventures and domestic subsidiary (note 1)	267,132
Management and service fees from foreign subsidiaries	129,924
Other	188,938
	766,389
	6,230,896
OTHER CHARGES:	
Interest and debt amortization	2,244,055
Loss on sale or abandonment of property, plant and equipment	301,135
Other	148,923
	2,694,113
Earnings before Federal taxes on income	**$3,536,783**

A. O. SMITH CORPORATION (DEC)

	($ thousands)
OTHER INCOME (DEDUCTIONS):	
Interest expense	$(6,616)
Insurance proceeds in excess of net book value of property destroyed by fire	1,798
Provision for loss on net assets relating to sale of division	(3,040)
Other–net	1,266
	$(6,592)

1973 In Review/Finance

Earnings (in part)– Record earnings in 1973 were $15,162,000, or $3,08 per share, as compared with $9,944,000, or $2.02 per share in 1972, or an increase of 52 percent. Earnings improvements were achieved by most operations with the most significant improvements being registered by the Automotive division and the Electric Motor division, both of which achieved record earnings levels in 1973. The company's elevator subsidiaries, which suffered losses in 1972 as a result of the strikes by construction and maintenance workers in the elevator industry, substantially reduced their losses in 1973.

Notwithstanding record earnings, profit margins were at a less than satisfactory level because of several major operating units incurring excess costs due to operating beyond efficient capacity and because of the adverse impact of price controls.

Included in earnings is an after tax gain of $1,156,000, or $.23 per share, (after providing for income taxes of $642,000) resulting from insurance proceeds, based on replacement value, in excess of the net book value of a Milwaukee frame painting facility destroyed by fire during 1973.

TABLE 3-5: COST OF GOODS SOLD–PRESENTATION

	1973	1972	1971	1970
Single Amount For				
Cost of goods sold (*128. 282. 765)	467	447	451	445
Cost of goods sold combined with other expenses (*97. 309. 724)	87	96	90	106
Manufacturing cost of goods sold (**28. 335. 500)	9	11	11	12
Elements of cost (*382. 620)	15	18	18	10
Subtotal	**578**	**572**	**570**	**573**
Two or More Amounts For				
Elements of cost (*195. 549. 598)	13	12	16	13
Categories of cost (*126. 537. 570)	9	16	14	14
Subtotal	**22**	**28**	**30**	**27**
Total Companies	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

EXPENSES

Paragraph 154 of *APB Statement No. 4* 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*– 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 reveals that most of the survey companies show a single caption and amount for cost of goods

TABLE 3-6: EXPENSES INCURRED TO PRODUCE REVENUE

	Separate Caption	Combined Caption
Selling (marketing), general and administrative	243	77
Selling and administrative or general	112	78
General and/or administrative	31	25
Selling	7	23
Operating	18	58
Total Presentations	**411**	**261**
Interest	498	35
Research, development, engineering, etc.	43	82
Employee benefit plans	40	16
Delivery, distribution, etc.	8	54
Advertising	8	23
Rent	15	12
Exploration, dry holes, abandonments	13	8
Bad debts	10	–
Maintenance and repairs	11	1
Other – described	15	26
Total Presentations	**661**	**257**

sold. Tables 3-6 and 3-7 show the nature of expense items other than cost of goods sold. Excluded from Tables 3-6 and 3-7 are income taxes (see Tables 3-15 and 3-16) and expense items shown after the deduction for income taxes (see Table 3-26) or as extraordinary losses (see Table 3-27). See Tables 2-23 to 2-26, Table 2-43, and Table 3-21, respectively, for additional examples of equity in losses of investees, minority interests, and losses from translation adjustments.

TABLE 3-7: OTHER EXPENSES

	1973	1972	1971	1970
Taxes other than income taxes (*69, 437, 683)	56	53	49	56
Minority interest	52	55	63	52
Losses on dispositions of assets (*175, 479, 602)	16	9	9	20
Equity in losses of investees	11	20	13	10
Translation Adjustments	4	18	13	17
Other-described (*6, 308, 588)	38	53	21	42
"Other"	126	129	147	140
Total Presentations	**303**	**337**	**315**	**337**

*Refer to Company Appendix Section.

Cost of Goods Sold

AMERICAN BAKERIES COMPANY (DEC)

COSTS AND EXPENSES:	
Cost of products sold	$203,670,653
Selling and delivery expenses	125,439,646
General and administrative expenses	19,663,988
Interest expense	1,566,384
	$350,340,671

ERB LUMBER CO. (DEC)

EXPENSES	
Cost of lumber and other building materials sold	$ 29,348,824
Cost of real estate sold	1,955,422
Rental property expense, excluding depreciation and interest	486,204
Yard, delivery, selling, administrative and other expenses, excluding depreciation and interest	7,667,483
Depreciation expense:	
Operations	478,366
Rental property	161,535
Interest expense	1,148,415
Total Expenses	**$41,246,249**

ELI LILLY AND COMPANY (DEC)

COSTS AND EXPENSES	
Manufacturing costs of products sold	$342,670,095
Research and development	83,295,348
Marketing	175,190,702
Shipping	27,393,136
General administrative	92,383,452
Foreign exchange losses (gains) – Notes A and B	(163,864)
Interest	7,290,747
Other deductions	16,198,066
	$744,257,682

OXFORD INDUSTRIES, INC. (MAY)

COSTS AND EXPENSES:	
Cost of goods sold	$145,819,166
Selling, general and administrative	39,838,596
Interest	1,587,743
	$187,245,505

TYSON FOODS, INC. (SEP)

Sales	$162,516,991
Cost of Sales	139,833,330
Gross Margin on Sales	**$22,683,661**

UNITED FOODS, INC. (FEB)

COST OF SALES AND SERVICES:	
Cost of products sold	$72,586,741
Cost of services	1,048,681
Total cost of sales and services	**$73,635,422**

Interest Expense

CLARK EQUIPMENT COMPANY (DEC)

	1973	1972
	($ Thousands)	
COSTS AND EXPENSES:		
Cost of goods sold	$915,514	$742,091
Selling, general and administrative expenses	99,983	82,222
Interest paid on outside borrowings	13,905	9,061
Interest and service charges paid to finance subsidiaries (Page 4)	30,011	17,269
	$1,059,413	**$850,643**

Financial Review (Page 4)

Income— Consolidated net income increased from $40.4 million to $55.2 million, an increase of 37%. 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 $4.05 in 1973 and $2.96 in 1972, 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 $10.6 million in 1973 and $4.7 million in 1972. These supplemental payments had the effect of raising the net income of Clark Credit by $5.5 million in 1973 and by $2.4 million in 1972 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:

	Amounts in Thousands	
	1973	1972
Interest on installment obligations	$5,674	$4,583
Factoring charges outside the U.S.	6,083	4,330
Service charges	7,618	3,682
Supplemental payments	10,636	4,674
	$30,011	**$17,269**

JEWEL COMPANIES, INC. (JAN)

	1974	1973
	($ thousands)	
SALES;		
Food stores	$1,631,361	$1,464,962
Drug stores	256,691	232,868
Self-Service department stores	181,389	173,270
Direct marketing division	88,508	87,575
Other sales and revenues	61,652	50,619
Total sales	**2,219,601**	**2,009,294**
COST OF DOING BUSINESS:		
Cost of goods sold	1,762,198	1,578,810
Selling, general and administrative expense	400,244	376,887
	2,162,442	**1,955,697**
OPERATING INCOME	57,159	53,597
FOREIGN INCOME	5,467	4,271
INTEREST INCOME	529	404
INTEREST EXPENSE:		
Obligations of Jewel Companies, Inc.	(8,008)	(5,577)
Obligations of real estate affiliates	(7,082)	(5,994)
Earnings Before Income Taxes	**48,065**	**46,701**

Notes to Financial Statements

Costs and Expenses— Set forth below is a comparative summary of significant costs and expenses:

	1973	1972
	($ thousands)	
Depreciation and amortization		
Jewel Companies, Inc.		
Buildings	$ 2,452	$ 1,359
Equipment	26,531	23,588
	28,983	**24,947**
Real estate affiliates		
Buildings	3,295	2,677
Equipment	80	84
	3,375	**2,761**
	$32,358	**$27,708**
Taxes, other than income		
Payroll	$19,834	$15,532
Property	9,638	9,426
Other	1,888	1,606
	$31,360	**$26,564**
Rents		
Real estate	$22,035	$20,607
Personal property	3,599	3,138
	$25,634	**$23,745**
Advertising	$23,875	$21,140
Retirement benefit plans		
Profit sharing plans	$ 9,113	$ 8,653
Industry pension and other plans	2,373	1,958
	$11,486	**$10,611**

Taxes Other Than Federal Income Taxes

ASSOCIATED DRY GOODS CORPORATION (JAN)

	1974	1973
COSTS AND EXPENSES:		
Cost of goods sold and expenses, exclusive of items listed below	$1,050,259,000	$ 955,979,000
Rent	22,526,000	20,000,000
Depreciation and amortization	19,827,000	17,941,000
Maintenance and repairs	11,816,000	10,931,000
Taxes, other than federal income taxes	40,225,000	36,047,000
Interest	13,180,000	10,062,000
Retirement plan contributions	4,279,000	4,592,000
	$1,162,112,000	**$1,055,552,000**

The Year in Review (Page 12)

Taxes (in part)— Taxes other than federal income taxes are as follows:

	1974	1973
State and local income taxes	$ 5,456,000	$ 5,341,000
Payroll taxes	16,805,000	13,654,000
Real estate and personal property taxes	14,510,000	14,555,000
Other taxes	3,454,000	2,497,000
Total	**$40,225,000**	**$36,047,000**

Thus, the total taxes incurred by Associated this year were $79,196,000, compared to $72,985,000 in 1972. It is interesting to note that such taxes represent 170% and 171%, respectively, of the Company's net earnings.

The Company's Federal income tax returns for fiscal years 1970 and prior have been audited and accepted substantially as filed by the Internal Revenue Service.

PARKER-HANNIFIN CORPORATION (JUN)

COSTS AND EXPENSES:	
Cost of sales, excluding items listed below	$237,543,380
Selling, general and administrative expense	39,879,894
Depreciation and amortization	8,477,700
State and local taxes, other than income and payroll taxes	2,897,296
Interest	4,450,638
	$293,248,908

PPG INDUSTRIES, INC. (DEC)

OTHER EXPENSES:	
Selling, general and administrative expenses	$218,326,000
Depreciation expense	63,676,000
Taxes—exclusive of taxes on income	44,404,000
Research and development	40,804,000
Interest expense	24,317,000
Equity in net losses of equity affiliates	7,823,000
Other charges—net	4,215,000
Total Other Expenses	**$403,565,000**

Research And/Or Development Expense

ABBOTT LABORATORIES (DEC)

COSTS AND EXPENSES	
Cost of products sold	$331,806,000
Research and development	36,294,000
Selling, general and administrative	174,406,000
Interest, net	9,240,000
Taxes on earnings	22,655,000
	$574,401,000

Summary of Significant Accounting Policies

Research and Development Expenditures— Expenditures for research and development are charged to income as incurred.

HOFFMAN ELECTRONICS CORPORATION (DEC)

COSTS AND EXPENSES:	
Cost of sales	$40,101,560
Selling and advertising	2,386,819
Administrative	5,863,841
Research and development (Note 1)	1,000,757
	$49,352,977

Note 1 (in part): Research and Development Expenditures— The company expenses research and development costs as incurred, except as follows:

Research and development costs applicable to specific product lines are capitalized only to the extent that they can be realized from firm orders.

Product development costs applicable to audiovisual learning techniques are capitalized as incurred, and amortized as units are sold, within a maximum period of two years.

RAYTHEON COMPANY (DEC)

Cost of sales	$1,322,302,347
Administrative and selling expenses	146,960,617
Research and development expenses (note A)	35,453,214
Interest expense, less interest income: 1973—$4,580,700; 1972—$3,564,765	6,266,163
Other (income) expense — net	(6,119,640)
	$1,504,862,701

Note A (in part): Accounting Policies

Research and Development Expenses— Research and development expenditures for company-sponsored projects are expensed as incurred.

Employee Benefit Plan Expense

AMERICAN CYANAMID COMPANY (DEC)

	($ thousands)
EXPENSES:	
Manufacturing cost of sales less depreciation and depletion	$ 775,512
Selling and advertising expenses	270,584
Administrative and general expenses	60,683
Depreciation and depletion	69,128
Research and process development expenses	47,918
Employees' benefits (Note 7)	48,919
	$1,272,744

Note 7: 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 $10,386 for 1973 and $9,313 for 1972.

ZENITH RADIO CORPORATION (DEC)

	1973	1972
	($ thousands)	
COSTS AND EXPENSES, LESS OTHER INCOME:		
Cost of sales	$761,456	$575,769
Provision for depreciation	14,386	11,313
Selling, advertising and administrative expenses	91,850	79,885
Research and engineering expenses	26,274	23,621
Contribution to profit-sharing retirement plan (Note 4)	15,328	13,859
Interest income	(4,020)	(4,178)
Interest expense	2,159	1,340
Gain on sale of non-operating properties	(4,296)	---
Other income, net	(3,863)	(880)
Total	**$899,274**	**$700,729**

Note 4: Profit-sharing Retirement and Incentive Award Plans— The Company's non-contributory profit-sharing retirement plan provides that: a) each regular full time employee, except officers who are directors, is eligible to participate, (b) the amount of the Company contribution to the plan is based on consolidated net income for the year, as defined, after providing for a return to stockholders and limited to a minimum of 6% and a maximum of 12% of employees' participating compensation, and (c) the amount determined as the contribution is allocated among the eligible employee members on the basis of annual compensation as defined. The provisions for the years ended December 31, 1973, and December 31, 1972, were $15,327,601 and $13,859,071, respectively.

The Company's incentive award 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 3% of the Company's consolidated income before taxes in excess of an amount equal to 12% of the stockholders' equity at the beginning of the year. The provisions for the years ended December 31, 1973 and 1972, were $2,314,860 and $2,013,000, respectively.

Advertising Expense

BORDEN, INC. (DEC)

	1973	1972
COSTS AND EXPENSES:		
Cost of goods sold	$2,073,719,510	$1,821,141,399
Marketing, distribution and administrative expenses	338,909,484	300,232,606
Other (income) and expense, net	(11,921,623)	(13,593,742)
Interest expense (includes interest expense on leases—$1,268,915 in 1973 and $1,964,449 in 1972)	17,724,328	16,324,840
Income taxes	62,600,000	57,441,504
	$2,481,031,699	**$2,181,546,607**

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of Significant Accounting Policies

Development and Promotion Expenses— Expenditures for research and development and advertising and promotion are expensed as incurred.

Note 9: Supplemental Profit and Loss Information— Set forth below is a comparative summary of certain income and expense items, the accounting for which is described in Note 1.

	1973	1972
Equity in undistributed earnings of 20% to 50% owned companies	$1,433,000	$1,905,000
Minority interests in income of consolidated subsidiaries	1,024,000	1,590,000
Depreciation, depletion and amortization	46,099,000	43,899,000
Maintenance and repairs	56,372,000	52,774,000
Amortization of intangible assets	805,000	458,000
Advertising and promotion	66,388,000	61,427,000
Research and development	9,912,000	9,300,000
Taxes other than income taxes	44,417,000	42,246,000
Rents—		
Operating leases	14,568,000	14,350,000
Non-capitalized financing leases	14,889,000	14,640,000
Royalties	4,964,000	5,285,000

BRISTOL-MYERS COMPANY (DEC)

EXPENSES:	
Cost of sales	$483,481,000
Marketing, selling and administrative	380,709,000
Advertising and product promotion	269,213,000
Research and development	47,804,000
Interest	15,120,000
Other	6,530,000
	$1,202,857,000

THE CLOROX COMPANY (JUN)

COSTS AND EXPENSES	
Cost of products sold	$263,663,000
Selling, delivery and administrative expense	60,972,000
Advertising	27,892,000
Depreciation	4,047,000
Research and development	2,687,000
Interest expense	3,089,000
Federal and state income taxes	25,408,000
Total costs and expenses	**$387,758,000**

Summary of Significant Accounting Policies

Advertising— The costs of advertising and promotion programs are charged to operations during the year incurred in relation to sales.

Freight Expense

MEDUSA CORPORATION

COSTS AND EXPENSES:	
Costs of products sold	$87,343,000
Freight on shipments	16,768,000
Selling, general and administrative	10,524,000
Depreciation and depletion	10,628,000
Interest and commitment fees on debt	3,384,000
Other deductions	357,000
	$129,004,000

Maintenance and Repair Expense

PENN TRAFFIC COMPANY (JAN)

COST OF GOODS SOLD AND EXPENSES	
Exclusive of items listed below	$116,750,661
Maintenance and Repairs	685,800
Depreciation	1,759,744
Rentals	1,564,877
Interest and Debt Expense	339,119
Taxes other than Income Taxes	1,876,830
Contributions to Retirement Plans	686,073
	$123,663,104

Doubtful Account Provision

TYSON FOODS, INC. (SEP)

	1973	**1972**
EXPENSES		
Selling and delivery	$4,159,243	$3,021,303
General and administrative	5,211,861	3,015,711
Provision for doubtful accounts (Note 1)	1,334,794	68,496
	$10,705,898	**$6,105,510**

Note 1 (in part): Summary of Significant Accounting Policies: Bad Debts— The Company uses the reserve method of accounting for doubtful accounts. The current year's provision was substantially increased by the write-off of trade accounts receivable with uncollectible balances in excess of $1,000,000. This loss was primarily generated by the insolvency of a broiler processor who had purchased substantial quantities of live poultry from the Company for many years. His insolvency directly resulted from the highly volatile conditions experienced in the grain and broiler markets during the summer of 1973.

Adjustment of Asset Values

ADDRESSOGRAPH MULTIGRAPH CORPORATION (JUL)

COST AND EXPENSES:	
Cost of products and services sold	$274,363,000
Branch and commission expenses	103,787,000
Other selling, advertising, general and administrative expenses	62,030,000
Research, development and engineering expenses	24,015,000
Interest and debt expenses	8,664,000
Special expenses	20,175,000
	493,034,000

Financial Review and Summary of Accounting Policies

Special Expenses— The expense item of $20,175,000 for 1973 is comprised of (a) $13,675,000 for unusual write-offs of inventory resulting from the application of a more conservative policy for determining surplus and obsolete parts and components, together with the availability of better information on inventories as a result of recent implementation of a computer-based inventory system which provides for the identification, measurement and control of obsolete and surplus parts and components, and (b) $6,500,000 for additional provision for doubtful and uncollectable accounts receivable resulting from a statistical analysis of the accounts.

APCO OIL CORPORATION (DEC)

	1973	**1972**
	($ thousands)	
Cost of sales and operations	$101,086	$88,110
Selling and general expenses	14,043	14,047
Gross production and ad valorem taxes	1,317	1,179
Interest and debt expense	4,043	3,954
Depreciation, depletion and amortization	11,057	7,849
Reduction in carrying value of foreign properties (note 10)	10,982	---
Exploration expense	2,695	930
	$145,223	**$116,069**

Note 10: Foreign Operations— Contributions to earnings from foreign (principally Argentina) and domestic sources before corporate overhead and income taxes are summarized as follows:

	1973	**1972**
Earnings (loss) before corporate overhead and income taxes:	($ thousands)	
Foreign	$(10,205)	5,905
Domestic	14,116	10,335
	$3,911	**16,240**

A summary of net assets of domestic and foreign subsidiaries operating substantially in foreign countries and

the direct investment of the parent company in assets located in foreign countries included in the consolidated balance sheets is as follows:

	1973	1972
Current assets	$14,078,000	15,058,000
Net property, plant and equipment	24,484,000	36,083,000
Other assets	4,563,000	5,014,000
	43,125,000	**56,155,000**
Current liabilities	6,202,000	5,516,000
Other liabilities	25,039,000	24,780,000
	31,241,000	**30,296,000**
Net assets	$11,884,000	25,859,000

Exchange adjustments resulted in a gain of $30,538 in 1973 and a loss of $241,343 in 1972 and have been included in operations.

During 1973, the operating results from the Company's Argentine properties indicated a decline in production more rapid than had previously been anticipated. In addition, the Company was experiencing delays from the Argentine government in approving a planned waterflood project which was expected to increase considerably the total recoverable reserves of oil over the life of the contract. Based on new reservoir studies, the Company made an adjustment to the carrying value of the properties to bring it into accord with the future income expected to be received. Accordingly, $10,982,000 (which resulted in no tax benefit) was charged to operations in 1973.

CHAMPION INTERNATIONAL CORPORATION (DEC)

	1973	1972
	($ Thousands)	
COSTS AND EXPENSES:		
Cost of products sold	$1,747,178	$1,510,706
Selling, general and administrative expenses	272,585	236,885
Interest and debt expense	30,753	25,380
Other (income) expense—net (Note 7)	7,583	(8,085)
	$2,058,099	**$1,764,886**

Note 7: Other Income (Expense)— Other income (expense) includes the following:

	1973	1972
	($ Thousands)	
Interest income	$ 5,387	$ 4,071
Minority interest in income of subsidiaries	(5,501)	(1,906)
Equity in income (loss) from real estate affiliates and 50% owned manufacturing affiliates	(2,111)	4,012
Write-off of deferred engineering costs and related expenses no longer deemed to be recoverable	(4,200)	---
Provision for discontinuance of certain operations	(4,044)	---
Royalty, rental and commission income	848	782
Unrealized translation gains (losses)	569	(478)
Miscellaneous—net	1,469	1,604
	$(7,583)	**$ 8,085**

CURTISS-WRIGHT CORPORATION (DEC)

	1973	1972
COSTS AND EXPENSES:		
Product and engineering	$211,110,000	$203,795,000
Selling and service	14,042,000	13,093,000
Administrative and general	22,034,000	20,247,000
Interest	799,000	978,000
Other	4,792,000	2,738,000
	252,777,000	**240,851,000**

Notes to Financial Statements

Note 9: Cost and Expenses—Other. Cost and expenses—other is comprised of the following:

	1973	1972
Minority interest in net earnings of subsidiaries	$1,421,000	$1,247,000
Equity in net (earnings) loss of affiliate; before extraordinary item in 1972	(71,000)	491,000
Writedown of machinery with marginal utility	3,442,000	1,000,000
	$4,792,000	**$2,738,000**

THE FEDERAL COMPANY (MAY)

COSTS AND EXPENSES:	
Cost of sales (Note 5)	$279,010,968
Selling, general and administrative expenses	16,083,261
Depreciation	6,681,746
Interest expense	1,245,034
Total costs and expenses	**$303,021,009**

Note 5: San Augustine Plant Write-Off— During 1973 the Company canceled plans for construction of a poultry processing plant near San Augustine, Texas. This decision was based on favorable developments in 1973 operations in Texas, primarily related to the demonstrated viability of the existing plant in Center, Texas. Engineering and other preliminary construction costs of approximately $1,018,000, incurred in prior years and carried in construction in progress, was charged to operations and deducted for income tax purposes in 1973.

FISHER SCIENTIFIC COMPANY (DEC)

COSTS AND EXPENSES:	
Cost of products sold	$99,513,000
Distribution, administration and general	31,758,000
Provision for A.I.D. product loss and associated costs	2,500,000
Depreciation	1,809,000
Interest	2,169,000
Provision for federal, foreign and state income taxes	1,510,000
	$139,259,000

Notes to Consolidated Financial Statements

Provision for A.I.D. Product Loss and Associated Costs— The company's Analytical Instrument Division (A.I.D.), established in 1971 to sell testing and analytical instrumentation, has sustained losses since its inception. At December 31, 1973, the company had inven-

tories of A.I.D. products substantially in excess of its normal requirements. In addition, a supplier of instruments distributed by A.I.D. has furnished the company with certain financial information which indicates to the company that an element of doubt exists as to the supplier's ability to continue the manufacture of these instruments. The discontinuance of such supplier's operations could result in the company fulfilling warranty obligations of the supplier and incurring losses on advances and receivables outstanding at December 31, 1973.

Under the circumstances, a provision of $2,500,000 was charged against 1973 income to cover estimated losses and expenses relating to overstocked levels of inventories, collectibility of advances and receivables and other unusual costs involved in updating inventory or maintaining instruments of the supplier previously sold to customers. A consideration in determining this provision is the company's policy to provide, where possible, parts and service to keep in operation instruments it has sold.

Based on management's estimates, the various assets subject to exposure have been written down at December 31, 1973, with the remaining amount of the provision ($510,000) included in other accrued liabilities.

The ultimate costs and expenses related to this matter are not determinable at the present time but, in management's opinion, the effect of subsequent adjustments, if any, on the consolidated financial position of the company would not be significant.

INTERLAKE, INC.

SALES AND REVENUES:	
Net sales	$460,110,994
Other revenues (Note 5)	7,038,258
	467,149,252
COSTS AND EXPENSES:	
Cost of products sold (Note 5)	363,113,019
Depreciation, depletion and amortization (Note 1)	15,340,838
Selling and administrative expenses	42,670,509
State, local and miscellaneous taxes	13,756,649
Interest expense	5,322,487
	$440,203,502

Note 5 (in part): Significant Transactions— In 1973 other revenues includes $3,538,000 of gains from the sale of land and buildings located in Canada and the United Kingdom. Cost of products sold includes a provision of $2,350,000 for the write-off of estimated unrecoverable costs resulting from the indefinite deferral of an expansion and improvement program at the Company's Newport, Kentucky steel plant, goodwill write-off of $693,000 applicable to certain operations terminated during the year, and a gain of $1,209,000 from the sale of an iron ore interest. These transactions increased 1973 net income $2,065,000.

Anticipated Contract Losses

TENNECO INC. (DEC)

OPERATING EXPENSES:	
Cost of sales and operating expenses	$2,825,869,820
Selling, general and administrative expenses	379,378,687
Depreciation, depletion and amortization	223,324,132
Provision for future losses on Channel Industries Gas Company gas sales contracts (Note 5)	28,846,000
	$3,457,418,639

Note 5: Provision for Losses on Channel Industries Gas Company Sales Contracts—Channel Industries Gas Company, a wholly-owned subsidiary of Tenneco Corporation, owns and operates an intrastate natural gas pipeline in the State of Texas. Channel sells the major portion of its gas under long-term fixed price contracts and in order to meet its delivery obligations under such contracts, it has had to enter into gas purchase contracts at price levels which are substantially in excess of the price levels under its sales contracts. As a result, Channel has been operating at a loss since 1971. Channel incurred a loss of approximately $4,800,000 ($2,500,000 after consolidated income tax credits) for the year 1971 and a loss of approximately $10,300,000 ($5,200,000 after consolidated income tax credits) for the year 1972. In August 1973, Channel renegotiated its contracts with customers who purchase 98% of Channel's total sales volumes. Under such renegotiated contracts Channel's sales prices were increased effective April 1, 1973, and will be maintained at a level which will limit Channel's aggregate loss to approximately $55,000,000 ($28,600,000 after consolidated income tax credits) for the period ended December 31, 1976. Prices will further be increased during the two-year period ending December 31, 1978, to a level which will place Channel in an approximate break-even income position during such period. Effective January 1, 1979, prices will again be increased to a level which will place Channel in a profit position. On a consolidated basis after giving effect to certain reserve provisions available, the total impact of the renegotiated contracts on Tenneco Inc. is $28,846,000 ($15,000,000 after consolidated federal income tax credits) and such loss has been reflected in the accompanying financial statements.

Relocation Expense

LIGGETT & MYERS INCORPORATED (DEC)

OTHER EXPENSES	
Interest expense	$13,546,549
Corporate expenses	6,453,583
Corporate office relocation expense (Note 7)	3,040,000
Other (income) deductions, net	(1,262,448)
Total	**$21,777,684**

Note 7: Corporate Office Relocation— During 1973, the Company provided a charge against earnings of $3,040,000 for estimated costs to be incurred in the relocation of the Corporate office from New York to Durham, North Carolina. Accounting Principles Board

Opinion No. 30, issued in 1973, required the changing of criteria for the types of items to be included in determining earnings before extraordinary items. Accordingly, the 1973 provision for estimated costs to be incurred in the relocation of the Corporate office was included in determining earnings before extraordinary credit in the accompanying statement of consolidated earnings. During 1972, the Company established a provision for a similar transaction and presented such transaction as well as certain other transactions as extraordinary items in conformity with accounting principles then generally accepted (see Note 4). Opinion No. 30 prohibits restating the 1972 financial statements included in the 1973 annual report. Had the Opinion been in effect for both 1973 and 1972, net earnings would have been the same, but earnings before extraordinary credit for 1972 would have been $27,816,680 ($3.22 primary per share and $3.18 fully diluted per share) computed as follows:

	For the years ended	
	Dec. 31 1973	**Dec. 31** 1972
Earnings before extraordinary credit	$29,234,523	$30,033,762
Closing and discontinuance of certain domestic operations	---	(2,758,900)
Discontinuance of operations and liquidation of investments in certain foreign subsidiaries	---	541,818
	$29,234,523	**$27,816,680**

WESTVACO CORPORATION (OCT)

	($ Thousands)
Sales	$655,536
Gain from sale of North Carolina timberlands (note B)	25,551
Other income	6,705
	$687,792
Cost of products sold	$497,891
Selling, research and administrative expenses	55,831
Depreciation and amortization	36,872
Provision for facility realignment (note D)	16,500
Interest expense	12,523
	$619,617
Income before taxes	**$68,175**

Note B: Gain from sale of North Carolina timberlands – On August 23, 1973 the Company sold approximately 287,000 acres of timberlands located in North Carolina for $28,783,000 in cash. After applicable income taxes, this transaction increased net income for the year $17,107,000 ($1.60 per share).

Note D: Facility realignment program– During 1973, as part of an on-going process to improve its operating results, the Company shut down two of its plants and completed plans for the realignment of certain of its operations over the next two years. It is estimated that the costs incurred and expected to be incurred in connection with this program will approximate $16,500,000. Provision has been made for these costs in 1973, which had the effect, after applicable income taxes, of reducing net income for the year by $8,775,000 ($.82 per share). The provision includes $7,347,000 for the write-down of the affected plant and equipment to its estimated realizable value, $1,559,000 for the write-down of certain supply inventories, and an accrual of $7,594,000 for other estimated costs relating directly to the realignment program. At October 31, 1973 this accrual amounted to $7,134,000 and is included in accrued expenses in the accompanying balance sheet.

Loss From Sale Of Assets

SAFEWAY STORES, INCORPORATED (DEC)

	1973	**1972**
DEDUCTIONS		
Interest expense	$11,857,013	$9,559,702
Loss (gain) on disposition of fixed assets	1,196,641	(133,383)
Dividends on preferred stock of Canadian subsidiary	182,728	198,634
Amortization of excess cost of investments in subsidiaries	217,814	217,815
Minority interest in earnings of overseas subsidiary	10,481	7,311
Other charges	189,127	249,451
	$13,653,804	**$10,099,530**

Reorganization Expense

EASTMET CORPORATION (JUN)

	($ thousands)
COSTS AND EXPENSES	
Cost of products sold, exclusive of depreciation	$87,365
Selling, general and administrative expenses	8,494
Provision for depreciation of properties	1,412
Interest and debt expense	1,179
Reorganization expenses (a non-tax deductible item)	250
	$98,700

Notes to Consolidated Financial Statements

Note 1: Reorganization– On October 31, 1972, the Stockholders of Easco Corporation 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 debt was outstanding. Administrative expenses of Easco's 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 Eastmet operated historically without Easco. The retained earnings of Eastmet are

based upon the accumulated earnings of the respective members of each corporation as included in the historical consolidated financial statements of Eastmet. Transfer of funds from Eastmet to Easco, including reimbursement for payment of cash dividends, were considered to be a charge to retained earnings of Eastmet.

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 Eastmet or Easco and their stockholders.

Other Charges To Income

CROWN CENTRAL PETROLEUM CORPORATION (DEC)

COSTS AND EXPENSES	
Costs and operating expenses	$178,404,685
Selling and administrative expenses	10,273,777
Depreciation and depletion	5,979,782
Interest, principally on long-term debt	3,616,724
Abandonments and sales of property, plant and equipment (net of proceeds)	1,124,496
Expenditures related to certain long-term projects (Note I)	1,774,935
	201,174,399

Note 1: Expenditures Related To Certain Long-Term Projects— The Company engaged in various long-term projects during 1973, the ultimate realization of which involved certain risks and contingencies. All expenditures relating to these projects, other than the $1,000,000 deposit on the land purchase agreement referred to below, have been charged to expense. These expenditures amounted to $1,774,935 in 1973.

In connection with the planned refinery to be built in the Baltimore Harbor area, a wholly-owned subsidiary has entered into a contract to acquire the plant site on June 28, 1974 for $22,000,000, of which $1,000,000 has been deposited. The consummation of this project is contingent upon the solution of a number of problems, legal and otherwise, as yet unresolved. In the opinion of management and legal counsel for the Company, the deposit of $1,000,000 will be recovered or applied against the total purchase depending on the final disposition of the project.

U. S. INDUSTRIES, INC. (DEC)

Notes to Financial Statements

Note H: Unusual Items— Reference is made to the Financial Review section of the Annual Report appearing on page 26 for information pertaining to $11.3 million of unusual items in 1973.

Financial Review (Page 26)— The Corporation sustained certain losses which reduced operating results by $5.9 million (after a tax credit of $5.4 million), equal to $.18 per share. A summary of these charges is as follows:

A provision of $4 million was made for expected losses on membership finance accounts due to USI from customers of a non-affiliated women's figure salon company, which is in bankruptcy, and certain of its franchisees. These losses are anticipated due to non-payment by members of those salons which closed and will not be providing services for those customers.

A provision of $5.3 million was made for probable losses on certain construction jobs and claims. In addition, a provision of $500,000 was made for losses on certain engineering sales receivables which we now expect will not be collected.

A provision of $1.5 million was made for losses on inventory and receivables following the Corporation's decision to discontinue certain segments of its home audio entertainment business.

CAPITALIZATION OF INTEREST

The practice of capitalizing interest on debt was disclosed by 8 companies in 1967, 25 in 1971, 40 in 1972, and 34 in 1973. Examples of such disclosures follow.

AMERICAN BEEF PACKERS, INC. (MAY)

Notes to Consolidated Financial Statements

Note 4: Inventories— The classes and amounts of inventories are as follows:

	June 2 1973	June 3 1972
Livestock	$16,783,000	$3,002,000
Dressed beef and pork carcasses	3,346,000	2,517,000
Fabricated and portion cuts	6,486,000	1,868,000
Offal and by-products	3,326,000	1,194,000
Other food products	1,206,000	---
Material and supplies	1,240,000	386,000
	$32,387,000	**$8,967,000**

Included in the cost of the livestock is interest capitalized in the amount of $324,000 and $43,000 for 1973 and 1972 respectively.

AMERICAN METAL CLIMAX, INC. (DEC)

Notes to Financial Statements

Note 1 (in part): Summary of Significant Accounting Policies: Interest Expense— Interest on specific project borrowings and general corporate borrowings applicable to major construction projects is capitalized and subsequently amortized by charges to earnings over the life of the project.

Note 4: Interest Expense, Net and Other:

	1973	1972
	($ thousands)	
Gross interest expense	$(40,920)	$(32,640)
Interest capitalized	13,990	11,600
Interest income	22,600	12,640
Other	(5,630)	3,320
	$(9,960)	**$ (5,080)**

CHAMPION INTERNATIONAL CORPORATION (DEC)

Notes to Financial Statements

Note 1 (in part): Summary of Significant Accounting Policies: Capitalization and Amortization of Certain Costs— Net interest charges on borrowed funds for major properties acquired or under construction are capitalized and subsequently amortized over the life of the properties when they become operational. Preoperating expenses and start-up costs incurred on such properties are deferred and amortized ratably over a five year period. Financing expenses are deferred and amortized over the life of the related long-term liability. The excess cost of businesses acquired over amounts assigned to net tangible assets arose prior to 1970 and is not presently being amortized.

Note 4 (in part): Long-Term Debt— The capitalized interest on monies borrowed to finance major projects during 1973 and 1972 was $8,445,000 and $6,790,000, respectively.

The indentures and agreements under which the long-term debt was issued, as well as the Company's Certificate of Incorporation, contain, among other things, provisions relating to certain restrictions on the payment of cash dividends. Under the most restrictive provision, the amount of consolidated retained earnings not restricted as to payment of cash dividends at December 31, 1973 was approximately $80,000,000.

R. J. REYNOLDS INDUSTRIES, INC. (DEC)

Note A (in part): Summary of Significant Accounting Policies and Related Matters: Other Policies— Vessel charter costs for book purposes are expensed on a straight-line basis over the estimated vessel service life (generally 15 years). For tax purposes vessel charter payments are deducted in accordance with charter agreements, which generally provide for an initial 10-year period and renewals thereafter at reduced rates. The difference between charter costs for book and tax purposes is included as a deferred charge on the balance sheet and appropriate provision for income taxes payable in future years has been included in deferred income taxes. The Company has capitalized as SL-7 vessel cost construction loan interest and commitment fees aggregating $28 million, including $8 million in 1973 and $11 million in 1972.

SEARS, ROEBUCK AND CO. (JAN)

Notes to Financial Statements

Note 2: Accounting Change— Effective February 1, 1973, the Company adopted the accounting policy of capitalizing the carrying costs, real estate taxes and interest, of construction-in-progress and land held for future use. Under this new policy, all amounts capitalized will be amortized to earnings over the depreciable life of the structure when the property is placed in economic use. The effect of this prospective change was to increase net income for the year ended January 31, 1974, by $14,100,000 (.09 per share).

UNION CAMP CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Significant Accounting Policies: Capitalized Interest— Interest expense is capitalized on major capital expenditures by applying current interest rates to the average balance of expenditures during the period of construction. The amounts capitalized were $863,000 in 1973 and $912,000 in 1972.

TABLE 3-8: SALARIES

Information Presented	**1973**	**1972**	**1971**	**1970**
Salaries shown separately	43	50	55	63
Salaries combined with employee benefits	89	81	89	100
Companies presenting information as to salaries	132	131	144	163
Manner of Presentation				
Income statement	13	17	14	16
Historical summary	57	61	62	68
Elsewhere	62	53	68	79
Companies presenting information as to salaries	132	131	144	163

EMPLOYEE COMPENSATION

SALARIES

Table 3-8 shows that of the 132 survey companies disclosing separate dollar amounts for salaries and wages or for salaries and wages combined with various benefits, 13 companies disclosed such amounts in the income statement. Examples of salary and wage disclosures follow.

Shown In Income Statement

GOLDBLATT BROS., INC. (JAN)

NET SALES (excluding leased department sales)	$264,674,257
LESS:	
Cost of goods sold and expenses exclusive of items listed below (Note 3)	184,381,524
Salaries, wages and employee benefits	59,360,029
Contribution to Employees' Savings and Profit Sharing Pension Plan	355,870
Depreciation and amortization	2,363,191
Rental expense (Note 7)	4,550,642
Taxes, other than income taxes	6,732,769
Interest and debt expense	3,576,654
	$261,320,679

THE GRAND UNION COMPANY (FEB)

OPERATING AND GENERAL EXPENSES:	
Salaries and wages to employees in the sales department	$136,926,512
Other selling, administrative and general expenses	140,235,824
	$277,162,336

UNITED STATES STEEL CORPORATION (DEC)

	1973	1972
	($ thousands)	
COSTS		
Employment costs		
Wages and salaries	$2,301,959	$1,996,611
Employee benefits (Note 9)	467,885	400,688
	2,769,844	**2,397,299**
Products and services bought	3,164,386	2,283,171
Wear and exhaustion of facilities	357,958	326,617
Interest and other costs on debt	96,142	81,844
State, local and miscellaneous taxes	152,595	153,508
Total costs other than United States and foreign taxes on income	**$6,540,925**	**$5,242,439**

Note 9: Employee Benefits— The details of employee benefits are summarized as follows:

	1973	1972
	($ millions)	
Pension costs	$ 90.0	$ 73.5
Social security taxes	145.8	100.3
Insurance costs	133.6	130.5
Supplemental unemployment and extended vacation benefit costs*	24.8	27.1
Savings fund costs	15.3	15.3
Payments to industry welfare and retirement funds and other employee benefit costs	58.4	54.0
Total cost of employee benefits	**$467.9**	**$400.7**

*Excludes $36.8 million and $32.1 million in 1973 and 1972, respectively, for extended vacation benefits which are included as wages and salaries.

In Historical Summary

BORDEN, INC. (DEC)

Six-Year Financial Summary

	1973	1972
	($ thousands)	
SUMMARY OF EARNINGS		
FINANCIAL STATISTICS		
SHAREHOLDERS' DATA		
EMPLOYEES' DATA		
Payrolls	$374,600	$369,400
Average Number of Employees	46,500	46,900

BEMIS COMPANY, INC. (DEC)

Ten-Year Consolidated Review

	1973	1972
	($ thousands)	
Net sales	$514,584	$427,625
Wages and salaries	126,344	114,113
Depreciation and amortization	12,032	11,139
Income before income taxes	25,240	20,175
Income taxes	11,375	9,839
Income from operations	13,865	10,336
Income (loss) from operations sold		
Income before extraordinary items	13,865	10,336
Extraordinary items, net of applicable income tax	(1,002)	(542)
Net Income	**$12,863**	**$9,794**

SHELL OIL COMPANY (DEC)

Ten Year Review of Financial Data

	1973	1972
	($ thousands)	
REVENUES		
COSTS AND EXPENSES		
INCOME AND DIVIDENDS		
FINANCIAL POSITION AT YEAR END		
CAPITAL EXPENDITURES		
EXPLORATION, PRODUCTION AND RESEARCH EXPENDITURES		
SHAREHOLDERS AND EMPLOYEES		
Shares outstanding at year end (in thousands)	$ 67,365	$67,399
Number of shareholders at year end	32,025	32,935
Salaries, wages and employee benefits		
Salaries and wages	415,729	407,949
Employee benefits (including vacation, holiday and sick pay)	154,815	151,547
Total	**$570,544**	**$559,496**
Number of employees at year end	32,080	32,871

Elsewhere in Annual Report

E. I. DU PONT DE NEMOURS & COMPANY (DEC)

Financial Review (Page 25)

Employee Compensation— Expenses for wages, salaries, awards under compensation plans, and benefits (excluding those for employees at Government-owned plants) totaled $1,679 million. This included $169 million in payments to the Pension Trust and in Social Security taxes, which provide for retirement income for employees. This is the largest single cost element in our employee benefits program. Vacation and holiday payments totaled $150 million, and other benefits such as

hospital-surgical coverage, insurance, and Thrift Plan incentives cost $100 million.

AMF INCORPORATED (DEC)

Highlights of Operations

	1973	1972
Total revenue	$962,049,000	$928,901,000
Sales	907,906,000	874,339,000
Rentals	54,143,000	54,562,000
Net income	$57,769,000	$55,599,000
Earnings per share	$3.15	$2.95
Earnings per share assuming full dilution	$3.04	$2.85
Wages, salaries and employee benefits	$293,199,000	$266,711,000
Total taxes	$74,698,000	$68,184,000
Working capital at December 31	$224,392,000	$220,186,000
Working capital ratio at December 31	1.7 to 1	1.9 to 1
Stockholders' equity at December 31	$284,468,000	$275,987,000
Shares of common stock outstanding at December 31	18,016,996	18,912,873
Stockholders' equity per common share	$15.70	$14.50
Average number of employees during year	32,662	29,829
Number of stockholders at December 31	51,681	50,916

ARMSTRONG CORK COMPANY (DEC)

Financial Review

Employee Compensation

	1973	1972
	($ Thousands)	
Wages and salaries, including vacations and holiday pay	$224,489	$200,771
Social Security and other payroll taxes	13,328	10,079
Pension costs	7,104	5,948
Medical, hospitalization, accident, life insurance and other benefit costs	10,107	8,489
	$255,028	**$225,287**

Employee compensation, including benefit costs, rose to a record $255.0 million in 1973, as average employment increased from 22,564 persons in 1972 to 23,778 in 1973.

The company and certain of its subsidiaries have pension plans covering substantially all employees. Obligations of these plans are funded through trusts and insurance. Pension costs charged to operations totaled $7.1 million in 1973 and $5.9 million in 1972. These costs consist of actuarially determined current service costs and amounts necessary to amortize prior service obligations over periods ranging up to 30 years. The company funds these pension costs currently. The unfunded past service liability amounted to approximately $28.5 million as of December 31, 1973—an increase of $15.2 million over 1972, due primarily to higher minimum pension benefits adopted for active employees.

GAF CORPORATION (DEC)

Employment Summary (Page 16)— From 1968 to 1973 the Company's sales increased 53%, the number of employees increased 12%, and wages and salaries including fringes increased 58%. The relationship of wages and salaries including fringe benefits to net sales has remained fairly constant during the last six years.

	1973	1972	1971	1970	1969	1968
			($ millions)			
Net sales	$848.9	$768.5	$683.8	$583.5	$592.0	$554.3
Number of employees (Year-end)	22,544	22,827	21,955	19,773	21,088	20.177
Wages and salaries including fringes	$246.4	$224.7	$204.9	$183.3	$180.4	$156.0
				Dollars		
Net sales per employee	$37,655	$33,666	$31,146	$29,510	$28,081	$27,472
Wages and Salaries, including fringes, as a % of Sales	29.0%	29.2%	30.0%	31.4%	30.5%	28.1%
Average wages and salaries including fringes	$10,930	$9,845	$9,334	$9,273	$8,555	$7.732

RAYTHEON COMPANY (DEC)

Financial Review (Page 28)

Wages and Salaries paid to employees were $586.9 million in 1973 compared with $528.6 million in 1972. Total employment increased to 51,081 at the end of 1973 from 48,338 at the end of 1972.

Improved compensation and benefit programs have been implemented for the company's employees; and agreements with labor unions covering various bargaining units throughout the country were negotiated without any work stoppages.

MELVILLE SHOE CORPORATION (DEC)

Financial Review (Page 14)

Distribution of Sales Revenue

	1973	1972
Received from the sale of products	$710,454,140	$631,917,797
Paid for materials, merchandise and all expenses, exclusive of taxes and other amounts paid to or for the benefit of employees	505,384,163	444,234,577
Remainder	205,160,977	187,683,220
This was divided as follows:		
Wages and compensation	129,712,891	116,508,537
Taxes	41,759,537	40,170,447
Minority interests	3,082,966	2,452,514
Paid to shareholders or retained in the business	30,605,583	28,551,722

OTIS ELEVATOR COMPANY (DEC)

Financial Review

Salaries, Wages and Employee Benefits— During 1973 the Company and its subsidiaries paid $461,600,000 directly, to employees as salaries and wages, and indirectly, through Company or government benefit programs.

The Company and certain of its subsidiaries maintain pension plans providing for benefits upon retirement. The 1973 cost of such plans, inclusive of amortization of past service costs, amounted to $11,603,000 compared with $8,225,000 in 1972. In 1973 increased benefits were granted (in varying stages commencing October 1973) under the Company's domestic employee plans. At December 31, 1973, the unfunded past service obligation under all plans was $26,221,000 compared with $19,833,000 in 1972. It is the policy of the Company to fund pension liabilities over a maximum of thirty years. At December 31, 1973 the actuarial value of vested benefits exceeded the net assets of the plans by $13,400,000 due to the aforementioned increased benefits and general market decline.

The Company and one of its subsidiaries maintain Incentive Compensation Plans for the benefit of officers and other managerial employees. The Incentive Compensation Reserve represents dividend equivalents accumulated upon shares of stock contingently allotted to participants in the plans and the current year appropriation. The liability for shares contingently allotted (1973, 129,162 shares; 1972, 138,079 shares-fixed at Treasury share cost) has been fully covered and offset against the cost of Treasury shares and neither is reflected in the consolidated financial statements. The cost of the plans charged to income amounted to $2,369,000 in 1973 and $1,314,000 in 1972. Future income tax reduction allowable in the years of distribution from the Incentive Compensation Reserve (including the values assigned to shares contingently allotted) is included as a deferred charge on the Consolidated Balance Sheet.

PENSION AND RETIREMENT PLANS

APB Opinion No. 8, issued in November 1966 to clarify accounting for pension plan costs, 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.

Pension Costs Include Amortization of Prior Service Costs

BAUSCH & LOMB INCORPORATED (DEC)

Accounting Policies

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 ex-

TABLE 3-9: PENSION AND RETIREMENT PLANS

Current Year Provision*	**1973**	**1972**	**1971**	**1970**
Normal cost and amortization of prior service cost (*420, 697) ...	429	419	396	392
Normal cost and interest on unfunded prior service cost (*15, 326, 587) ...	48	48	61	65
Normal cost only (*238, 416) ...	82	70	60	69
No reference to prior service cost	79	80	93	86
Number of pension plans ...	638	617	610	612
Additional Disclosures*				
Excess of vested benefits over amounts accrued or funded (*236, 313, 707) ...	227	211	186	155
Excess of amounts accrued or funded over vested benefits (*191, 356, 709) ...	128	115	111	N/C
Amount of unfunded prior service costs (*168, 427, 750) ...	130	111	91	94
Changes in plan during year (*204, 399, 761) ...	78	86	60	63
Plan not fully funded (*224, 516, 538) ...	26	29	25	21
Number of Companies				
Disclosing pension plans ...	550	551	541	538
Not disclosing pension plans ...	50	49	59	62
Total ...	**600**	**600**	**600**	**600**

N/C— Not compiled.

*Refer to Company Appendix Section.

pense 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.

Notes to Financial Statements

Retirement Plan— Retirement plan expense was $1,325,000 for 1973 and $1,490,000 for 1972. As determined by the 1973 actuarial valuation, the value of vested benefits principally arising under the company's contributory retirement plan exceeded the total of the retirement fund by approximately $2,170,000. A retirement plan amendment effective December 31, 1973 provides for reduced employee contributions. It is anticipated the amendment will increase 1974 retirement plan expense by $500,000.

CURTISS-WRIGHT CORPORATION (DEC)

Notes to Financial Statements

Note 10: Pension and Retirement Plans— The Corporation and certain of its subsidiaries have pension and retirement plans covering substantially all employees. The combined annual cost of these plans including amortization of estimated prior service costs charged to income was $6,784,000 in 1973 and $6,661,000 in 1972. At January 1, 1973, the actuarially computed value of vested benefits exceeded the trust fund of one of these plans by approximately $59,500,000. Revisions in actuarial assumptions, particularly the interest assumption, were made on January 1, 1974. The estimated effect of these revisions, according to the Company's actuarial consultant, could reduce such excess by approximately $25,000,000.

Prior service cost is being amortized over a period of 30 years. The Corporation's policy is to fund pension cost accrued. While the Corporation has certain obligations regarding the funding of actuarial liabilities under certain of the plans, those plans provide that benefit payments are an obligation of the pension trust funds and not of the Corporation.

THE GOODYEAR TIRE & RUBBER COMPANY (DEC)

Financial Review

Pensions— The Company and its domestic and foreign subsidiary companies have a number of pension plans covering substantially all employes. The total pension expense for 1973 was $59,371,000 ($57,404,000 for 1972) which includes, as to the principal plans, amortization of past service cost over 25-year periods. The Company's general policy is to fund pension cost accrued. As of the latest valuation date, the carrying value of the pension fund assets for the principal plans exceeded $625,000,000. The actuarially computed value of vested benefits for the principal plans exceeded the total of the pension fund assets by $242,000,000.

STEWART-WARNER CORPORATION (DEC)

Notes to the Consolidated Financial Statements

Note 5: Retirement Plans— The Corporation has contributory retirement and life insurance plans which are available to all regular employees who meet certain requirements as to length of service and age, excluding employees of the Thor Power Tool Company subsidiary. The cost of such plans charged against current earnings was $1,818,000 in 1973 ($1,656,000 in 1972), including an amount calculated to amortize the unfunded prior-service liability of approximately $1,831,000 at December 31, 1973, over a period of 25 years. It is the policy of the Corporation to fund each year the amount determined to be necessary to provide pension benefits earned under these plans during the year. At December 31, 1973, the assets of the pension plans exceeded the actuarially computed value of vested benefits.

Separate retirement plans exist for the employees at Thor. The cost of such plans charged against current earnings was $523,000 in both 1973 and 1972, including an amount calculated to amortize the unfunded prior service cost liability of approximately $5,512,000 at December 31, 1973, over a period of 30 years. It is the policy of Thor to fund certain pension costs annually. The actuarially computed excess of vested benefits over pension fund assets and balance sheet accruals for those plans in which such excess existed was approximately $1,839,000 at December 31, 1973.

Pension Costs Included Interest On Unfunded Prior Service Costs

THE AMALGAMATED SUGAR COMPANY (SEP)

Notes to Financial Statements

Note 1 (in part): Significant Accounting Policies: The Company has contributory pension plans covering substantially all full-time employees. Pension expense amounted to $428,000 for 1973 and $366,000 for 1972, which include normal costs and interest on unfunded prior service costs. The Company's policy is to provide for pension costs accrued by contribution to trust funds and balance sheet accruals which, at September 24, 1973, exceeded the actuarially computed value of vested benefits under the plans.

GENERAL FOODS CORPORATION (MAR)

Notes to Consolidated Financial Statements

Note 1 (in part): Retirement Plans— The corporation and certain of its subsidiaries have plans that provide retirement benefits for hourly and salaried employees. The corporation funds accrued current service cost and interest on the unfunded actuarial liability. As indicated in Note 7, the U.S. and Canadian retirement plans are fully funded as to vested benefits.

Note 7: Retirement Plans— Charges against income for retirement plans aggregated $20,423,000 and $20,711,000 during the fiscal years 1973 and 1972, respectively, of which $18,685,000 and $19,040,000, respectively, pertained to the plans for U.S. and Canadian employees.

The market value of assets held by trustees and the reserves provided for by insurance companies with respect to U.S. and Canadian retirement plans approximated $303,400,000 at March 31, 1973, and at that date, in the opinion of the independent actuaries, these plans were fully funded as to vested benefits.

Pension Costs Include Payments To Union Sponsored Plans

BEATRICE FOODS CO. (FEB)

Summary of Significant Accounting Policies

Pension Plans— The Company has pension plans which cover salaried employees and certain hourly-paid employees. Amounts charged to operations under the plans include normal cost and amortization of past service cost generally on a 30 year basis. The Company contributes to other plans jointly administered by industry and union representatives. In general, the Company's policy is to fund pension costs currently.

Notes to Consolidated Financial Statements

Note 9: Pension Plans— The amount charged to earnings under Company pension plans totaled $6,200,000 for the year ended February 28, 1973, and $4,590,000 (restated) for the year ended February 29, 1972. During the year ended February 28, 1973, the company also contributed approximately $6,250,000 under plans jointly administered by industry and union representatives.

FIRST NATIONAL STORES INC. (MAR)

Notes to Financial Statements

Note 1 (in part): Pensions— The Company maintains a trusteed noncontributory pension plan for employees who are not covered by union pension plans. Actuarial gains, resulting principally from the transfer of employees to various union plans and unrealized appreciation in the fund, are being amortized over ten-year periods from the dates of occurrence; see Note 8.

Note 8: Pensions— The assets of the Company's pension fund exceed the actuarially computed value of plan liabilities. Since 1966 no charges have been required for pension costs, other than contributions to union pension plans, because recognized actuarial gains have exceeded the annual provisions for normal or current costs.

Total pension costs charged to earnings, representing contributions to union plans, were $3,016,000 in 1973 and $2,850,000 in 1972.

Vested Benefits Exceed Pension Fund and Accruals

ARMCO STEEL CORPORATION (DEC)

Financial Summary

Pension Plans— Armco and certain of its subsidiaries have in effect several pension plans covering substantially all of their employees. Pension costs (defined as normal cost, interest on unfunded past service costs and, if required, an amount for vested benefits) are funded.

Pension costs for 1973 amounted to $46,381,000 including $1,476,000 for vested benefits since vested benefits under the plan exceeded the assets of the pension funds as of January 1, 1973, the date of the actuarial determination. Pension costs for 1972 were $33,664,000, including approximately $4,000,000 applicable to increased benefit provisions which became effective August 1, 1972. No amount was required in 1972 for vested benefits.

Based upon actuarial estimates, the total amount required at December 31, 1973, to provide fully for past service cost was $703,256,000. At that date the unfunded past service cost of the plans amounted to approximately $263,773,000.

BURROUGHS CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 6: Pension Plans— Retirement income plans cover substantially all of the employees of the Company and its subsidiaries. The Company and its domestic subsidiaries have retirement plans under which funds are deposited with trustees. All major subsidiaries outside the United States provide pension plans for their employees which conform to the practice of the country in which they do business. Some of these plans are trusteed, some are insured, others are government plans or industry-group plans. Pension costs charged to

operations in 1973 amounted to $13,900,000 compared to $12,900,000 for 1972, including amortization of prior service costs over periods up to 30 years. It is the Company's practice to fund pension costs as accrued. As of the latest valuation date, December 31, 1972, the actuarially computed value of vested benefits of all plans exceeded the total of their funds (at cost value which is below market) by approximately $61,000,000.

DIAMOND SHAMROCK CORPORATION (DEC)

Financial Summary

Pension and Employment Costs— The Company and its subsidiaries have a number of pension plans covering substantially all full-time employees.

The charges to income for pension costs were $6,822,000 in 1973 and $6,681,000 in 1972, which amounts are funded currently. These charges include amortization of past service costs over periods ranging from 25 to 40 years. As of the latest valuation date, the carrying value of the pension fund assets exceeded $60,000,000. The actuarially computed value of vested benefits for one of the plans, as of the latest valuation date, exceeded the total of the respective pension fund assets and the accrued 1973 pension liability by $10,100,000.

Total employement costs in 1973 were $134,039,000 compared to $120,796,000 in 1972.

GENERAL AMERICAN TRANSPORTATION CORPORATION (DEC)

Notes to Financial Statements

Note A (in part): Pension Costs— GATX and its subsidiaries contribute to pension plans for substantially all employees. Payments to plans established by unions are made currently and charged to income. As to trusteed plans established by GATX and the consolidated subsidiaries, the charges ($5,062,000 in 1973 and $4,324,000 in 1972) to income were actuarially-determined and funded on a basis including normal costs, an amount equivalent to interest on prior service costs, and a provision for the excess (1973—$12,529,000; 1972—$9,715,000) of vested benefits over assets in trust under certain of the plans. Assets in trust exceeded the vested benefits under other plans.

THE B.F. GOODRICH COMPANY (DEC)

Notes to Financial Statements

Note G: Pensions— The Company and its subsidiaries have several pension plans covering substantially all employees, including certain employees in foreign countries. Pension expense, including amortization of prior service costs, was $36,000,000 in 1973 and $24,620,000 in 1972. Increased pension expense for 1973 reflects the reduction of the period for amortizing prior service costs from 40 years to 30 years which change was insignificant and further reflects a full year's effect of the 1973 plan amendments providing for improved benefits. The total of these increases was partially offset by revisions in the Social Security Act and in other actuarial assumptions. The foregoing had the effect of decreasing net income by $5,309,000 or $.37 per share of Common Stock. The Company's policy is to fund pension costs accrued.

The actuarially computed value of vested benefits for all plans as of the latest valuation date (after giving effect to a revision in an actuarial assumption which lowered the actuarially computed value of vested benefits by $56,000,000) exceeded the total of the pension funds by approximately $60,300,000.

KEYSTONE CONSOLIDATED INDUSTRIES, INC. (JUN)

Notes to Consolidated Financial Statements

Note A (in part): Pensions— The Company has pension plans covering substantially all employees. Pension expense for fiscal 1973 and 1972 amounted to $7,300,000 and $7,100,000, respectively, including amortization of past service costs over principally a 40-year period. It is the Company's policy to partially fund pension costs accrued. As of June 30, 1973, the excess of actuarially computed vested benefits of the various plans over provisions amounted to approximately $40,000,000.

ROCKWELL INTERNATIONAL CORPORATION (SEP)

Notes to Financial Statements

Note 1 (in part): Retirement Plan Costs— It is the policy of the Company to fund accrued retirement plan costs. Costs with respect to the principal plans are 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. Costs with respect to the remaining plans are actuarially computed generally using the "entry-age-normal method" and include, in addition to current service costs, amortization of unfunded prior service costs based generally on a thirty-year period.

Note 8: Retirement Plans— The Company has various retirement plans which cover most of its employees and which provide generally for monthly pension payments to eligible employees upon normal retirement at age 65. The total provision for retirement plan costs amounted to $68,204,000 for 1973 and $53,728,000 for 1972. The increase in costs is due principally to an increase in the number of participants and benefits under certain plans. The actuarially computed value of vested benefits, as of the most recent valuation dates, under certain plans exceeded the market value of fund assets and balance sheet accruals by approximately $92,454,000.

Pension Fund Exceeds Vested Benefits

ANDERSON, CLAYTON & CO.

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 was $147,000 in 1973 and $162,000 in 1972. No provision for expense was required for either 1973 or 1972 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.

CCI CORPORATION (APR)

Notes to Consolidated Financial Statements

Note 9: Employee Pension Plans— The company and its subsidiaries have two pension plans covering certain employees satisfying age and service requirements. One plan covering employees of a subsidiary has no unfunded prior service costs, and fund assets exceed the actuarially computed value of vested benefits. The other plan is overfunded, and such overfunding is being amortized over a ten-year period. Pension costs amounted to $53,000 in 1973 and $60,000 in 1972 after amortization of the overfunding of $293,000 and $435,000, respectively. During 1973 one plan was amended to add certain employees covered by a profit sharing plan and another pension plan. The assets of such plans were subsequently transferred into the pension plan.

COLONIAL STORES INCORPORATED (DEC)

Notes to Consolidated Financial Statements

Note 5: Retirement Plan for Employees— The Company has a trusteed, noncontributory pension plan covering substantially all of its employees and a supplemental nonqualified and nontrusteed plan for certain executives. Total pension costs charged against operations amounted to $1,450,000 in 1973 and $650,000 in 1972, of which $1,000,000 and $370,000, respectively, were funded. During 1973, the trusteed plan was amended to provide for more liberal vesting and other improved benefits. These changes, plus increased covered wages, were the principal causes of the increase in pension costs in 1973. The Company's funding policy is to make contributions periodically to maintain the fund in sound condition. Accordingly, accruals from prior years which have not been funded are included with other long-term liabilities in the accompanying consolidated balance sheet. As of the latest valuation date, the market value of the pension fund assets and the accrual for pension costs exceeded the actuarially computed value of vested benefits.

INLAND STEEL COMPANY (DEC)

Statement of Accounting and Financial Policies

Benefits for Retired Employees— Pensions are provided by the Company under a combination of insured contributory and trusteed non-contributory plans for eligible employees meeting certain service and age requirements and are based generally on length of service and earnings patterns preceding retirement. Other employees are covered by collective bargaining agreements under which payments are made to union welfare or similar funds. Life insurance benefits are provided for retired employees.

The estimated costs of pension and life insurance benefits are determined annually by consulting actuaries. Pension costs, representing normal costs, interest on unfunded prior service liability and, when required, amortization of unfunded prior service costs on principally a 40-year basis, are funded in trusts established under the plans. Accrued life insurance costs, which are not funded, are included in the caption "Deferred Employee Compensation and Benefits" in the accompanying Consolidated Statement of Financial Position.

Notes to Consolidated Financial Statements

Note 6: Retirement Benefits— The increase in pension costs from $20,891,000 in 1972 to $29,033,000 in 1973 reflects the full year effect of improvements in retirement benefits effective August 1, 1972 under the principal non-contributory pension plan, increased employees' earnings levels, and a supplemental contribution of $1,373,000 for prior service costs.

At December 31, 1973, the Inland Steel Company Pension Trust assets had a market value of $292,000,000 and the Equitable Life Assurance Society held approximately $13,000,000 of Company funds under annuity contracts. At the latest valuation date, these assets exceeded the acturially computed values of all vested benefits under the plans. It is anticipated however, that the actuarial valuation to be prepared in 1974 will reflect an excess of actuarially computed value of vested benefits over these assets.

Life insurance costs for retired employees were $3,960,000 in 1973 and $3,462,000 in 1972.

LEE ENTERPRISES, INC. (SEP)

Notes to Consolidated Financial Statements

Note 4: Retirement Plans— The Company has pension plans covering most employees. Total pension expense of $324,000 and $377,000 for the years ended September 30, 1973 and 1972, respectively, includes interest on unfunded past service cost and recognition of actuarial gains and losses on a three-year averaging method. The Company's policy is to fund pension costs accrued. At September 30, 1973, pension funds exceed the actuarially computed value of vested benefits and, at that date, unfunded past service costs total approximately $978,000.

Provisions for deferred compensation and retirement of certain key employees are accumulated by charges to operations ($734,000 in 1973 and $537,000 in 1972) during the estimated remaining working years of the employee. The increase in 1973 expense results primarily from provisions related to the death of a principal officer before retirement.

LORAL CORPORATION (MAR)

Notes to Consolidated Financial Statements

Note 3: Pension Plan— The Company has a noncontributory pension plan covering certain employees over 30 years of age who have completed one year of service. The existing pension fund assets exceed the actuarially computed value of accrued benefits, thus giving rise to deferred credits. Accordingly, it will not be necessary for the Company to make payments into the fund until the value of accrued benefits exceeds the total fund assets. Unamortized deferred credits as of March 31, 1973 aggregating $339,000 are being applied as a reduction of pension costs on a straight line basis over a ten year period ending in 1981. Total pension expense, attributable to continuing operations, net of amortization of deferred credits, was approximately $178,000 and $149,000 for 1973 and 1972, respectively.

Plan Adopted or Amended

IPCO HOSPITAL SUPPLY CORPORATION (JUN)

Notes to Financial Statements

Note 8 (in part): Commitments and Contingencies

Pension and Profit-Sharing Plans— Effective July 1, 1972, the Company adopted a non-contributory plan (covering eligible employees) for certain companies which did not have pension or profit-sharing plans in effect. The total pension expense applicable to this plan for the year ended June 30, 1973 was $222,400, which includes amortization of past service cost over 30 years. Based on the independent actuaries' valuation, the excess of computed value of vested benefits over assets as of July 1, 1972 was $370,000 and the unfunded past service cost was $1,190,000. The Company's policy is to fund pension costs accrued.

THE MACKE COMPANY (SEP)

Notes to Consolidated Financial Statements

Note 7: Pension and Profit Sharing Plans— On April 1, 1973, the Company adopted a pension plan covering substantially all full-time employees, who meet certain eligibility requirements as to age and length of service. This plan superseded and replaced certain profit sharing plans then in existence. The aggregate cost of all pension and profit sharing plans reflected in the accompanying statements of consolidated income is $491,000 and $317,000 for 1973 and 1972, respectively, including, in 1973, pension expense of $323,000. Past service cost, approximating $1,091,000 as of the inception date of the new pension plan, is being amortized over 30 years The Company's policy is to fund pension cost accrued. As of September 30, 1973, the actuarially computed value of vested benefits (calculated as of the inception date of the plan) exceeded the pension fund and balance sheet accruals by approximately $418,000.

Change In Actuarial Assumptions Or Accounting Method

AMERICAN SEATING COMPANY (DEC)

Notes to Consolidated Financial Statements

Retirement Plans— Pension expense approximated $1,388,000 in 1973 and $1,550,000 in 1972. During 1973 the costs of the salaried employees' plan were reduced by changing the actuarial cost method to the unit credit method from the entry-age-normal method, and by changing the interest rate assumption to 6 ½% from 6%. These changes reduced the costs of the plans for 1973 by approximately $252,000. As a result of these changes, the amount of the unfunded prior service cost was reduced substantially, and it was not deemed necessary to fund the entire 1972 provision for one of the salaried plans. The unfunded 1972 provision of $247,000 has been reclassified as unamortized actuarial gain to be offset against future pension expense over a 10-year period starting in 1973. These changes in computing pension costs had the effect of reducing the net loss for the year by approximately $137,000 or $.10 per share.

As of the date of the latest actuarial valuations, the actuarially computed value of the vested benefits for all plans exceeded the total of the pension funds by $4,146,000 and the Company's actuaries estimated that the amount of the unfunded prior service cost was approximately $9,000,000.

Some of the pension plans negotiated with the Unions have been amended effective January 1, 1974 to increase benefits, which will increase future pension costs.

COPPERWELD CORPORATION (DEC)

Notes to Consolidated Financial Statements

Accounting Policies (in part)— Pension Costs— The Corporation has retirement plans covering substantially all employees. Pension costs are computed on the basis of accepted actuarial methods and include current service costs of all plans and the amortization of unfunded prior service costs over 30 years (see Note 3). The Corporation's policy is to pay into trusteed funds each year an amount equal to the charges to earnings for its retirement plans.

For former employees of the Superior Steel Division (sold in 1961), the present value of unfunded pension costs has been accrued and is included as a liability in the Statement of Financial Position. The portion of the liability which applies to presently retired employees of Superior is being funded over 20 years from 1969.

Note 3: Pension Plans— Costs of providing retirement benefits amounted to $5,063,000 in 1973 and $4,841,000 in 1972. In 1973 the Corporation changed its method of accounting for pensions by reducing the time over which the prior service liability is funded from 40 to 30 years, thereby increasing pension costs for the year by approximately $418,000. Costs in 1972 included additional contributions of $1,223,000 made to reduce unfunded vested benefits in certain of the plans. The change in 1973 and the additional contributions in 1972 decreased net income in each of the years by $209,000 ($.09 per share) and $587,000 ($.24 per share), respectively. Pension costs for 1973 also include additional costs of $583,000 related to increased benefits which became effective during the current plan years.

Vested benefits increased by approximately $15,700,000 during the 1973 plan years as a result of amendments to the plans. Vested benefits as of their respective anniversary dates in 1973 exceeded fund assets and balance sheet accruals at the end of the year by approximately $15,200,000.

GEO. A. HORMEL & COMPANY (OCT)

Note to Consolidated Financial Statements

Pension Plans— The Company has several pension plans covering substantially all of its employees. The total pension expense was $7,826,300 for 1973 and $8,836,700 for 1972 which includes amortization of prior service costs over a period of thirty years from the date of inception or date of amendment of the plans. A change during the year in the interest assumption had the effect of increasing net income by approximately $500,000 or $.10 per share. The Company's policy is to fund pension costs accrued. The actuarially computed value of vested benefits for all plans as of the most recent valuation date exceeded the total of the pension funds by approximately $8,880,000.

H.K. PORTER COMPANY, INC. (DEC)

Financial Section

Pensions— The Company and its subsidiaries have several pension plans that cover substantially all employees. Costs of all plans are actuarially determined and include current service and amortization of prior service costs and interest; the Company's policy is to fund accrued pension costs.

Pension expense for 1973 includes normal cost and amortization of prior service costs over 10 years and in 1972 over 40 years. This change in funding policy (which the Company adopted in order to recognize on a more current basis the vested portion of pension benefits) had the effect of decreasing net income for 1973 by approximately $500,000 or $.40 per share. The total pension expense charged to income under the plans was $3,777,000 in 1973 and $2,208,000 in 1972; in addition, $1,688,000 was provided in 1973 for pensions related to closed plants (included in Nonrecurring Items). The actuarially computed value of vested benefits of hourly pension plans exceeded fund assets and balance sheet accruals by approximately $10,700,000.

STANDARD PRESSED STEEL CO. (DEC)

Summary of Significant Accounting Policies

Pension Plans— Pension benefits are provided for all employees of the company and certain of its subsidiaries. These plans are principally non-contributory and generally provide monthly payments for life following retirement, normally at age 65. Pension costs charged to earnings include current service costs, amortization of prior service costs over 40 years, and interest on unremitted contributions. The excess of such costs over amounts remitted to the respective funds has been accrued in the accounts.

Notes To Financial Statements

Note 6: Pension Plans

	1973	1972
Pension expense charged against earnings was	$1,388,000	$821,000

During 1973, the Company adopted a final pay plan and eliminated a supplemental pension plan and returned the employee contributions thereunder plus interest to the employees. As a result, the Company changed the actuarial method used in computing pension cost under the principal retirement income plan, which had the effect of reducing net earnings for the year by $135,000 (3c per share). In addition, the plan amendment effective June 1, 1973 resulted in an unprovided net vested benefit liability, at the latest valuation date, of approximately $660,000.

Plan Not Funded

THE KROGER CO. (DEC)

Notes to Consolidated Financial Statements

Pension Plans— The Company has two noncontributory retirement plans for eligible employees, one funded and one unfunded. The Company also contributes to multi-employer plans jointly administered by management and union representatives.

The actuarially computed value of vested benefits for the Company administered plans as of December 29, 1973 exceeded the total of the pension fund and balance sheet accruals by approximately $26,707,000. Past service costs for the Company's plans are being amortized over forty years.

The total pension expense for all plans for 1973 and 1972 was $23,826,536 and $21,413,458, respectively.

Statement Of Pension Plan

E. I. DU PONT DE NEMOURS & COMPANY (DEC)

Notes to Financial Statements—(Dollars in millions, except per share)

Pensions— The Pension and Retirement Plan of E. I. duPont de Nemours & Company is a noncontributory plan which covers substantially all parent Company employees. The number of pension recipients at December 31, 1973 was 25,228. Pension coverage for employees of the Company's consolidated subsidiaries is provided, to the extent deemed appropriate, through plans maintained by the respective companies.

The cost of the Plan is determined on the basis of various actuarial assumptions and procedures including: a 6% assumed rate of future earnings of Pension Trust assets (increased from 5.5% effective January 1, 1973); systematic recognition of a portion of the unrealized appreciation in the common stock portfolio; Company experience with respect to mortality, turnover, and selection of retirement options; advancing pay scales; and amortization of unreserved prior service cost over a 20-year period. The cost so determined was $101.3 in 1973 and $107.3 in 1972; the increase in assumed rate of future earnings of Pension Trust assets had the effect of reducing 1973 pension cost by $19.8.

The Company's practice is to fund total pension expense in a Pension Trust maintained in conjunction with the Plan; contributions to the Trust are deductible for Federal income tax purposes and Trust income is exempt from such taxes.

Assets of the Trust at December 31, 1973 were sufficient to meet the actuarially computed value of vested benefits at that date. A proposal to liberalize Plan benefits is being submitted for adoption at the annual stockholders' meeting. If the proposed amended Plan had been in effect at December 31, 1973, the estimated value of vested benefits would have exceeded the actuarially computed value of Trust assets by $300.0.

Statement Of Changes In Pension Trust Fund Assets (assets at amortized cost plus accrued income)

	1973	1972
Total Assets at January 1	$1,838.8	$1,696,5
Add:		
Company contributions	101.2	107.5
Income from investments, including net gain or loss on disposition	82.3	102.3
	2,022.3	**1,906.3**
Deduct: Pension payments	75.2	67.5
Total Assets at December 31	**$1,947.1**	**$1,838.8**
Comprised of:		
Cash, accrued income, and U.S. Government obligations	$45.1	$49.8
Corporate obligations	792.7	876.9
Common stocks	1,109.3	912.1

The Trust held no securities of Du Pont Company or affiliated companies.

The aggregate market value of Trust assets exceeded the cost thereof at both December 31, 1973 and 1972.

Since the Pension Trust Fund is not the property of the Company, it is not included in the consolidated financial statements.

GENERAL ELECTRIC COMPANY (DEC)

1973 Financial Summary

Employee compensation, including the cost of employee benefits, amounted to $4,709.7 million in 1973. During the year, agreements were reached with various labor unions as described earlier in this Report.

General Electric Company and its affiliates have a number of pension plans, the total cost of which was $135.5 million in 1973 and $107.6 million in 1972. The most significant of these plans is the General Electric Pension Plan in which substantially all employees in the United States who have completed one year of service with the Company are participating and the obligations of which are funded through the General Electric Pension Trust. Financial statements of the Trust appear at right.

Investments of the Pension Trust are carried at amortized cost plus a programmed portion of unrealized appreciation in the common stock portfolio. This accounting recognizes the long-term nature of pension obligations by stressing long-term market trends.

The funding program uses 6% as the estimated rate of future income which includes provision for the systematic recognition of the unrealized appreciation in the common stock portfolio. This program has the objective of recognizing appreciation which, when added to cost, will result in a common stock book value approximating 80% of market value (consistent with Armed Services Procurement Regulations).

The actual earnings of the Trust, including the programmed recognition of appreciation, as a percentage of book value of the portfolio were 6.5% for 1973 and 6.6% for 1972.

Unfunded liabilities of the Trust are being amortized over a 20-year period and are estimated to be $474 million at December 31, 1973 based on book value of Trust assets compared with $323 million at the end of 1972. These amounts included unfunded vested liability of $377 million at December 31, 1973 and $239 million at December 31, 1972. The estimated market value exceeded book value of Trust assets by $309 million and $693 million at the end of 1973 and 1972 respectively.

Effective July 1, 1973, a supplementary pension plan was approved by the Company's Board of Directors, the purpose of which is to ensure that the pension benefits of long-service professional and managerial employees, when combined with their social security benefits, bear a reasonable relationship to their final average earnings. Obligations of this pension supplement are not funded. Current service costs and amortization of past service costs over a period of 20 years are being charged to operations currently. Cost for the partial year 1973 was $2.0 million.

General Electric Pension Trust

OPERATING STATEMENT	1973	1972
	(in millions)	
Total assets at January 1	**$2,267.1**	**$2,071.8**
Company contributions	125.9	102.2
Employee contributions	38.6	32.3
	164.5	**134.5**
Dividends, interest and sundry income	111.4	101.8
Common stock appreciation:		
Realized	34.2	44.8
Unrealized portion reocgnized	34.4	21.3
	68.6	**66.1**
Pensions paid	(115.6)	(107.1)
Total assets at December 31	**$2,496.0**	**$2,267.1**
FINANCIAL POSITION–DECEMBER 31		
Short-term investments	$51.3	$180.3
U.S. Government obligations and guarantees	56.0	60.1
Corporate bonds and notes	344.8	348.7
Real estate and mortgages	410.7	397.6
Common stocks & convertibles	1,530.6	1,211.1
Total investments	**2,393.4**	**2,197.8**
Other assets–net	102.6	69.3
Total assets	**$2,496.0**	**$2,267.1**
Funded liabilities:		
Liability to pensioners	$874.9	$799.9
Liability for pensions to participants not yet retired	1,621.1	1,467.2
Total funded liabilities	**$2,496.0**	**$2,267.1**

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* states in part:

> 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.....

TABLE 3-10: COMPENSATORY PLANS

Plan	1973	1972	1971	1970
Incentive compensation plan	117	104	92	106
Profit-sharing plan	93	75	71	66
Deferred compensation contract	61	56	46	72
Savings fund plan	33	33	27	29
Other employee benefit plans	40	24	19	16
Total Plans	**344**	**292**	**255**	**289**
Number of Companies				
Disclosing above plans	259	236	217	236
Not disclosing above plans	341	364	383	364
Total	**600**	**600**	**600**	**600**

> 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 consideration 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.

Incentive Compensation Plans

CPC INTERNATIONAL INC. (DEC)

Notes to Financial Statements

Incentive Compensation Plan— The incentive plan for elected officers and other management personnel was approved by the shareholders in 1958. The plan provides for an annual fund, the upper limit which may not exceed 10% of the amount of dividends paid to shareholders. The fund, subject to the upper limit, is determined by a Committee of the Board of Directors (consisting only of non-employee directors) in accordance with a formula. 75% of an award made from the fund is payable immediately after the close of the year in which the award is made in the case of the cash portion, and at some time from then up to ten years after retirement, as determined by the above mentioned Committee of the Board, in the case of the company share portion. The balance of an award, which is subject to forefeiture, is made in company shares, payable at such time after retirement and up to ten years thereafter as determined by the above mentioned Committee of the Board. The equivalent of dividends on the deferred shares of each awardee is invested in additional shares of company stock. Awards, which totaled $1,165,800 in 1973 and $907,600 in 1972, were charged to income.

FIRST NATIONAL STORES INC. (MAR)

Notes to Financial Statements

Note 4: Incentive Compensation Plans— The stockholders approved in June 1970 an executive incentive compensation plan under which 6% of pre-tax income, as defined, will be available for awards to eligible participants in any year that such income exceeds $3,000,000 and cash dividends on common stock have been paid. In accordance with the provisions of the plan, no compensation was recorded for fiscal years 1973 and 1972. Under previous awards, 1,846 shares of treasury stock were issued during 1973 and 399 shares in 1972. The average cost of the treasury shares so issued exceeded the amount of compensation accrued by $3,000 in 1973 and $2,000 in 1972; such excesses were charged to the common stock account. At March 31, 1973, 7,244 shares allotted but not issued are issuable in future years.

The Company has an employment contract with the Chairman of the Board which provides for incentive compensation equivalent to the amount by which the market value of 25,000 shares of the Company's common stock during May 1975 exceeds the market value in May 1972. The incentive compensation is payable over a maximum period of seven years beginning in September 1975. At March 31, 1973 no incentive compensation was accrued under this contract because the market value at that date did not exceed the base amount.

LYNCH CORPORATION (DEC)

Notes to Financial Statements

Note 10: Incentive Plan— During 1966, the shareholders approved an incentive plan for salaried employees of the Company effective as of January 1, 1966.

The plan provides that there may be granted for any year incentive awards in any amount not to exceed 12% of the excess of (a) the year's net income (exclusive of extraordinary charges or credits) plus the amounts deducted therefrom for provisions for awards to be made for such year and for long-term debt interest expense over (b) 6% of the sum of the Company's net worth and long-term debt as of the end of the prior year. Amounts available for awards but not granted are not available for award in future years.

Awards may be granted on the basis of such factors as position, responsibility and accomplishments. Subject to the maximum available for awards under the plan, there is no limitation on the amount which may be awarded to any one person.

Awards are payable in annual instalments of the greater of 20% of the amount of the award or $1,000, to the extent that the balance is "earned out" by the employee by continuing service.

For 1973 and 1972 there were no "incentive plan net earnings" and therefore no provision was required for incentive awards.

SHELL OIL COMPANY (DEC)

Notes to Financial Statements

Note 7: 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 $1,800,000 in 1973 and $1,400,000 in 1972. Awards in 1973 to key employees totaled $1,285,000.

J. P. STEVENS & CO., INC. (OCT)

Notes to Financial Statements

Note J (in part): Other Comments— A management incentive plan, approved by the shareowners in 1972,

provides for incentive compensation to certain officers and employees aggregating 6% of consolidated income before taxes, after deducting 6% of equity capital employed (as defined in the plan). A provision of $1,733,000 has been charged against 1973 income for awards under the plan, which were limited to such amount in accordance with Economic Stabilization Regulations. No provision for awards under the plan was required in 1972.

Stock Compensation Plans

AMP INCORPORATED AND PAMCOR, INC. (DEC)

Notes to Combined Financial Statements

Note 8: Stock Plus Cash Bonus Plan and Treasury Stock: All of the Endorsed Shares held in the treasury (1973—462,688; 1972—502,971) are available for payment of stock bonuses under the incentive Stock Plus Cash Bonus Plan. The number of shares and cash (a fixed percentage of the value of the shares) distributed is determined by the appreciation in market value of the Company's stock.

For years prior to 1973, the Company's accounting for the Stock Plus Cash Bonus Plan had no effect on net income because the charges to pretax income were offset by reductions in income taxes, as the market value of the shares distributed (which was substantially in excess of cost) was, and is currently, allowable as a corporate tax deduction.

Due to the adoption of Accounting Principles Board Opinion No. 25 by the A.I.C.P.A., since January 1, 1973, generally accepted accounting principles restrict financial recognition of tax benefits resulting from stock compensation plans to only those benefits related to recognized compensation expense. Tax benefits in excess of that amount are added to Other Capital. In 1973, additions to Other Capital and decreases in net income, as a result of the mandatory change in accounting were $1,274,000 (3c per share).

During the year ended December 31, 1973, treasury stock was increased through the purchase of 48,500 shares costing $1,892,000. Charges to income for distributions under the Plan totaled $3,111,000 in 1973 and $2,309,000 in 1972, and included shares and related costs of 88,783 and $1,611,000 in 1973 and 101,196 and $1,052,000 in 1972.

For awards granted before and outstanding on December 31, 1973, and based on the market price as of that date, 400,000 shares would be distributed in the years 1974 through 1981.

ENGELHARD MINERALS & CHEMICALS CORPORATION (DEC)

Note to Consolidated Financial Statements

Note 8 (in part): Stock Options and Awards— In May, 1973 the stockholders approved a key employees stock bonus plan, terminating December 31, 1978. Under the plan, awards of up to 300,000 common shares (not exceeding 60,000 shares in any year) may be made to key employees as additional compensation for their services. Twenty per cent of the shares covered by an award vest at the end of the first year following the date of the award and twenty per cent at the end of each succeding year, provided that the key employee remains in the service of the Company on the vesting date.

An amendment to the 1970 stock option plan was approved concurrently, increasing the number of shares available for options to the extent that the 300,000 shares available for award under the stock bonus plan are not issued. In 1973, awards of 59,996 shares were made under the stock bonus plan, and an amount equivalent to the fair market value of the shares at the time of award ($952,000) was charged to earnings. The remaining 240,004 shares are included in the options available for future grant under the 1970 plan in the foregoing tabulation.

During 1973, the Company purchased 300,000 shares of its common stock at an average cost of $16.79. The 1973 awards under the stock bonus plan were issued from these shares.

FMC CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 8 (in part): Capital Stock and Retained Earnings— On April 27, 1973 the stockholders approved FMC's Incentive Share Plan. Under the Plan, which has a ten-year life, officers and key employees may be granted contingent rights to receive payments of cash or FMC common stock, or both. Such rights are designated as "Plan Shares" and each Plan Share has a value equal to the value from time to time of a share of FMC common stock. The maximum number of Plan Shares that may be awarded under the Plan may not exceed 600,000. Payment of Plan shares is contingent on continued employment with FMC for a specified period (except for death, disability or retirement) and, as to senior management employees, on meeting earnings per share growth objectives and on other measures of performance.

The value of shares awarded is being charged to expense over the period of earnings or employment contingencies. During 1973, 103,630 Plan Shares were awarded, for which $221,000, after tax, was charged to operations.

During 1973, 350,000 shares of common stock were purchased for $6,829,000 in cash. It is intended that such shares will be issued to satisfy requirements of the Incentive Share Plan.

GENERAL AMERICAN TRANSPORTATION CORPORATION (DEC)

Notes to Financial Statements

Note F: Qualified Stock Option Plans and Stock Equivalent Plan— On April 28, 1971, GATX adopted the 1971 Stock Option Plan and the 1971 Stock Equivalent Plan which authorize, respectively, the granting of op-

tions for not more than 400,000 shares of Common Stock and the awarding of not more than 400,000 stock equivalent Units. Generally, such options may be exercised during a three-year period commencing two years from date of grant. Benefits under the Stock Equivalent Plan are measured by the excess of market value of GATX's Common Stock on the Determination Date over Unit award value (not less than 85% of market value on date of award) plus the market value of "dividend equivalents" stated in terms of shares. Such benefits (which will be reduced to the extent that the participant exercises any option granted in conjunction with those Units) generally are determined as of, and are payable in stock or cash at GATX's option promptly following, the day after the fifth anniversary date of the award of Units. Data as of December 31, 1973 with respect to options and Units outstanding under the 1971 plans are as follows:

Number of Options Outstanding	Years Exercisable	Option Price/Market Price at Date of Grant: Per Share	Total
182,730	1974-1976	$48.69	$8,897,124
89,825	1974-1977	41.625	3,738,966

Number of Units Outstanding	Determination Date	Market Price at Date of Award	Award Value Per Unit
182,730	1976	$48.69	$41.39
89,825	1977	41.625	35.39
39,400	1978	51.75	43.99

Charges to income (1973—$2,177,000; 1972—$416,000) were calculated to accumulate, over the five-year period of each award, estimated future benefits with respect to outstanding Units.

Transactions during the two years ended December 31, 1973 are summarized as follows:

	Shares Optioned		Units Awarded	
	Price Per Share	Number	Value Per Unit	Number
January 1, 1972	$48.69	197,655	$41.39	197,655
Granted and awarded	41.625	92,500	35.39	92,500
Terminated		(3,775)		(3,775)
Benefits paid		(1,550)		(1,550)
December 31, 1972	41.625-48.69	284,830	35.39-41.39	284,830
Awarded			43.99	39,400
Exercised	48.69	(2,450)		(2,450)
Terminated		(7,375)		(7,375)
Benefits paid		(2,450)		(2,450)
December 31, 1973 (182,730 shares exercisable)	41.625-48.69	272,555	35.39-43.99	311,955

At December 31, 1973, 81,595 shares and units were available for future option grants and awards.

In addition, options are outstanding under GATX's 1962 Stock Option Plan. No new options may be granted under this Plan. Transactions during the two years ended December 31, 1973 are summarized as follows:

	Price Per Share	Shares
January 1, 1972	$30.40-$42.56	65,323
Terminated		(1,250)
Exercised	30.40-42.56	(28,348)
December 31, 1972	35.89-42.56	35,725
Terminated		(3,250)
Exercised	35.89-42.56	(11,865)
December 31, 1973 (all exercisable)	42.56	20,610

All options now outstanding, if not exercised, will lapse during 1974. The option price is 100% of the quoted market price at date of grant.

PEPSICO, INC. (DEC)

Notes to Consolidated Financial Statements

Note 6 (in part): Capital Stock and Capital in Excess of Par Value— Shares reserved at December 29, 1973 were as follows:

Stock options	356,930
4½% convertible debentures (at $46.50 per share)	176,430
4¾% convertible subordinated debentures (at 63.50 per share)	787,402
Performance share plan	450,000
	1,770,762

At December 29, 1973, options were outstanding on 241,001 shares (of which 78,177 were then exercisable) having an aggregate price of $17,234,124. The balance of 115,929 shares reserved is available for future grants under the Company's 1964 and 1969 Plans. In 1973 options for 89,280 shares were exercised having an aggregate option price of $4,056,094; options were granted for 61,800 shares having an aggregate option price of $5,105,368, and options for 13,813 shares were cancelled.

Under 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 may be awarded bi-annually, and 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, of which 77,817 units were outstanding at December 29, 1973. The cost of the awards made under the Plan is being charged to income ($1,333,000 in 1973 and $2,351,000 in 1972, before accrued tax effect) over the applicable four-year period.

INDIAN HEAD INC. (NOV)

Notes to Financial Statements

Note E: Stock Options and Performance Share Plan— Options are granted at the quoted market price at grant dates and expire at various dates to 1983. There were 196,200 shares reserved for grant at the beginning of the year and 147,300 shares at the end of the year.

Changes during the year in the company's stock option plan are summarized below:

	Shares Under Option	Prices per Share
At beginning of year	175,009	$15.75 to $30.50
Options granted	60,500	$16.38 and $25.81
Options exercised	(7,935)	$15.75 and $17.50
Options cancelled	(25,100)	$15.75 and $27.69
At end of year (of which 111,574 shares are exercisable)	202,474	$15.75 to $30.50

The company's shareholders approved in 1973 the Performance Share Plan for key executive employees, under which up to 200,000 Performance Shares (each share being equivalent to a share of common stock) may be outstanding at any one time. The shares, once awarded, are earned only to the extent that stated cumulative growth rates in adjusted earnings per share (as defined) over a four-year period are achieved. Payments to participants are to be made four years after the date of grant through issuance of common stock or payment in cash, or combination thereof, at the discretion of the Board of Directors' Committee administering the Plan. During 1973, 58,250 performance shares were granted and are outstanding. The cost of the grants is being charged to income over the four-year period, with $288,000 charged in 1973.

POLAROID CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 4 (in part): Stock Incentive Plans— The Company's performance share plan was approved by stockholders on April 24, 1973. Under the plan, distributions to performance share award recipients, and the amounts of such distributions (up to certain maximums), depend upon realization of pre-established earnings goals over the respective award periods. Distributions consist of 50% common stock and the remainder in cash. The Board of Directors may, however, in its absolute discretion, vary the ratio of stock and cash including a variation to 100% stock. The number of performance shares which may be awarded under the plan, and therefore the maximum number of shares of common stock which may be distributed may not exceed 133,300.

As of December 31, 1973, the Company had awarded 11,960 performance shares for the award period ending December 31, 1975. The amount of performance share expenses accrued for 1973 was $303,000.

TEXASGULF INC. (DEC)

Notes to Consolidated Financial Statements

Note 5: Under a stock option plan approved by the stockholders in April, 1961, options were granted to officers and employees of the company and subsidiaries to purchase shares of the company's stock. Options become exercisable, as to 40 percent of the total granted eighteen months after date of grant, as to 70 percent three years after date of grant, and as to 100 percent four years after date of grant and expire five years after date of grant.

During the Year Options:	1973 Shares	1973 Option Price Per Share	1972 Shares	1972 Option Price Per Share
Became exercisable as to	43,200	$15 15/16-16 13/16	55,900	$15 15/16-43 15/16
Were cancelled or expired as to	69,600	15 15/16-43 15/16	10,000	15 15/16-43 15/16
Were exercised as to	30,075	15 15/16-20	1,600	15 15/16

At December 31, 1973, there were 133,725 shares under option, 77,925 of which were exercisable at prices ranging from $15 15/16 per share to $20 per share. The plan terminated as to the grant of additional options in 1971.

Under a stock option plan approved by the stockholders in April, 1972, options may be granted to officers and key employees of the company and subsidiaries to purchase up to 750,000 shares. In addition to granting "qualified stock options," which expire five years after date of grant, the company may also grant "non-qualified stock options" whose term shall not exceed ten years. No options under the plan were granted in 1972. During 1973 there were 194,550 "qualified stock options" granted at $22 ¾ per share, of which 2,000 were cancelled during the year. None of these shares became exercisable during the year. They become exercisable as to 40 percent of the total granted eighteen months after date of grant, as to 70% three years after date of grant, and as to 100% four years after date of grant.

In April 1970, stockholders approved a Career Incentive Stock Plan. Under the Plan awards not to exceed 250,000 shares may be made out of treasury stock to officers and other key employees of the company and its subsidiaries. In 1973, awards of 30,550 shares were made, awards of 560 shares previously granted were cancelled, and 9,730 shares were transferred to the employees under the plan. In 1972, awards of 29,025 shares were made, awards of 650 shares previously granted were cancelled and 7,065 shares were transferred to the employees under the plan. Awards outstanding at December 31, 1973 and December 31, 1972 amounted to 77,845 shares and 57,585 shares respectively. An amount equal to the fair market value of the shares at the time of award is being charged to income over the period in which the awards will be earned. Accordingly $343,000 was charged to income during 1973 ($263,000 in 1972). Shares are transferred 20% upon the second anniversary of the award and each anniversary thereafter.

In 1973 contributed capital increased by $415,000 ($107,000 in 1972) and treasury stock decreased by $243,000 ($132,000 in 1972) due to the transfer of com-

pany stock under the stock option and career incentive plans.

The shares reserved for issuance under the above plans amounted to 1,116,930 at December 31, 1973 and 1,226,335 at December 31, 1972.

Profit Sharing Plans

COLLINS & AIKMAN CORPORATION (FEB)

Notes to Consolidated Financial Statements

Note 6: Employees' Pension and Profit-Sharing Plans— The Company and its subsidiaries have non-contributory pension plans covering eligible salaried and hourly employees. The accounting and funding policy with respect to the plans generally is to provide amounts sufficient to meet normal cost plus interest on unfunded prior service cost, as computed by independent actuaries. Pension costs charged to income in 1973 and 1972 under the plans were $974,800 and $919,100, respectively. The actuarially computed value of vested benefits for all plans exceeded the total of the pension funds by approximately $1,350,000 at March 3, 1973.

The Company has an employees' profit-sharing plan which provides for contributions to a fund to be held in trust by a corporate fiduciary of a sum not in excess of 8% of income, as defined, for the year but not in excess of the amount permitted under the Internal Revenue Code as a deductible expense. Provisions of $1,409,113 and $1,551,996 for the employees' profit-sharing plan were charged to income during 1973 and 1972, respectively.

THE GOODYEAR TIRE & RUBBER COMPANY (DEC)

Financial Review

Incentive Compensation and Stock Option Plans (in part)— The Company has a Key Personnel Incentive Profit Sharing Plan under which compensation contingent upon consolidated income is provided for key personnel, including officers. A provision of $10,577,000 ($12,076,000 in 1972) has been charged against 1973 income in anticipation of the distribution of the profit sharing fund in cash and shares of Goodyear common stock. A detailed description of the Plan is included in this annual report on page 36.

Key Personnel Incentive Profit Sharing Plan

The Company's profit sharing plan, under which compensation contingent upon consolidated income is provided for officers and other key personnel as an incentive, has been in effect since 1937. The plan is annually subject to amendment by the Board of Directors; and from time to time, as conditions have changed, it has been modified and its application extended to additional personnel. The Plan is administered by a committee consisting of all of the directors who do not participate under it. Participants are selected and allotments of participation are made annually by the Committee (in 1973 allotments were made to 1,722 participants).

Under the present formula of the Plan, the Company's consolidated net income after tax (adjusted as described below) for any year must exceed 5% of the average amount of the consolidated book value of its capital stock before any amount becomes available for the Plan. Ten percent of the excess of adjusted net income (the "formula amount") is applied as follows: (a) an amount up to that fixed by the Board of Directors (the "fixed amount"— $3,000,000 in 1973) is distributable in cash to participants in proportion to their respective allotments, promptly upon official computation of the formula amount; and (b) additionally, in the sole discretion of the Committee, all or such part of any balance of the formula amount as the Committee may determine, is similarly distributable in the form of either cash or shares of Goodyear Common Stock (or combination of both cash and stock)—except that the Committee may order distribution to be deferred, with respect to a particular classification of participants as described below. Any balance of participants as described below. Any balance of the formula amount not distributed or deferred lapses and thereupon involves no charge to the income account.

Any part of an allotment as to which distribution is deferred, as referred to in (b) above, becomes distributable at the Committee's discretion in annual installments or in one lump sum after termination of the participant's employment, subject to forfeiture in whole or in part under various contingencies detailed in the plan and relating mainly to termination of employment for certain reasons or engaging in activity or business competitive with the Company. Each deferred allotment based upon Goodyear Common Stock accumulates dividends (cash or stock), stock splits and the value of stock rights (or the equivalent); and distribution of the accumulation is subject to the same conditions and contingencies as distribution of the allotment itself. For tax purposes, deductions for deferred amounts are claimed by the Company in the years in which distribution is made.

Shares of Goodyear Common Stock required for purposes of the Plan may be either issued or purchased, as the Board of Directors may direct, and are charged against allotments of participation at the closing market price of the day preceding the Committee's or its subcommittee's determination of the medium of distribution.

For purposes of computation of the formula amount for any year, the consolidated net income of the Company is taken as that approved by its independent accountants and reflected in the annual financial statements submitted to shareholders for that year, but adjusted to include an amount equal to the provision made in such statements for the profit sharing plan.

The "formula amount" for 1973 was $11,426,000, of which, pursuant to determinations by the Committee, $849,000 was not appropriated or used for the profit sharing fund, and therefore was not a charge to the Company's income account. Of the remaining $10,577,000, representing the total profit sharing fund for the year, $9,297,000 was distributed to participants in cash and shares of the Company's Stock, and $1,280,000 in shares of the Company's Stock was deferred for future distribution in the case of 46 participating officers and employes designated by the Committee. All the Common Stock, both distributed and deferred, was previously issued shares acquired in the open market by the Company and were charged against the respective allotments of participation at the closing market price per share on February 11, 1974.

WINNEBAGO INDUSTRIES, INC. (FEB)

Notes to Financial Statements

Note 4: Profit-Sharing Plan— The Company has a qualified contributory profit-sharing plan for all eligible employees. The plan provides for contributions by the Company in such amounts as the Board of Directors may annually determine. The Company's contributions charged to expense were as follows:

Year Ended	
February 22, 1969	$None
February 28, 1970	63,900
February 27, 1971	113,542
February 26, 1972	327,586
February 24, 1973	453,970

OWENS-ILLINOIS, INC. (DEC)

Financial Review

Employee Benefit Plans (in part)— The Owens-Illinois Stock Purchase and Savings Plan offers salaried employees with a minimum of one year of service the opportunity to invest up to six percent of their salaries in an Owens-Illinois common stock fund, a government securities fund, or a diversified stock fund; or in equal parts in any two of the funds. The maximum investment allowable is $3,000 per year per employee. For each $1 the employee invests in his choice of such funds, the Company contributes 50 cents for purchase of Owens-Illinois common stock for the employee's account. Company contributions are fully vested after 60 months of contributions by the employee. At December 31, 1973, there were 9,334 participants in the plan. Company contributions to the plan amounted to $3 million in 1973 and $2.9 million in 1972.

Savings Plan

THE ANACONDA COMPANY (DEC)

Financial Review

Retirement and Savings Fund Plans (in part)— The Company has a contributory savings fund plan under which the contributions of participating salaried employees are matched by the company to the extent of 50% of the employees' savings. The combined contributions are invested in common stock of the company and certain other investments. Shares of the company's common stock may be acquired by the plan's trustee on the open market, or from the company at market price. To date, shares of the company's common stock have been acquired on the open market. During 1973 the plan was amended to provide for more rapid vesting of company contributions. Company contributions to the plan amounted to $1.6 million in each of the years 1973 and 1972.

GRANITEVILLE COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 7 (in part): Employee Benefits— The Company adopted, effective January 3, 1971, "The Graniteville Company Savings and Supplemental Retirement Plan" which provides that qualified employees of the Company may contribute to the plan through payroll deduction any whole percentage of his or her gross compensation from 1% to 6%. The Company will make annual contributions of an amount equal to at least 10% of the participant's deposits and, depending on earnings per share and year-end book value per share, will make contributions not exceeding 50% of the participant's deposits. The Company's contribution for the current year was approximately $177,000.

Deferred Compensation

DATA-CONTROL SYSTEMS, INC. (SEP)

Notes to Consolidated Financial Statements

Note 4: Deferred Compensation— In 1972, the Company adopted a deferred compensation plan for two officers providing for aggregate payments of $48,000 per year upon their retirement, disability or death. The Company is currently accruing the present value of these payments over the remaining periods of employment. Accordingly, operations for fiscal years 1973 and 1972 have been charged with $33,135 and $7,800 respectively. In addition, the Company has insured against payments which may be required prior to anticipated retirement dates.

GEARHART-OWEN INDUSTRIES, INC. (JAN)

Notes to Consolidated Financial Statements

Note 10: Employees' Deferred Compensation Agreements— In connection with the acquisition of a subsidiary company, the company assumed and has outstanding deferred compensation and salary continuation agreements with four key employees of the subsidiary company. The plans reflect a combined total deferred compensation of $300,000. $6,809, net of applicable income taxes, was charged to operations during the fiscal year ended January 31, 1974. If the four employees continue to meet the terms of their agreements, $12,341, net of income taxes, will be charged to consolidated operations for the fiscal years commencing with February 1, 1974.

HERMAN MILLER, INC. (MAY)

Notes to Financial Statements

Note 7: Deferred Compensation— The company has deferred compensation agreements with certain key employees which provide for retirement and death benefits if the conditions of the contracts are met. The

charge to income for this plan was $23,000 in 1973 and $26,500 in 1972.

The company has deferred income agreements with certain executives intended to provide incentives and potential benefits comparable to those under its stock option plans. Due to the decline in the market value of the company's common stock, the company's liability under the agreements was reduced by $8,000 in 1973 and $80,000 in 1972 with comparable increases in income before income taxes for the applicable years.

ROWE FURNITURE CORPORATION (NOV)

Notes to Consolidated Financial Statements

Note 4 (in part): Deferred Compensation Plans— The company has deferred compensation agreements with key employees in amounts ranging from $50,000 to $250,000. The employees became 50% vested at age fifty-five and vest an additional 5% each year thereafter, except there is no vesting in the event of voluntary termination of employment. Vested benefits are payable in 120 monthly installments upon cessation of employment. Life insurance contracts have been purchased which may be used to fund these agreements. At November 30, 1973, the Company recorded a deferred liability of $44,112 and related future income tax benefits of $22,497. The liability is based on the present value method, using a 10% per year discount rate.

SIGNODE CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 5: Profit Sharing and Bonus Plan— The parent company has a deferred profit sharing plan for employees upon retirement or for other purposes under which it contributes a portion of its earnings annually, and employees who participate may contribute up to 4 % of their earnings. The parent company's annual contribution under the plan, as amended, is the lesser of (a) a sum equal to 30% of its net after-tax earnings, as defined, or (b) four times the contribution made by the employees, provided that (c) the minimum annual contribution from current or accumulated earnings shall be at least 5% of the wages or salaries, as defined, paid during the year to participating employees. The Company's contribution was $4,091,000 for fiscal 1973 and $3,990,000 for fiscal 1972. Certain domestic and international subsidiaries also have profit sharing plans and their contributions under these plans were $1,436,000 for fiscal 1973 and $672,000 for fiscal 1972.

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 $1,238,000 for fiscal 1973 and $1,111,000 for fiscal 1972.

DEPRECIATION AND DEPLETION

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	1973	1972	1971	1970
Separate caption in income statement (*247, 432, 641)	225	231	241	264
Parenthetical matter within income statement(*123,712)	13	14	21	42
Note at bottom of income statement (*304,689,766)	12	10	22	36
Subtotal	**250**	**255**	**284**	**342**
Disclosed Only in Statement of Changes in Financial Position (*145, 300, 770)	282	253	176	106
Disclosed only in notes to financial statements (*172, 484, 628)	68	92	140	148
Not disclosed	–	– –	– –	4
Total Companies	**600**	**600**	**600**	**600**
Description of Provision				
Depreciation	290	293	292	302
Depreciation and amortization	210	202	202	181
Depreciation and depletion	48	46	50	52
Depreciation, depletion, and amortization	43	43	47	41
Other descriptions	9	16	9	20
Total Companies	**600**	**600**	**600**	**596**

*Refer to Company Appendix Section.

TABLE 3-12: DEPRECIATION AND DEPLETION POLICY

Method Used	1973	1972	1971	1970
Straight-line	568	565	545	531
Declining balance	74	73	77	74
Sum-of-the-years digits	47	52	51	53
Accelerated method-not specified	76	80	74	75
Unit of production	40	38	36	40
Other methods	2	1	1	3
Total Disclosures	**807**	**809**	**784**	**776**
Number of Companies				
Disclosing method	596	596	588	574
Not disclosing method	4	4	17	26
Total	**600**	**600**	**600**	**600**
Depletion method described	61	58	46	40

Straight Line Method

ASG INDUSTRIES, INC. (DEC)

Statement of Income

	1973	1972
COST AND EXPENSES		
Cost of sales, exclusive of items listed below	$51,731,385	$43,812,750
Selling, general, and administrative expenses	6,365,056	5,254,614
Interest	2,274,901	1,898,594
Depreciation (Notes 1 and 3)	4,168,740	3,804,400
	$64,540,082	**$54,770,358**

Note 1 (in part): Depreciation is generally provided for on a straight-line basis, charging a full year's depreciation in the year of acquisition on assets acquired during the first six months and charging no depreciation on assets acquired during the second six months. Depreciation on major investments in new plant and equipment (e.g. new float glass plant) is begun in the first full month of operation of the facility.

Note 3: Property, Plant and Equipment— Provision for depreciation stated as a percentage of depreciable plant and equipment by major classification:

	Composite Annual Rate of Depreciation	
	1973	**1972**
Buildings and Improvements	2.2%	2.2%
Furnaces, Machinery and Equipment	7.1%	6.3%
Furniture, Office and Other Equipment	13.3%	11.9%

AMP INCORPORATED AND PAMCOR, INC. (DEC)

Statement of Income

	1973	1972
Income from operations (after deducting depreciation of $13,128,000 and $11,655,000)	$91,004,000	$66,235,000

Notes to Combined Financial Statements

Note 1 (in part): Property, Plant and Equipment and Depreciation— Property, plant and equipment is stated at cost. Depreciation is computed by applying principally the straight-line method to individual items. Where accelerated depreciation methods are used for tax purposes, deferred income taxes are recorded. Investment tax credits are apportioned over the productive life of the equipment for which they were granted.

Maintenance and repairs are charged to expense as incurred. Major repairs and improvements are capitalized and depreciated at applicable straight-line rates. Dies, small tools and accessories are charged to expense as acquired.

The cost and accumulated depreciation of items of plant and equipment retired or otherwise disposed of are removed from the related accounts, and any residual values are generally charged or credited to income.

TABLE 3-13: DEPRECIATION REPORTED FOR TAX RETURNS

	1973	1972	1971	1970
Tax Provision Agrees With Statement Provision				
Method not indicated (*205, 251, 764)	56	54	65	57
Accelerated method (*214, 462)	29	29	30	39
Straight-line method (*509,537)	16	16	18	24
Subtotal	**101**	**99**	**113**	**120**
Tax Provision Differs From Statement Provision				
Method not indicated (*207,306,759)	220	222	231	235
Accelerated method used for tax purposes (*198,333,711)	310	313	267	256
Other	3	2	10	7
Subtotal	**533**	**537**	**508**	**498**
Total Disclosures	**634**	**636**	**621**	**618**
Number of Companies				
Disclosing whether statement or tax method correspond	600	600	594	582
No indication	–	–	6	18
Total	**600**	**600**	**600**	**600**
Number of companies disclosing tax method for depletion	22	23	9	9

*Refer to Company Appendix Section

BRUNSWICK CORPORATION (DEC)

Consolidated Statements of Changes in Financial Position

	($ thousands)
SOURCE OF FUNDS:	
From operations–	
Net earnings	$39,742
Adjustments for non-cash items:	
Equity in undistributed net earnings of Nippon Brunswick Co., Ltd., 50% owned (Note 3)	(6,580)
Minority shareholders' equity in net earnings of Sherwood Medical Industries Inc.	1,437
Depreciation	18,689
Provision (credit) for deferred income taxes	2,600
Funds provided from operations	**$55,888**

Summary of accounting policies

Depreciation— The straight-line depreciation method is used for all property acquired before 1954 and after 1967. Accelerated methods (sum-of-the-years digits or double declining balance) are used for most property acquired during the years 1954 through 1967. For tax purposes, the Company has generally used accelerated methods where permitted.

Upon sale of retirement of depreciable properties, the related cost and accumulated depreciation are removed from the accounts. All gains or losses on sale or retirement of property are reflected in earnings.

GRANGER ASSOCIATES (AUG)

Notes to Financial Statements

Note 2: Depreciation— Depreciation of plant and equipment is calculated by the straight-line method based on estimated service lives of six to twelve years. Leasehold improvements are depreciated by the straight-line method over the estimated service life on the lease term, whichever is shorter. The same method is used for income tax purposes.

Expenditures for maintenance, repairs, and minor renewals are charged to expense as incurred; additions and major renewals are capitalized. Upon sale or retirement, the cost and accumulated depreciation for the asset sold or retired are removed from the accounts, and the net gain or loss is credited or charged to income.

The provision for depreciation included in costs and expenses was $74,861 and $78,633 respectively for the years ended August 31, 1973 and 1972.

THE HOOVER COMPANY (DEC)

Statement of Income

DEDUCTIONS:

	1973	1972
Manufacturing costs	$341,688,556	$287,776,046
Merchandising, general, and administrative expenses	105,269,503	90,163,186
Depreciation charges – Note D	11,923,925	10,929,379
Other charges	2,300,458	2,453,130
	$461,182,442	**$391,321,741**

Note D: Depreciation— With respect to facilities of the Company acquired prior to January 1, 1972, the Company generally provides maximum depreciation (by the declining balance method in the early years and by the straight-line method thereafter); and, with respect to facilities of its subsidiaries, depreciation is provided generally by the straight-line method. For all facilities of the Company and its subsidiaries acquired after December 31, 1971, depreciation is provided by the straight-line method. Major tooling costs are depreciated based on estimated production generally not to exceed a period of three years.

In addition, Investment Grants in England ($767,000 in 1973 and $580,000 in 1972) have been used to reduce the cost of property, plant, and equipment. The effect of such reductions together with prior years' reductions was to decrease depreciation by approximately $881,000 and $815,000 in 1973 and 1972, respectively.

UNITED STATES STEEL CORPORATION (DEC)

Statement of Income

COSTS	
Employment costs	
Wages and salaries	$2,301,959,397
Employee benefits (Note 9)	467,885,122
	2,769,844,519
Products and services bought	3,164,385,909
Wear and exhaustion of facilities	357,958,348
Interest and other costs on debt	96,141,780
State, local and miscellaneous taxes	152,594,715
Total costs other than United States and foreign taxes on income	**$6,540,925,271**

Notes to Financial Statements

Note 1(in part): Summary of Principal Accounting Policies— Wear and exhaustion of facilities— For the most part, depreciation is computed on the straight-line method applied to the cost of assets classified in accordance with guideline procedures established by the Internal Revenue Service in 1962 and based on estimated useful lives established therein and is related to U.S. Steel's rate of operations. Proceeds from sales of facilities covered by such procedures are credited to income and the cost of the assets is charged to the reserve for depreciation. Assets retired are charged to the reserve for depreciation.

Depletion of the cost of mineral properties is computed on the unit of production method based on estimated mineral reserves of the particular property.

Declining-Balance Method

BEECH AIRCRAFT CORPORATION (SEP)

Statement of Income

COSTS AND EXPENSES	
Wages, materials, and other costs	$156,476,798
Selling, general, and administrative expenses	24,229,227
Interest	2,607,122
Depreciation	2,365,529
Taxes other than income taxes	5,722,636
	$191,401,312

Notes to Consolidated Financial Statements

Note A (in part): Depreciation— Property, plant, and equipment is carried at cost and depreciation is determined using principally the declining balance method over periods ranging from 8 to 33 years for buildings and improvements and 3 to 20 years for machinery and equipment.

BOND INDUSTRIES, INC. (JUL)

Statement of Income

COSTS AND EXPENSES:	
Cost of goods sold, including occupancy, buying and alteration costs	$63,986,589
Stores and general and administrative expenses—Note F	30,465,763
Depreciation and amortization	1,522,063
Other-net, principally interest	127,290
	$96,101,705

Notes to Financial Statements

Note A: Summary of Significant Accounting Policies — The consolidated financial statements include the accounts of Bond Industries, Inc. and Bond Stores, Incorporated and its subsidiaries. Appropriate adjustments have been made in consolidation to eliminate intercompany accounts and transactions.

The inventories of raw materials, work in process and finished goods manufactured by the companies are stated at the lower of cost (principally first-in, first-out) or market. The other finished goods inventories are stated at the lower of cost or market based on the retail inventory method.

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.

Investment tax credits are accounted for on the "flow-through" method, which recognizes the benefit in the year in which the related assets are placed in service.

DENNISON MANUFACTURING COMPANY (DEC)

Statement of Changes in Consolidated Financial Position

SOURCE OF FUNDS	
From operations:	
Net earnings	$10,190,000
Provision for depreciation	8,875,000
Deferred income taxes	203,000
Total from operations	**$19,268,000**

Notes to Consolidated Financial Statements

Note A (in part): Accounting Policies

Property, Plant and Equipment— These assets are carried at cost. Expenditures for maintenance, repairs and renewals are charged to expense as incurred whereas major betterments are capitalized as additions to property, plant and equipment. The Company and its subsidiaries have provided for depreciation of property, plant and equipment principally by use by the double-declining balance method; however, the straight-line method is used for certain classes of assets. These methods have been employed in a manner that is intended to amortize the cost of assets over their estimated useful lives.

GRUMMAN CORPORATION (DEC)

Notes to Financial Statements

Note 1 (in part): Summary of Significant Accounting Policies

Depreciation and Amortization— The declining-balance depreciation method is applied to new properties acquired since January 1, 1954, except for automotive equipment, which, together with older properties, is depreciated on a straight-line basis. Depreciation and amortization for 1973 and 1972 amounted to $17,168,763 and $19,639,620, respectively. Maintenance and repair expense is charged to overhead as incurred.

Sum-Of-The-Years-Digits Method

CATERPILLAR TRACTOR CO. (DEC)

Statement of Income

	1973	1972
	($ millions)	
COSTS:		
Depreciation (portion of original cost of buildings, machinery and equipment allocated to operations)	106.4	100.8

Notes to Financial Statements

Note 1 (in part): Depreciation— The generally accepted accounting principle followed with respect to depreciation of 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.

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 $200.2 million and $181.9 million higher than reported at December 31, 1973 and December 31, 1972, respectively, and depreciation expense for 1973 and 1972 would have been, respectively, $19.8 million less and $12.4 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 ADR 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, $15.6 million and $177.9 million of fully depreciated assets were so eliminated in 1973 and 1972, respectively.

"Buildings, machinery and equipment—net" at December 31 is summarized by major classification as follows:

	1973	1972
	(Millions of dollars)	
Buildings	$577.2	$498.8
Machinery and equipment	957.0	804.7
	1,534.2	1,303.5
Deduct: Accumulated depreciation	674.9	588.1
Buildings, machinery and equipment—net	**$859.3**	**$715.4**

GENERAL ELECTRIC COMPANY (DEC)

1973 Financial Summary

Depreciation amounted to $334.0 million in 1973 and $314.3 million in 1972.

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 United States, are depreciated on a straight-line basis. Special depreciation is provided where equipment may be subject to abnormal economic conditions or obsolescence.

HARNISCHFEGER CORPORATION (OCT)

Statement of Income

COSTS AND EXPENSES	
Cost of products sold	$155,425,751
Selling, administrative and general expenses	30,392,526
Depreciation expense	2,664,421
Interest expense	4,471,838
Provision for income taxes	5,500,000
	$198,454,536

Financial Notes

Note 1 (in part): Depreciation— Depreciation of plant and equipment, for both financial and tax reporting, is computed by the sum of the years-digits method on all new assets, and by the 150% declining balance or straight line methods on other assets, applied to the cost of the individual items and based on their estimated useful lives. Fully depreciated assets are retained in the accounts until such assets are physically disposed of.

J. P. STEVENS & CO., INC. (OCT)

	1973	1972
	($ thousands)	
Net income	$30,845	$5,821
Accumulated earnings at beginning of year	202,771	206,062
	233,616	**211,883**
Cash dividends	9,573	9,112
Accumulated earnings at end of year	**$224,043**	**$202,771**
Per share—Note H:		
Income from continuing operations	$5.23	$2.56
Loss from discontinued operations	---	(.49)
Income before extraordinary charge	5.23	2.07
Extraordinary charge	---	(1.11)
Net income	$5.23	$ .96
Net income assuming conversion of convertible debentures and exercise of outstanding stock options	$4.98	
Shares outstanding (average)	5,895,237	6,077,638

Depreciation charged to operations amounted to $30,534,000 for 1973 and $29,628,000 for 1972.

Notes to Financial Statements

Note A (in part): Summary of Significant Accounting Policies:

Depreciation Policy— The Company and its subsidiaries provide for depreciation principally by the sum-of-the-years'-digits method, based on the estimated lives of the depreciable assets.

Unit of Production Method

APCO OIL CORPORATION (DEC)

Statement of Income

Costs and expenses:	
Cost of sales and operations	$101,085,781
Selling and general expenses	14,042,974
Gross production and ad valorem taxes	1,317,045
Interest and debt expense	4,043,036
Depreciation, depletion and amortization	11,057,239
Reduction in carrying value of foreign properties	10,982,000
Exploration expense	2,695,233
	$145,223,308

Notes to Consolidated Financial Statements

Note 1 (in part): Property, Plant and Equipment— Depletion and amortization of the acquisition and development costs of producing oil and gas properties and depreciation of equipment thereon, including the Company's Argentine properties in 1972, are provided by use of the unit-of-production method based on engineers' estimates of recoverable oil and gas reserves. In conjunction with a reduction in the carrying value of the Company's investment in its Argentine properties, as discussed in Note 10, and because of the contractual fluctuation in the revenue from oil and gas per unit-of-production from the Argentine properties, the Company adopted, in 1973, a method of amortization as to its remaining investment in the Argentine properties which is based on future anticipated revenues as calculated using the new reservoir studies. Amortization and depreciation of the Argentine properties in 1973 are computed based on the ratio of unamortized and undepreciated costs, plus expected additional costs to be incurred, to the future revenues expected to be realized over the remaining life of the contract. Such revenues are based on contract price per unit and engineers' new estimates of primary reserves. At such time as secondary reserves are proven, they will be considered in the determination of the future revenues expected to be realized. The depreciation and amortization for 1973 is not materially different from the amount that would have been recognized under the previous method after consideration of the factors and projections which necessitated a reduction in the carrying value of the Argentine properties. The effect of the new method of depreciation and amortization on future years cannot presently be determined. Depreciation of other properties is provided by use of the straight-line method at rates designed to amortize the cost over the useful lives of the properties with allowance for salvage values. The straight-line depreciation rates used for various properties are as follows: refining, 6⅔%; transportation, 3½%-12%; marketing, 5%-20%; and miscellaneous, 10%-33⅓%.

The Company has capitalized the costs of lifting that portion of oil and gas which was dedicated to production payments. Such costs are being amortized by use of the unit-of-production method.

Gains or losses resulting from dispositions or retirements of automobiles and trucks, and service station units are recognized in operations. Gains or losses resulting from dispositions or retirements of lease equipment are recognized in the accounts only upon disposition or retirement of the entire lease. Since other depreciable properties are subject to composite rates of depreciation, normal retirements and dispositions of partial units of such properties, after adjustment for salvage, are charged to accumulated depreciation. Retirements or dispositions of nondepreciable property are charged directly to operations. Expenditures for maintenance and repairs are charged directly to operations.

HERCULES INCORPORATED (DEC)

Consolidated Statement of Changes in Financial Position

SOURCE OF FUNDS

	($ thousands)
Operations	
Net income	$91,111
Depreciation and amortization	68,918
Insurance reserve	2,920
Deferred U.S. and foreign taxes on income	9,965
Equity in undistributed net income of affiliated companies	(4,758)
Total from operations	**$168,156**

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 or salvage) is charged to accumulated depreciation.

TEXASGULF INC. (DEC)

Notes to Consolidated Financial Statements

Note 1(in part): Summary of Accounting Policies

Depreciation and Amortization— The company's policy is to depreciate and amortize producing property, plant and equipment over the estimated lives of such assets by the application of the unit-of-production method in the case of mine properties and facilities and the straight-line method in the case of manufacturing facilities. In arriving at rates under the unit-of-production method, commercially recoverable product reserves are estimated by the company's geologists and engineers. Such estimates are revised from time to time as data becomes available to warrant revision. Under the straight-line method, the annual rates applied to the cost of the assets give effect to wear and tear, deterioration from natural causes, and normal obsolescence.

Such rates are revised from time to time to conform with the estimated remaining useful lives of the assets (See also note 2.)

Note 2: Depreciation and amortization of producing property, plant and equipment was $22,034,000 in 1973 compared with $20,178,000 in 1972.

Sinking Fund Method

AIR PRODUCTS AND CHEMICALS INC. (SEP)

Statement of Income

COSTS AND EXPENSES	
Depreciation (Note 1)	$37,484,000

Note 1 (in part): Depreciation— Annual depreciation for financial reporting purposes 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 depreciation methods and the minimum lives established by the U. S. 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.

Additional Depreciation to Reflect Changing Economic Conditions

OCCIDENTAL PETROLEUM CORPORATION (DEC)

Statement of Changes in Financial Position

	($ thousands)
SOURCE OF FUNDS:	
Net income before extraordinary items	$79,763
Add (deduct)—items not requiring an outlay of working capital—	
Depreciation, depletion and amortization	165,874
Utilization of reserve for loss on emergency fleet position	(18,912)
Losses of unconsolidated subsidiaries and minority interest	4,243
Other items, net	9,142
Working capital provided from operations exclusive of extraordinary items	**$240,110**

Notes to Consolidated Financial Statements

Note 4: Property, plant and equipment

	1973	1972
	($ thousands)	
Oil and gas operations—		
International production and exploration	$664,768	$589,124
International refining, marketing and transportation	180,845	166,443
North America	290,453	257,771
Chemical operations	723,644	690,870
Coal operations	446,146	438,427
	2,305,856	**2,142,635**
Less—Accumulated depreciation, depletion and amortization	955,605	705,440
	$1,350,251	**$1,437,195**

The company follows the policy of capitalizing property additions, major renewals and betterments and major improvements at cost. Maintenance and repairs are charged to expense as incurred. Upon the retirement of property, its cost and related accumulated depreciation are removed from the property accounts and the resulting gain or loss is reflected in income except no gain or loss is recognized upon the sale or disposition of items included in the oil and gas full cost pools. Depreciation of plant and equipment has been provided using the straight-line and declining-balance methods based on estimated useful lives.

All costs of exploring for and developing oil and gas reserves in North America are capitalized under the "full-cost" method of accounting and are charged to operations on a unit-of-production basis over the estimated life of future production. Oil and gas operations outside North America are accounted for under this method on a country-by-country basis. At December 31, 1973, the company has expended approximately $167,200,000 for foreign exploration, exclusive of Libya. It is the company's policy to provide reserves against the future write-off of costs in areas in which no commercial discoveries are made. At December 31, 1973, the reserve amounted to $30,500,000.

On August 11, 1973, the government of Libya, by decree, nationalized 51 per cent of the assets of the company's wholly-owned subsidiary, Occidental of Libya, Inc. (Oxylibya). The company acquiesced to the nationalization by signing an agreement with the Libyan government which formed a joint venture that is owned 51 per cent by the Libyan national oil company and 49 per cent by Oxylibya.

As compensation for the assets acquired by the Libyan national oil company, Occidental received approximately $136 million which was estimated to equal 51 per cent of the book value of the assets as determined for Libyan tax purposes. This amount is subject to adjustment after audit by the Libyan government. The $136 million, which was used to reduce the carrying value of the assets, did not compensate the company for approximately $60 million of costs allocated to 51 per cent of the Libyan properties in excess of the amounts shown in the Libyan tax purpose records. Such costs include pre-acquisition costs, deferred start-up costs and capitalized construction period interest.

Among the key points in the agreement were that Oxylibya continues as operator of the two concessions under a supervisory board, the majority of which is appointed by the Libyan government and Oxylibya was granted long-term rights to purchase Libya's 51 per cent share of the oil production, at prices to be mutually agreed on. The company is currently purchasing Libya's share of the crude oil and gas liquids produced and has been able to market all of the production from the jointly-owned concessions, passing on the increased taxes and buy-back prices to its customers under long-term sales contracts. While no prediction can be made as to the future, it is expected that the company will be able to continue to handle the production from the concessions profitably on a similar basis. The costs for which the company was not compensated are being amortized based on estimated total production during the anticipated life of the sales contracts under which a substantial portion of the Libyan oil is marketed, because it is anticipated that these costs will be recovered primarily under these contracts. Amortization in 1973 was approximately $3 million and it is expected to approximate $9,500,000 per year through 1979, assuming production levels are stable.

Changing world oil supply and pricing patterns, (particularly in the fourth quarter 1973 and first quarter 1974), coupled with governmental price controls, have resulted in changed economic conditions for the company's European marketing and West German asphalt refining operations. As a result, the company provided in the fourth quarter of 1973 an additional $20 million of depreciation and amortization applicable to these facilities to reduce the carrying value of fixed assets to estimated realizable value of approximately $14,500,000.

Depletion

COPPER RANGE COMPANY (DEC)

Consolidated Statements of Changes in Financial Position

SOURCE OF FUNDS	
From operations	
Income (loss) before extraordinary items	$10,568,656
Depreciation and depletion	8,765,633
Write down of assets held for disposal	418,827
Net book value of asset disposals	581,102
Deferred federal income taxes	5,494,000
Funds provided from operations	**$25,828,218**

Notes to Consolidated Financial Statements

Summary of Accounting Policies (in part): Depreciation and Depletion— Depreciation is computed on the straight-line method for substantially all assets over their estimated useful lives.

Depletion of the book value of mining properties is provided on a unit-of-production basis determined in relation to estimated ore reserves.

Depletion used in determining income taxes is computed on a statutory basis and differs from the amount included in the income statement.

GEORGIA-PACIFIC CORPORATION (DEC)

Statements of Changes in Consolidated Financial Position

	($ thousands)
SOURCE OF FUNDS:	
Net income	$162,810
Noncash charges in income—	
Depreciation	90,800
Depletion(Note 4)	32,450
Funds generated from operations	**$286,060**

Note 4: Depletion Policy—The Corporation's depletion policy provides for the amortization of its timber costs over the total fiber that will be available during the estimated growth cycle. Timber carrying costs are expensed as incurred.

NATIONAL GYPSUM COMPANY (DEC)

Notes to Financial Statements

Accounting Policies (in part)— The company provides for depreciation of plant and equipment on the straight-line method over estimated useful lives. Depletion of mineral deposits is provided for at rates per ton extracted, based on cost of individual deposits divided by estimated recoverable tonnage. Total depreciation and depletion included in costs and expenses amounted to $18,805,000 in 1973 and $18,720,000 in 1972.

NATIONAL STEEL CORPORATION (DEC)

Statement of Consolidated Changes in Financial Position

SOURCE OF FUNDS	
From operations:	
Net income for the year	$98,072,322
Charges (credits) to income which did not involve current expenditure or receipt of funds:	
Depreciation and depletion	108,560,554
Deferred federal income taxes	3,600,000
Equity in undistributed earnings of other companies	(1,485,441)
Total from operations	**$208,747,435**

Notes to Financial Statements

Note A (in part): Depreciation and Depletion— Depreciation of production and transportation facilities is provided by charges to income computed by the straight-line method using guideline lives as provided in the Revenue Act of 1962. Provisions for depreciation of certain raw material facilities and furnace relinings are computed on the basis of tonnage produced in relation to estimated total production to be obtained from such facilities. Depreciation claimed for income tax purposes is computed by accelerated methods. Depletion of coal and iron ore properties is computed on a tonnage basis calculated to fully amortize their cost when estimated deposits have been exhausted.

POTLATCH CORPORATION (DEC)

Depreciation, Cost Depletion, and Amortization— Depreciation of buildings, equipment, and other depreciable assets is provided generally on the straight-line method at rates based on estimated useful lives. In a few instances, the unit-of-production method is used.

Cost depletion is provided, when fee timber is harvested or otherwise disposed of, by multiplying the volume disposed of by the applicable depletion rate. These rates are determined by dividing the cost of timber by the estimated existing recoverable volume.

Amortization of logging roads and related facilities is similarly provided when timber is harvested or otherwise disposed of. Amortization rates are determined by dividing the cost of logging roads and related facilities by the estimated existing recoverable timber volumes to be removed over such assets.

Notes to Financial Statements

Note 4: Timber, Timberlands, and Related Logging Facilities— Timber, timberlands, and related logging facilities are stated at March 1, 1913, values, plus subsequent additions at cost, less cost depletion and amortization:

	1973	1972
Timber and timberlands	$38,492,060	$37,249,758
Related logging facilities	6,536,184	4,131,472
	$45,028,244	**$41,381,230**

Cost depletion and amortization charged against income during 1973 amounted to $1,267,499 ($1,702,020 in 1972) and $2,307,775 ($1,541,369 in 1972), respectively.

RANGAIRE CORPORATION (JUL)

Statement of Changes in Consolidated Financial Position

FUNDS PROVIDED:	
Net earnings	$1,736,496
Charges to earnings not affecting working capital:	
Depreciation and depletion	1,016,913
Other	8,064
Working capital provided from operations	**$2,761,473**

Financial Review

Property, Plant and Equipment (in part)— Depletion of the cost of limestone quarries, included in land in the accompanying consolidated balance sheets, is being provided by the unit-of-production method based upon estimates of recoverable limestone reserves as determined by independent engineering studies.

Depreciation Rate

CHERRY-BURRELL CORPORATION (OCT)

Consolidated Statement of Changes in Financial Position

SOURCES OF FUNDS:	
Net income	$313,476
Depreciation and amortization	1,151,256
Deferred and prepaid income taxes	127,000
Funds provided by operations	**$1,591,732**

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of Significant Accounting Policies:

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, at the lives listed below, and accelerated methods for tax purposes:

Type of Assets	Years
Buildings	10-40
Machinery and equipment—	
New	13⅓
Used	8
Furniture and fixtures	10-13⅓
Motor vehicles	4-5
Tools	4

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.

THE CLOROX COMPANY (JUN)

Statement of Income

COSTS AND EXPENSES	
Cost of products sold	$263,663,000
Selling, delivery and administrative expense	60,972,000
Advertising	27,892,000
Depreciation	4,047,000
Research and development	2,687,000
Interest expense	3,089,000
Federal and state income taxes	25,408,000
Total costs and expenses	**$387,758,000**

Summary of Significant Accounting Policies

Depreciation— Depreciation is calculated by the straight-line method at rates based upon the estimated useful lives of the property, plant and equipment. The rates used to compute depreciation are as follows:

Land improvements	3⅓% to 20%
Buildings	1⅔% to 10%
Machinery and equipment	3⅓% to 33⅓%
Automobiles and trucks	20% to 33⅓%
Furniture and fixtures	10%

INTERSTATE BRANDS CORPORATION (DEC)

Statement of Income

Cost of products sold	$186,318,249
Selling, delivery and administrative expenses	113,551,797
Depreciation (note 1)	6,717,144
Interest	2,017,136
	$308,604,326

Note 1 (in part): For financial reporting purposes, depreciation is computed generally on the straight-line composite method by asset group by plant until accumulated depreciation equals 50% of cost, and thereafter on the double-declining method. For federal income tax purposes, the company uses accelerated depreciation. The estimated useful lives used in computing depreciation of the principal assets are as follows:

Land improvement	15-20 years
Buildings	30-60 years
Plant equipment	4-18 years
Automotive equipment	4-10 years

The cost of assets retired or otherwise disposed of, less the proceeds from sale or salvage, is charged to accumulated depreciation in accordance with the composite method of accounting. Gain or loss is recognized on unusual retirements and on the disposal of land and buildings.

SEARS INDUSTRIES INC. (DEC)

Statement of Changes in Consolidated Financial Position

SOURCE OF FUNDS:	
Operations:	
Net income	$2,224,326
Add charges not requiring current outlays of working capital:	
Depreciation and amortization	10,725,065
Deferred Federal income taxes	243,999
Termination of operating agreement	580,000
Total provided from operations	**$13,773,390**

Notes to Financial Statements

Note 1 (in part): Fixed Assets— For financial accounting purposes, depreciation and amortization of fixed assets have been provided generally on the straight-line method at annual rates determined by management in accordance with the classes of properties and their estimated useful service lives. Such rates are as follows: buildings 2% to 15%; machinery, equipment, and fixtures 6% to 34%; and linens in circulation 25%, 50% and 25% in the first, second and third years, respectively.

At the time fixed assets are retired or otherwise disposed of, the asset and related accumulated depreciation accounts are relieved of the applicable amounts, and any profit or loss is included in current operations.

Ordinary maintenance and repairs are charged to operations as incurred. Expenditures that materially improve properties or extend useful service lives are capitalized.

STEWARD SANDWICHES INC. (SEP)

Consolidated Statement of Changes in Financial Position

FUNDS PROVIDED BY:	
Operations:	
Income before extraordinary gain	$903,388
Expenses not requiring outlay of working capital in the periods:	
Provision for depreciation and amortization	637,210
Provision for deferred income taxes	75,338
Funds provided by operations	$1,615,936

Summary of Accounting Policies

Property, Plant and Equipment and Depreciation Policy— Property, plant and equipment including capitalized leased property are stated at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the related assets. It is the Company's policy to charge maintenance and repairs to appropriate expense accounts in the period incurred but to capitalize renewals and betterments. The cost and accumulated depreciation with respect to assets retired or disposed of are eliminated from the accounts. Construction in progress is principally comprised of the Norfolk pattie plant.

The estimated useful lives used in computing depreciation are as follows:

Buildings	25 to 40 years
Improvements	8 to 20 years
Machinery, equipment and furniture	3 to 20 years
Delivery and automotive equipment	2 to 7 years
Infrared ovens	10 to 15 years
Construction in progress	None

Tax Depreciation Differs From Depreciation Expense Shown in Financial Statements

BETHLEHEM STEEL CORPORATION (DEC)

Notes to Consolidated Financial Statements

COSTS AND EXPENSES:		
Depreciation	$196,086	$180,823

Note A (in part): Depreciation— For financial accounting purposes depreciation is computed under the straight line method and for income tax purposes substantially all depreciation is computed under accelerated methods. The depreciation rates used for both purposes are based on lives established by the U.S. Treasury Department in connection with guideline and asset depreciation range procedures, which reflect a factor for obsolescence.

Note J: Taxes on Income— Income tax expenses is made up of the following components:

	1973	1972
	($ thousands)	
Federal-current	$98,000	$15,000
–deferred	23,000	34,000
Foreign-current	11,000	8,000
State–current	16,000	6,000
–deferred	2,000	4,000
Total income tax expense	**$150,000**	**$67,000**
Total–current	$125,000	$29,900
Total–deferred	$25,000	$38,000

Deferred income tax expense results from differences in the time of recognition of income and expense for tax and financial statement purposes. The sources of those differences and the effect on deferred income tax expense of each were as follows:

	1973	1972
	($ thousands)	
Excess of tax depreciation over book depreciation	$31,988	$40,013
Miscellaneous items	(6,988)	(2,013)
	$38,000	**$25,000**

GRANITEVILLE COMPANY (DEC)

Notes to Consolidated Financial Statements

*Note 1 (in part): Summary of Significant Accounting Policies: **Property, Plant and Equipment***— Property, plant and equipment are stated generally at cost. The cost of property, plant and equipment sold, retired or fully depreciated is credited to the asset account, and the related depreciation is charged to the accumulated depreciation account. Any profit or loss resulting from a sale or retirement is included in income.

Maintenance and repairs, including the replacement of minor items, are charged to income, and major additions to property are capitalized.

Depreciation for financial statement purposes is computed by the straight-line method using the guideline lives of the related assets. Accelerated methods are used for income tax purposes, based upon such guideline lives, and beginning with 1972 additions, the "class life" system enacted in the Revenue Bill of 1971 is used.

Note 4: Deferred Taxes— For the year 1973, the excess of tax depreciation over book depreciation approximated $780,000 ($600,000 in 1972), with a resultant reduction of approximately $395,000 ($270,000 in 1972), in income taxes currently payable, and such amount has been provided as an increase in deferred income taxes and a corresponding increase in estimated income tax expense. See Note 1.

Deferred income taxes amounting to $175,000 on 1973 undistributed earnings of Graniteville International Sales, Inc. have been provided as an increase in deferred income taxes and a corresponding increase in estimated income tax expense.

SAV-A-STOP INCORPORATED (AUG)

Financial Review

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 and the straight-line method for financial statement purposes. Included in income taxes on the accompanying statement of consolidated earnings is $312,000 in 1973 and $127,000 in 1972 of deferred Federal income taxes which is attributable to such policy.

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 the credits to net income over the productive lives of the related equipment rather than reporting them currently as net income in the years they were claimed for tax purposes. This preferred treatment has provided deferred credits of $973,877 as of December 30, 1973 ($962,054 as of December 31, 1972).

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 $2,458,949 as of December 30, 1973 ($2,255,608 as of December 31, 1972). Partially offsetting this is $128,640 ($57,600 in 1972) 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 1973 of $144,124 ($350,237 in 1972) 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.

UNITED FOODS, INC. (FEB)

Consolidated Statement of Changes in Financial Position

	1973	1972
SOURCE OF WORKING CAPITAL:		
Income before extraordinary items	$1,960,979	$2,303,411
Add items not requiring outlay of working capital:		
Depreciation and amortization	2,383,424	2,293,871
Loss on disposal of properties	121,665	---
Deferred income taxes	550,806	(131,372)
Total derived from operations	**$5,016,874**	**$4,465,910**

Notes to Consolidated Financial Statements

Note 1 (in part): Income Taxes— Deferred income taxes have been provided on the difference in earnings determined for tax and financial reporting purposes. These differences result primarily from the excess of depreciation claimed on accelerated methods for tax purposes over amounts charged on a straight-line basis for financial reporting.

Investment tax credits are accounted for under the "flow-through" method which recognizes the benefit as a reduction of the income tax provision in the year the credit is realized. For the year ended February 28, 1973, the credit realized was approximately $442,000. No credit was utilized for the year ended February 29, 1972, because of the net operating loss carryforward.

TABLE 3-14: SOCIAL AWARENESS EXPENDITURES

	1973	1972	1971	1970
Expenditures for:				
Assistance to educational institutions	44	43	40	35
Grants to hospitals, health and other community related activities	44	38	29	28
Aid to minority groups or enterprises	24	24	23	14
Contributions to charitable foundations	15	22	21	19
Aid to unemployed and related programs	14	32	41	65
Assistance in urban development	7	9	6	15
Other	27	31	22	16
Total Disclosures	**175**	**199**	**182**	**192**
Number of Companies:				
Disclosing expenditures for above purposes	80	101	100	105
Not disclosing such expenditures	520	499	500	495
Total	**600**	**600**	**600**	**600**

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 (DEC)

Donations bring worldwide relief (Page 24)

At Abbott, the policy is to donate merchandise whenever feasible, according to Dr. Charles Brown, executive vice president, administration. "In addition to numerous contributions in response to emergencies, we try not to destroy any products without first finding out if they may be of value somewhere in the world," he said.

This latter category includes usable items that are in oversupply, discontinued or with defaced packaging. It may also include products found to be out of specification through quality assurance, but still of medical or nutritional value (naturally, the state of the product is disclosed prior to donation).

"Actually, product contributions are only part of the story," Dr. Brown pointed out. "When you also consider things like cash grants, scholarships and other services, Abbott donates close to $1 million directly to society each year."

Who receives these contributions?

"Obviously there is a limit to how much we can give," Dr. Brown explained. "For the most part, we direct our efforts either within communities where Abbott has large numbers of employees, or toward broad programs involving health and science."

In 1973, for example, Abbott granted $42,000 to the United Way of Lake County, Illinois — in addition to the $92,000 contributed by employees at that location. The company has also committed $225,000, over a ten-year period, to its headquarters city of North Chicago for construction of a youth center (see story, Page 6).

On a wider scale, Abbott is providing $50,000 over a three-year period to the Health Education Institute, Hinsdale, Illinois, for development and construction of a drug education center. It will be used by Chicago area students and serve as a model for similar centers nationwide.

The company also contributed $184,000 in 1973 to support formal education, both for medical professionals and lay personnel — in addition to more than $250,000 paid out in scholarships and educational loans by the Abbott Foundation, an independent trust associated with Abbott Laboratories.

Another broad area includes more than $100,000 paid to organizations concerned with medical care, science and other important causes. The company itself spent more than $75,000 in 1973 promoting programs nationally for the prevention of rheumatic fever and malnutrition (see Newsbriefs, inside back cover).

What's the reasoning behind this corporate philanthropy?

"For one thing, we have come to realize that corporations have citizenship and social responsibilities just like individuals," Dr. Brown said. "Moreover, voluntary contributions directly from the private sector help hold down the cost of the government providing benefits to society."

Corporate contributions

Like most corporations, Abbott Laboratories donates thousands of dollars in cash, goods and services each year. Here is a general breakdown, by categories, of the corporation's social contributions in 1973:

Cash	$293,751
Products	308,072
Public services	330,000*
Total	$931,823

*Estimate

CELANESE CORPORATION (DEC)

Public Responsibility (Page 15)

Corporate Contributions— Celanese contributions policies are based upon a recognition of the Corporation's social, moral and civic obligations to help solve certain public problems and improve the quality of life in the communities where it operates.

In 1973, Corporate contributions totaled $1.5 million, which represented .84% of pre-tax income, a percentage that compares favorably with the general average philanthropic spending of most major U.S. corporations. Of this, $1.1 million, or 73%, was given to non-profit health and social welfare organizations, almost all of them in areas where Celanese has facilities.

The remaining $0.4 million, or 27%, was contributed in support of aid to higher education—primarily in the form of unrestricted grants to the chemistry or chemical engineering departments of the leading colleges and universities from which most Celanese professionals are recruited.

FORD MOTOR COMPANY (DEC)

Ford and Public Concerns

Ford Contributions— As part of a continuing program to support automotive service training programs, Ford in 1973 donated a total of more than $2.1 million at market value in automotive and tractor equipment and related educational materials to 735 schools and colleges throughout the United States. This compares with $1.8 million at market value in 1972. The equipment included engines, transmissions, rear axles and—for the first time in 1973—a variety of small parts such as ignition, carburetion and fuel systems.

Ford's total contributions in 1973 to support these and other educational, charitable and urban affairs programs worldwide were $17 million at market value, compared with $29 million in 1972. These totals included grants to the Ford Motor Company Fund—a nonprofit organization supported primarily by Company contributions—of $10 million in 1973 and $20 million in 1972. The Fund's donations for 1973 to charitable and educational organizations totaled $12 million, primarily for urban affairs, social welfare programs, cultural activities and educational support.

GENERAL FOODS CORPORATION (MAR)

Page 5: The company continues its efforts to help improve the quality of life for members of minority groups. GF's Minority Enterprise Small Business Investment Company, the North Street Capital Corporation, has aided more than a dozen minority group entrepreneurs in establishing successful businesses since GF joined this program in cooperation with the U.S. government more than two years ago.

In fiscal 1973, General Foods pledged to continue its work for the improvement of the economic and social conditions of minority groups in the U.S. We reiterated the company's determination to eliminate racial bias in employment and its intention to expand the use of black law firms, banking and insurance institutions, advertising media, and other minority businesses.

General Foods continued its longstanding support of worthy local and national causes in fiscal 1973 through its Corporate Contributions program, which totaled $1.2 million worldwide. The General Foods Fund, Inc., an independent, non-profit organization supported entirely by contributions from General Foods Corporation, maintained its support of higher education. In calendar 1972, the Fund provided aid to colleges and universities amounting to $238,000.

INTERNATIONAL HARVESTER COMPANY (OCT)

The President's Letter (Page 3)

For many years, it has been the policy of International Harvester to meet or exceed the responsibilities and demands of society upon our free enterprise institutions. During the year, we continued programs of air and water pollution abatement at our plants and facilities. The Corporate Energy Policy Committee was appointed recently and will continously monitor our performance in this critical matter. In addition to this group and our Executive Environmental Quality Policy Committee, we also organized a Metrication Policy Committee to provide the leadership for the Company's move toward total metric measurement on future products. We believe events of the recent weeks prove how important free world trade is to the United States and throughout the year we have spoken out on this subject and several others which directly affect your Company.

INTERNATIONAL MINERALS & CHEMICAL CORPORATION (JUN)

Significant Events and Developments (Page 6)

Environmental Spending— Corporate expenditures in the environmental area were $3 million in fiscal 1973;

$3.5 million is forecast for 1974, the bulk of the increase on land reclamation. OSHA (Occupational Safety and Health Act) costs will be roughly $500,000. Over the two years of construction work on the $90 million IMC phosphate chemicals complex in Florida, $1 of every $8 spent will be for anti-pollution devices.

SHELL OIL COMPANY (DEC)

Public Interest Report (Page 19)

Shell Companies Foundation, Incorporated— The foregoing dimensions of Shell social performance are enhanced by Shell's philanthropic program. This consists essentially of donations to the Shell Companies Foundation, Incorporated, a not-for-profit corporation formed in 1953, which makes contributions to education, community funds and national and local organizations working at meeting such needs as those related to equal opportunity, health, family services, art and religion. Besides continued support of science and engineering, the Foundation in 1973 offered increased support to education for women and programs designed to improve their career opportunities, scholarships for minority students planning careers in business or technical fields, a new program of urban studies, and to such academic areas as the humanities, occupational health, law, and the social sciences. In 1973, the Foundation's budget was $2.4 million, bringing its total contributions from 1953 through 1973 to $33.8 million. A booklet, "Pattern for Giving," describes the Foundation's activities (See page 36).

SPERRY RAND CORPORATION (MAR)

To the Stockholders (Page 4)

Corporate Social Responsibility— In recent years, we have spent considerable time in defining and working to meet our corporate social responsibilities. Sperry accepts these obligations with enthusiasm. Sperry employees are encouraged to participate, and do participate, in a variety of worthwhile programs, and we contribute both funds and products in support of many such activities. We are prepared to continue and expand these efforts. But we are also aware that unless Sperry continues to generate a reasonable profit, we will not be able to serve our stockholders, customer and employees, or meet our social commitments.

It is alarming that many people seem to misunderstand the basic principles of business. For example, there is apparently a widespread misconception about the size of corporate profits. Many apparently think corporate profits are 25% or more of sales. But in fact, Sperry's profits after taxes in this record year, which are not untypical of the more successful companies, are about 4% of sales— which means that only 4c. out of each sales dollar is left as profit to keep our plants modern, finance expansion of our business, and to provide a return to our stockholders on their savings invested in our company.

SYBRON CORPORATION (DEC)

Corporate (Page 12)

Contributions Total $510,000— In 1973, the corporation continued its policy of contributing 2 per cent of U.S. pre-tax earnings for educational, charitable and cultural purposes. Last year, $510,000 was designated for more than 150 institutions, including colleges, universities and United Funds in communities where we have major installations.

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.

In addition to the aforementioned disclosures, the Securities Exchange Commission, in *Accounting Series Release No. 149,* specifies that financial statements filed with it must 1) Disclose the reasons for timing differences resulting in deferred taxes, 2) Include a reconciliation explaining why the effective income tax rate for financial statement purposes differs from the statutory Federal income tax of 48%, and 3) Disclose deferred tax reversals if cash outlays for income taxes are expected to substantially exceed income tax expense for any of three succeeding years. *ASR No. 149* applies to financial statements, filed with the SEC, covering reporting periods which end on or after December 28, 1973.

TABLE 3-15: FEDERAL INCOME TAXES—DESCRIPTION

	1973	1972	1971	1970
Income taxes (*189,284,768)	426	304	314	280
Federal income taxes (*159,457,714)	140	239	231	235
U.S. income taxes (*73,253,514)	33	51	45	66
No provision for federal income taxes	1	6	10	19
Total Companies	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

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 companies presented a credit provision for income taxes. Examples of income tax presentations follow.

AMERICAN BAKERIES COMPANY (DEC)

	1973	1972
Earnings (Loss) Before Income Taxes and Extraordinary Items	**$(4,766,749)**	**$584,541**
Income Taxes (Note 2):		
Current	$(1,536,000)	$234,000
Deferred	(627,000)	178,000
Investment credit realized	(585,000)	---
	$(2,748,000)	**$412,000**
Earnings (Loss) Before Extraordinary Items	**$(2,018,749)**	**$172,541**

Note 2: Income Taxes— Federal and State income tax benefit for 1973 is composed of the following elements:

	Current	Deferred	Investment Credit	Total
Federal	$(1,869,000)	$(627,000)	$(585,000)	$(3,081,000)
State	333,000	---	---	333,000
	$(1,536,000)	**$(627,000)**	**$(585,000)**	**$(2,748,000)**

Deferred taxes above result from timing differences in the recognition of revenue and expense for tax and financial statement purposes. The major sources of these differences in 1973 and the related tax effect of each is as follows:

	Tax Effect
Excess of book over tax depreciation	$(756,000)
Provision for plant closings to be deducted in future years for tax purposes.	(179,000)
Expenses provided for in prior years, primarily plant closing and abandonment costs, currently deductible for tax purposes.	559,000
Retirement plan provisions not deductible for tax purposes until paid	(286,000)
Other, net	35,000
	$(627,000)

The total effective income tax effect on consolidated pre-tax losses is 57.7%, which differs from the benefit computed at a U.S. Federal income tax rate of 48% for the following reasons:

	Amount	% of Pre-Tax Loss
Income tax benefit at statutory rate	$(2,288,000)	(480%)
Net realization of investment credits during 1973	(585,000)	(12.3)
State and local income taxes, net of Federal income tax benefit	173,000	3.6
Other, net	(48,000)	(1.0)
	$(2,748,000)	**(57.7%)**

The Company has consistently recognized in income investment tax credits in the years in which such credits were realized by reduction of taxes payable. For 1972, no taxes were initially anticipated to be currently payable, and therefore no investment credits were recorded in that year. During 1973, the Company accelerated the recognition of income for tax purposes (primarily the gain on sale of four plants in 1972) resulting in the realization of investment credit benefits during the year. Benefits realized, partially offset by the expected loss of investment credit due to the carryback of 1973 losses to a prior profitable year, amounted to $585,000 and are recorded in 1973.

As of December 29, 1973, the Company has approximately $1,000,000 in unrecorded investment credit benefits, which may be used to reduce future income tax obligations. It is expected that the cash outlay for income taxes with respect to the years 1974 through 1976 will not exceed income tax expense for these years.

As a result of operating losses for tax purposes in 1973, taxes paid in 1970 of approximately $1,330,000 are refundable. In addition, certain charges to book income in 1973 will become deductible after 1973, and the net tax effect of these items is reflected as future tax benefits in the accompanying financial statements.

TABLE 3-16: OTHER INCOME TAXES

Type of Tax		Combined with Federal	Shown separately	Total
Foreign income taxes (*43,227,660)		56	146	202
State and/or local income taxes (*86,186,746)		51	177	228
State and foreign income taxes (*144,274,679)		24	18	42
Other (*28,616,710)		9	15	24
Total Presentations		**140**	**356**	**496**
Number of Companies	**1973**	**1972**	**1971**	**1970**
Referring to other income taxes	356	289	269	269
Not referring to other income taxes	244	311	331	331
Total	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section

AMERICAN SMELTING AND REFINING COMPANY (DEC)

	1973	1972
	($ thousands)	
Earnings before U.S. and Foreign Taxes on Income	$136,720	$55,858
U.S. and Foreign Taxes on Income (note 12)	23,364	8,974
Net Earnings	**$113,356**	**$46,884**

Note 12: U. S. and Foreign Taxes on Income

(in thousands)	1973	1972
U.S. current provision, before credits	$23,447	$7,073
Investment tax credit	(3,684)	(2,014)
Utilization of foreign tax credit carryforward	(2,788)	(481)
U.S. current provision	16,975	4,578
Deferred	123	1,138
Foreign current provision	6,266	3,258
Total U.S. and foreign taxes on income	**$23,364**	**$8,974**

Deferred tax expense results from timing differences in the recognition of income and expense for tax and financial statement purposes. The sources and tax effects of these 1973 differences are:

	(in thousands)
Excess of tax depreciation over book depreciation	$3,716
Current mine development costs deducted in tax returns in excess of amortization on books of such costs capitalized in prior years	3,790
Estimated loss on closing Baltimore and Amarillo plants not deducted in tax return	(9,700)
Undistributed earnings of investments accounted for by the equity method, on which tax is accrued under APB Opinion No. 24	4,930
Other	(2,613)
	$123

Total "U.S. and Foreign Taxes on Income" is 17.1% of "Earnings Before U.S. and Foreign Taxes on Income," as compared to the U.S. statutory income tax rate of 48%. The difference is due to the following:

U.S. and Foreign Taxes on Income	17.1%
Undistributed earnings of investments accounted for by the equity method on which tax was not provided at the statutory rate	20.9
Depletion	7.1
Investment credit	2.7
Capital gains	2.7
Other items	(2.5)
U.S. statutory income tax rate	**48.0%**

THE ANACONDA COMPANY (DEC)

	1973	1972
	($ thousands)	
Income before income taxes and extraordinary items	$92,103	$49,557
United States and foreign income taxes	22,397	5,489
Income before extraordinary items	**$69,706**	**$44,068**

Summary of Significant Accounting Policies

Income Taxes— Under a ruling published by the Internal Revenue Service, the company is permitted to carry forward the significant losses resulting from the expropriation of its Chilean properties in 1971 as an ordinary loss for a period of ten years. In addition, the company's major Canadian subsidiary has available future tax benefits arising from the write-off of depreciation, mine development and exploration costs for financial accounting purposes; the related tax benefits were not recorded previously as their realization was not assured. Until such time as the U.S. loss carryforward and the available Canadian tax benefits are fully utilized, the company's Statement of Consolidated Income will include a charge in lieu of income taxes, representing the additional United States and Canadian income taxes which otherwise would have been provided, with an equal and offsetting extraordinary credit reflecting the utilization of the loss carryforwards. United States investment tax credits, which would otherwise reduce the company's U.S. taxes, are applied as a reduction of this charge.

Both the charge in lieu of income taxes and the related extraordinary credit are based on income reported for financial accounting purposes although certain items of income and expense, principally mine development expenditures and income from affiliates, may be reported in different periods for tax purposes.

Estimated United States income taxes (or the charge equivalent thereto) and foreign income taxes are provided on the company's share of the earnings of affiliated companies.

Financial Review

United States and Foreign Income Taxes—Income tax expense is comprised of the following:

	Total	U.S. Federal	Foreign
Year 1973:			
Currently payable	$2,592	1,086	1,506
Deferred	1,458		1,458
Charge equivalent*	18,347	15,296	3,051
	$22,397	**16,382**	**6,015**
Year 1972:			
Currently payable	$1,506	1,060	446
Deferred	995	995	---
Charge equivalent*	2,988	2,988	---
	$5,489	**4,048**	**1,441**

*Charge equivalent to benefit from utilization of loss carryforwards.

At December 31, 1973, the company has available, through 1981, approximately $300 million of consolidated tax-loss carryforward resulting from its 1971 expropriation loss. The loss carryforward amount, which is exclusive of any amounts relating to the contracts of guaranty with OPIC, is subject to audit by the Internal Revenue Service. In addition, the company has approximately $6.2 million of future Canadian tax benefits available.

Total tax expense before extraordinary items amounted to $22.4 million (1972-$5.5 million) or an effective rate of 24% (1972 – 11%) as compared with the U.S. statutory federal income tax rate of 48%. Components of this difference (expressed as a percentage of pre-tax income) are as follows:

	1973	1972
Statutory federal income tax rate	48%	48%
Percentage depletion in excess of cost depletion	(13)	(25)
Foreign income subject to lower foreign tax rates	(10)	(9)
Investment tax credit	(5)	(6)
Other items—net	4	3
Effective tax rate	**24%**	**11%**

For financial accounting purposes the company has recognized $5.0 million of United States investment tax credits as a reduction of the charge in lieu of income taxes (1972 - $1.6 million excluding $13.5 million applicable to the timberlands sale). For income tax purposes the company has unused investment tax credits of approximately $20 million, the major portion of which will be available through 1979.

THE BOHACK CORPORATION (JAN)

	1974	1973
Earnings from continuing operations before income taxes	$733,142	$912,141
Provision for income taxes (Note 2)	268,600	262,100
Earnings from continuing operations	**464,542**	**650,041**
Discontinued operations (Note: 2):		
Loss from discontinued operations of subsidiary (less applicable income tax benefit of $29,291 in 1974 and $307,330 in 1973)	(91,314)	(349,152)
Loss on disposal of subsidiary (less applicable income tax benefit of $100,909)	(314,723)	---
Loss on disposal and discontinued operations of subsidiary	**(406,037)**	**(349,152)**
Net earnings	$58,505	300,889

Note 2: Details of income taxes are as follows:

	Federal	State	Total
1974			
Continuing Operations:			
Current (refundable)	$(555.800)	138.400	(417.400)
Deferred	686.000	---	686.000
Investment Credits	---	---	---
Sub-Total	**130,200**	**138,400**	**268,600**
Discontinued Operations:			
Current (Refundable)	(130.200)	---	(130,200)
Total Income Taxes	**$---**	**138,400**	**138,400**
1973			
Continuing Operations:			
Current (Refundable)	$169.300	90,800	260.100
Deferred	134.000	---	134.000
Investment Credits	(132.000)	---	(132.000)
Sub-Total	**171,300**	**90,800**	**262,100**
Discontinued Operations:			
Current (Refundable)	(307.330)	---	(307.330)
Total income taxes	**$(136,030)**	**90,800**	**(45,230)**

The provision includes deferred income tax charges and (credits) provided for timing differences as follows:

	1974	1973
Excess of tax over book depreciation	$712,600	24,900
Rent accured on discontinued operations	---	75,000
Prepaid advertising expensed for tax purposes in 1973 and charged to expense in 1974	(43,700)	43,700
Other items—net	17,100	(9,600)
	$686,000	**134,000**

The difference between the total "expected" Federal income tax rate of 48% and the actual tax expense is accounted for as follows:

	1974 Amount	1974 Percent of Income Before Taxes	1973 Amount	1973 Percent of Income Before Taxes
Computed expected tax expense	$94,500	48%	122,720	48%
Increases (reductions) in taxes resulting from:				
State and local income taxes, net of Federal income tax benefit	71,970	37%	47,220	18%
Investment credits	---	---	(132,000)	(51%)
Permanent differences	(28,070)	(15%)	(83,170)	(33%)
Tax expense (refund)	**$138,400**	**70%**	**(45,230)**	**(18%)**

Based on currently anticipated expenditures and operations, it is not expected that there will be significant cash outlays in excess of tax provisions provided in the next three fiscal periods.

For tax purposes the Company has available for reduction of future Federal income taxes investment credits aggregating approximately $1,700,000, expiring, if not used prior to that date, in varying amounts to 1981 with approximately $900,000 expiring in the two years 1979 and 1980.

CHERRY-BURRELL CORPORATION (OCT)

	1973	1972
Income before taxes	$998,476	$1,163,646
Provision for income taxes	685,000	424,000
Net income	**$313,476**	**$739,646**

Notes to Consolidated Financial Statements

Income Taxes— Income tax expense consists of the following components:

	1973	1972
Current tax expense	$557,000	$695,000
Deferred tax expense	128,000	(271,000)
	$685,000	**$424,000**

The company follows the practice of providing income taxes based on income reported for financial statement purposes less any investment tax credits currently available. Deferred tax expense results from timing differences in the recognition of the revenue and expense for tax and financial statement purposes. The tax effects of these differences, primarily for depreciation, pension and valuation reserves, are reflected as Deferred or Prepaid Income Taxes in the balance sheet. The sources of these differences and the resulting (increase) decrease in taxes payable for the two years ended October 31 were:

	1973	1972
Purchased patents expensed on tax return and deferred on books	$(20,000)	$(20,000)
Tax over book depreciation	15,000	88,000
Pensions costs charged to expense on books but not deductible until paid	41,000	(3,000)
Lease income recognized for tax purposes but deferred under operating method of accounting for book purposes	87,000	(202,000)
Obsolescence reserve charged to expense on books but not deducted for taxes	(11,000)	(107,000)
Other	16,000	(27,000)
	$128,000	**$(271,000)**

Total tax expense amounted to $685,000 in 1973 and $424,000 in 1972 (an effective rate of 68.6% and 36.4% respectively), a total different than the amount of $479,000 and $559,000 computed by applying the U. S. Federal income tax rate of 48% to income before tax. The reason of this difference are as follows:

	1973		1972	
	Amount	% of Pretax Income	Amount	% of Pretax Income
Computed "expected" tax expense	$479,000	48.0%	$559,000	48.0%
Increase (decrease) in taxes resulting from—				
Investment tax credit currently available	(20,000)	(2.0)	(125,000)	(10.7)
Operating loss on Canadian subsidiary for which no tax benefits have been provided	247,000	24.7	54,000	4.6
Other miscellaneous	(21,000)	(2.1)	(64,000)	(5.5)
Actual tax expense	**$685,000**	**68.6%**	**$424,000**	**36.4%**

Two of the company's foreign subsidiaries have available loss carry-forward for income tax purposes of approximately $840,000 of which $160,000 expires in 1976, $450,000 in 1977 and $230,000 in 1978. No recognition has been made in the accounts for the potential benefit.

CORNING GLASS WORKS (DEC)

	1973	1972
	($ thousands)	
Income from Operations	**$107,567**	**$81,299**
Royalty, dividend, interest and other income	28,438	19,984
Interest and other charges	(33,365)	(16,030)
Taxes on income	(50,076)	(41,372)
Income before equity in earnings of associated companies and extraordinary items	52,564	43,881
Equity in earnings of associated companies	17,818	9,565
Income before extraordinary items (per share $4.00/1973; $3.04/1972)	70,382	53,446
Extraordinary items		828
Net income (per share $4.00/1973; $3.09/1972)	**$70,382**	**$54,274**

Statement of Accounting Policies

Taxes on Income— Certain charges, primarily provisions for furnace repairs, employee benefits and depreciation, are not deductible in the tax return for the period in which they are recognized as expenses in the financial statements; certain income from equity basis companies and foreign subsidiaries is included in net income when it is earned but is not taxed until received by Corning (timing differences). In computing income tax expense for a period the company deducts these charges and includes this income in the period in which they are recognized in the financial statements rather than in the period in which they are included in the tax return (deferred tax accounting).

Income taxes are provided by Corning Glass Works on all earnings included in consolidated net income, except for 50% of the earnings of Corning Glass International Sales Corporation, a domestic international sales corporation, which are expected to remain invested indefinitely.

Investment tax credits are deferred for financial statement purposes and used to reduce income tax expense in equal installments over the lives of the related properties.

Notes to Consolidated Financial Statements

Taxes on Income— Income tax expense is reported in the Consolidated Statements of Income and Retained Earnings in these segments:

	1973	1972
	($ thousands)	
Taxes on income	$50,076	$41,372
Taxes provided on equity in earnings of associated companies	2,433	111
Taxes related to extraordinary items		885
Tax expense for the year	**$52,509**	**$42,368**

Income tax expense for the year is provided for current or future payment to the following taxing authorities:

	1973	1972
	($ thousands)	
U. S. federal	$33,210	$30,712
Foreign governments	12,125	4,923
State and municipal	7,174	6,733
	$52,509	**$42,368**

Income tax expense for the year is reconciled to taxes payable in the tax returns as follows:

	1973	1972
	($ thousands)	
Tax expense for the year	$52,509	$42,368
Taxes payable currently due to deferred tax timing differences (see Statement of Accounting Policies)	1,954	1,668
Investment credits allowed in the current tax return in excess of amortization of credits allowed in prior years	(1,588)	(832)
Taxes payable in the tax returns	**$52,875**	**$43,204**

Income taxes have not been provided on $7,465,000 earned (4,889,000 in 1973) by Corning Glass International Sales Corporation which is expected to remain invested indefinitely. Changes in the two years in net deferred tax timing differences related to taxes other than U.S. federal were minor.

CYCLOPS CORPORATION (DEC)

	1973	1972
	($ thousands)	
Federal and state income taxes (Note 9):		
Current	$3,333	$1,911
Deferred	2,369	2,049
	$5,702	**3,960**

Note 9: Income taxes— Federal and state income taxes have been calculated on the basis of Cyclops and its subsidiaries filing separate corporate tax returns.

Deferred income taxes are provided for temporary timing differences between financial reporting and income tax reporting. The sources of deferred income taxes in 1973 and 1972 were: Depreciation $1,754,000 and $2,554,000; investment tax credit carryovers $452,000 and ($327,000); and other timing differences $163,000 and ($178,000).

The effective tax rates in 1973 and 1972 were 40% and 34%. The factors causing the effective tax rate to be lower than the 48% U. S. Corporate tax rate by 8% in 1973 and 14% in 1972 were: Tax basis of assets of acquired companies exceeding Cyclops' cost basis 5.9% and 6.9%; investment tax credit 3.2% and 5.5% ($451,000 and $638,000), and other factors (1.1%) and 1.6%.

HEWLETT-PACKARD COMPANY (OCT)

	1973	1972
	($ thousands)	
Taxes on income (notes 1 and 3):		
Federal:		
Current	$27,262	$23,648
Investment tax credits	(1,342)	(664)
Deferred	5,412	2,088
	31,332	**25,072**
Foreign	7,636	7,507
State	4,855	4,485
	$43,823	**$37,064**

Note 1 (in part): Summary of Significant Accounting Policies

Taxes on Income— It is the policy of the Company to report income substantially on the same basis for tax and financial purposes. Deferred taxes on income are provided in recognition of timing differences between income reported for tax and financial purposes which relate principally to its Domestic International Sales Company (DISC). Investment tax credits are accounted for as a reduction of income tax expense in the year the related assets are placed in service.

Note 3. Taxes on Income— The United States Internal Revenue Service has completed a review of the Company's federal income tax returns for the three years ended October 31, 1971. Adjustments from the Service's review have resulted in additional income and related income taxes applicable to 1969, 1970 and 1971. Also, certain adjustments related to earnings of foreign subsidiaries have resulted in assessments of additional United States taxes for the years 1964 through 1970. The settlement of the above tax issues had no significant effect on net income for the years ended October 31, 1973 and 1972.

The effect of such tax assessments enabled the Company to repatriate $10,526,000 of undistributed foreign earnings in the form of a dividend from its Swiss subsidiary subsequent to October 31, 1973 without incurring any further United States tax liability. In the opinion of the Company, undistributed earnings of foreign subsidiaries, aggregating $52,480,000 (net of the above mentioned dividend) and $42,877,000 at October 31, 1973 and 1972 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.

In 1973, the Company's effective federal and foreign income tax rate (after deduction of state taxes on income) declined from 46.7% to 43.4%. Had the Company's effective tax rate been at the United States statutory rate of 48% in 1973, the provision for federal and foreign taxes on income would have been $43,064,000. The difference is explained as follows:

	Amount (In Thousands)	Percentage
Federal and foreign taxes on income at the United States statutory rate	$43,064	48.0%
Income of the Company's Singapore and Malaysian subsidiaries substantially tax free under pioneer status acts for approximately 9 years commencing in 1973	(5,834)	(6.5)
Taxes accrued on intercompany profits in foreign subsidiary inventories eliminated	2,367	2.6
Tax assessments on undistributed earnings of foreign subsidiaries	1,430	1.6
Investment tax credits	(1,342)	(1.5)
Other, net	(717)	(.8)
Federal and foreign taxes on income provided in the consolidated statement of income	**$38,968**	**43.4%**

Unremitted earnings of foreign subsidiaries which have been, or are intended to be, permanently reinvested for continued use in operations in those countries, and which if remitted would result in federal income taxes, aggregated approximately $47,000,000 at December 31, 1973. Under current federal income tax laws and tax treaties and assuming the benefit of all available tax-planning alternatives and available tax credits and deductions, it is estimated that, if all such unremitted earnings were distributed, the federal income taxes thereon would not exceed $23,000,000.

ELI LILLY AND COMPANY (DEC)

	1973	1972
Income before taxes	$254,070,910	$196,361,366
Provision for taxes on income—Notes C and E	98,551,000	70,082,500
Net Income	**$155,519,910**	**$126,278,866**

Note C: Operations in Puerto Rico— The company, through a subsidiary, has substantial manufacturing facilities in Puerto Rico. A substantial portion of this subsidiary's income, derived from both manufacturing operations and investments, is exempt from income taxes under Puerto Rican and federal tax statutes. Multiple exemption grants, relating to income from manufacturing operations, will expire in various years starting in 1976. Consolidated net income was increased $13,200,000 for 1973 and $17,900,000 for 1972 as a result of this tax-exempt income. The reduction of the tax savings in 1973 included the effect of the expiration in December, 1972, of the patent on the principal product manufactured by this subsidiary.

Note E: Taxes on Income— Provision for taxes on income is composed as follows:

	1973	1972
Current:		
Federal	$76,713,000	$53,796,400
Foreign	23,782,000	17,297,000
Deferred federal:		
Accelerated depreciation	4,294,400	3,626,600
Unrealized profit eliminated from inventories	(5,100,000)	(3,100,000)
Sundry other timing differences	(1,138,400)	(1,537,500)
Totals	**$98,551,000**	**$70,082,500**

At December 31, 1973, the net amount of deferred taxes was $1,203,000, classified $17,334,000 in prepaid expenses and $16,131,000 as a separate long-term item in the balance sheet. Amounts in the table above for 1972 have been reclassified to conform with the 1973 classifications; comparable changes have been made in the statement of changes in financial position.

Following is a reconciliation between the amount of tax expense at the federal statutory tax rate of 48% and the provision for taxes on income:

	1973	1972
Income before taxes at 48%	$121,954,000	$94,253,000
Tax savings from operations in Puerto Rico	(13,200,000)	(17,900,000)
Investment tax credit	(1,100,000)	(973,000)
Effect of foreign tax rates and unremitted earnings	(6,200,000)	(2,300,000)
Sundry other	(2,903,000)	(2,997,500)
Provision for taxes on income	**$ 98,551,000**	**$70,082,500**

Federal income tax returns for years prior to 1971 have been examined and all matters have been concluded and reflected in the financial statements. The return for the year 1971 is currently under examination.

THE PITTSTON COMPANY (DEC)

	1973	1972
Income before Provision for Income Taxes and Extraordinary Items	**$32,368,671**	**$33,228,305**
Provision for Income Taxes:		
Federal	4,130,776	6,234,792
State and Foreign	2,821,668	2,896,459
	6,952,444	**9,131,251**
Income before Extraordinary Items	$25,416,227	$24,097,054

Notes to Financial Statements

Note 3: Income Taxes— The provision for income taxes, exclusive of extraordinary items (see note 8), consists of the following components:

	U.S. Federal	Foreign	State	Total
		($ thousands)		
1973				
Currently payable before investment credit	$6,178	$1,923	$ 732	$8,833
Investment credit	(1,708)	--	--	(1,708)
Deferred	(340)	167	--	(173)
Total—1973	**$4,130**	**$2,090**	**$ 732**	**$6,952**
1972				
Currently payable before investment credit	$7,302	$1,546	$1,262	$10,110
Investment credit	(1,742)	--	--	(1,742)
Deferred	675	88	--	763
Total—1972	**$6,235**	**$1,634**	**$1,262**	**$9,131**

The sources of the timing differences which gave rise

to deferred taxes in 1973, and the tax effect of each are shown below:

	($ thousands)
Adjustments resulting from audits of prior years' tax returns	$ (600)
Mine development expenditures, capitalized and amortized on books but deducted as incurred for tax purposes	1,811
Workmen's compensation claims, book provision in excess of tax deduction	(1,292)
Insurance claims, tax deduction in excess of book provision	192
Excess of book over tax depreciation	(80)
Excess of book provision over tax deduction for bad debts	(74)
Miscellaneous	(130)
	$ (173)

The total tax provision for the year 1973 was $6,952,000 (an effective tax rate of 21.5%), a total which is less than the amount of $15,537,000 computed by applying the U.S. Federal income tax rate of 48% to the income before provision for income taxes and extraordinary items. The reasons for this difference are as follows:

	Amount (In thousands)	Percent of Pre-tax Income
Tax provision computed at 48%	$15,537	48.0
Increases (reductions) in taxes:		
"DISC" income, taxed at an effective rate of 24%	(3,025)	(9.3)
Excess of percentage depletion deducted for tax purposes over cost depletion per books	(5,058)	(15.6)
Investment credit	(1,708)	(5.3)
Miscellaneous	1,206	3.7
Actual tax provision	**$ 6,952**	**21.5**

In 1972, the effective tax rate was 6 points higher than 1973 because of lower percentage depletion and DISC income and a larger charge resulting from audits of prior years' tax returns.

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 in the near future. Unremitted earnings of such subsidiaries which have been permanently reinvested for growth and expansion, 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 approximately $16,550,000 at December 31, 1973 and $7,970,000 at December 31, 1972. These amounts include unremitted earnings ($11,940,000 at December 31, 1973 and $5,650,000 at December 31, 1972) of the Company's Domestic International Sales Corporation (DISC) subsidiary on which taxes have not been accrued, and which have been, or are intended to be, permanently reinvested in qualified export assets and should not become taxable in the foreseeable future.

The Company and its domestic subsidiaries file a consolidated U.S. Federal income tax return. Such returns have been audited and settled through the year 1970.

TIMING DIFFERENCES

tions 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 Tables 2-42 and 3-16.

TABLE 3-17 TIMING DIFFERENCES

Reasons for	1973	1972	1971	1970
Depreciation	459	439	381	366
Installment sales	66	68	59	54
Deferred expenses	73	56	54	57
Unremitted earnings	92	56	11	N/C
Deferred income	56	36	29	38
Pensions	43	30	27	27
Other employee benefits	50	44	32	32
Discontinued operations	24	30	12	N/C
Research and development	29	20	21	19
Long-term contracts	22	16	15	N/C
Inventory pricing	35	15	9	7
Warranties and guaranties	20	12	10	N/C
Pre operating expenses	11	11	13	N/C
Other estimated expenses	88	47	45	60
Total disclosures	**1,068**	**880**	**718**	**660**
Number of Companies				
Reasons disclosed	507	488	428	410
Reasons not disclosed	48	65	102	111
No timing differences disclosed	45	47	70	79
Total	**600**	**600**	**600**	**600**
Amount of tax effect				
Disclosed within income statement	154	188	192	197
Disclosed in notes to financial statements	340	269	242	204
Disclosed elsewhere	20	44	54	51
Subtotal	**514**	**501**	**488**	**452**
Not disclosed	41	52	42	69
No indication of timing differences	45	47	70	79
Total Companies	**600**	**600**	**600**	**600**

N/C— Not Compiled

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. *Accounting Interpretations,* published in the April 1972 issue of *The Journal of Accountancy* and reprinted in Section U 4094 of *APB Accounting Principles– Current Text As Of June 30, 1973,* discuss various aspects of the reinstated 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

	1973	1972	1971	1970
Flow-through method:				
No prior years deferral	453	465	307	234
Prior years' deferral being amortized	43	24	22	11
Subtotal	**496**	**489**	**329**	**245**
Deferral method:				
Amortized over productive life	65	67	62	35
Amortized over shorter period	5	5	8	6
Amortization policy not indicated	8	5	12	13
Subtotal	**78**	**77**	**82**	**54**
No reference to investment credit	26	34	189	301
Total Companies	**600**	**600**	**600**	**600**

Flow-Through Method

ACME MARKETS, INC. (MAR)

Notes to Financial Statements

Note 1 (in part): Income Taxes– The company provides deferred income taxes or credits where there are timing differences in recording income and expenses for financial reporting and tax purposes. These timing differences relate primarily to accelerated depreciation and reserves not currently tax deductible.

The company reduces its current income tax provision for investment tax credits in the year in which the credits arise. Credits for 1964 and prior which were deferred are being amortized over the estimated lives of the related assets.

Note 3: Income Taxes– Federal and state income taxes charged to earnings are summarized below:

	1973	1972
Current:		
Federal (before investment credits)	$1,271,000	8,500,000
Investment credits realized	(1,500,000)	(1,530,000)
State	414,000	939,000
Deferred	617,000	1,023,000
Amortization of investment credits deferred in 1964 and prior years	(102,000)	(132,000)
	$ 700,000	**8,800,000**

Federal income tax returns of the company have been examined by the Internal Revenue Service through fiscal 1968. In regard to fiscal years 1963-1968, the IRS has proposed adjustments, in addition to those already settled and paid by the company, principally the extension of lives used in computing depreciation of buildings and leasehold improvements. A tentative agreement has been reached on a compromised basis and the estimated additional taxes to be paid have been transferred from the deferred tax account to current liabilities since the adjustments relate to timing differences.

ADAMS-MILLIS CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note A (in part): Summary of Accounting Policies

Taxes on Income– Certain items of income and expense, principally depreciation and royalty expense, are reported in different periods for income tax purposes and financial reporting purposes. Deferred income taxes are provided for financial reporting purposes for these timing differences. The investment tax credit is recorded by the flow-through method which reduces the provision for taxes on income in the year of utilization.

It is the policy of the Company to accrue appropriate federal income taxes on earnings of subsidiary companies which are intended to be remitted to the parent company in the near future. At December 30, 1973, no material amounts of such distributions were anticipated. Unremitted earnings of subsidiaries, which have been or are intended to be permanently reinvested for the normal operations and expansion of the subsidiaries' business, 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, aggregate $788,560 at December 30, 1973.

Note F: Income Taxes– 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 1972 were refundable. Additional amounts recoverable at December 31, 1972 resulted from the carryback of unused investment tax credits of which $98,257 was received subsequent to December 30, 1973.

The investment tax credits used to reduce the provision for federal income taxes amounted to $378,946 in 1973 and $389,799 in 1972. At December 30, 1973 investment tax credits of $208,525 were available for carryforward through 1979 for tax purposes of which $90,685 has been recognized for financial reporting purposes in 1973.

KEYSTONE CONSOLIDATED INDUSTRIES, INC. (JUN)

Notes to Consolidated Financial Statements

Note A (in part): Income Taxes— The Company provides for income taxes currently payable and, in addition, provides for deferred income taxes resulting from timing differences between financial and taxable income. Since July 1, 1968, the investment tax credit has been recorded on the flow-through method of accounting. Credits for prior years, which were deferred, are being amortized over the useful lives of the related assets.

Note D: Income Taxes— The income tax provision is comprised of the following:

	1973	1972
Provisions for income taxes, including $1,053,000 deferred in 1973 and $684,000 in 1972	$3,106,000	$2,329,000
Investment tax credits, including amortization of amounts deferred of $132,000 in 1973 and $135,000 in 1972.	(614,000)	(481,000)
	$2,492,000	**$1,848,000**

The provision for income taxes has an effective tax rate lower than normal due principally to the inclusion in earnings of the deferred credit amortization for which no income tax provision is required.

WINNEBAGO INDUSTRIES, INC. (FEB)

Notes to Consolidated Financial Statements

Note D: The Company follows the policy of recording the investment credit in the year it arises as a reduction of current tax expense. This policy has not had a material effect on net income or earnings per share for the four fiscal years ended February 26, 1972. For the fiscal year ended February 24, 1973 this policy increased net income $835,000 and earnings per common share $.03.

Deferral Method

ALPHA PORTLAND INDUSTRIES, INC. (DEC)

Summary of Significant Accounting Policies

Income Taxes— The Company computes and records taxes currently payable based upon determination of taxable income which is different from pre-tax financial statement income. Such differences arise from the reporting of financial statement amounts in different periods for tax purposes. The tax effect on such "timing" differences is provided for as deferred taxes.

Investment credits recognized, including those utilized in computing deferred income taxes for timing differences, are reflected as a reduction of income tax expense over the productive life of the related acquired property.

Notes to Consolidated Financial Statements

Note 2 (in part): Income Taxes— Income tax provisions, other than those applicable to extraordinary items, are as follows:

	1973	1972
	($ thousands)	
Federal—Before amortization of investment credit:		
Current	$ 837	
Deferred	3,510	$2,500
State and city:		
Current	418	467
Deferred	482	305
	5,247	**3,272**
Amortization of investment credit	(250)	(500)
Income taxes	**$4,997**	**$2,772**

ANHEUSER-BUSCH, INCORPORATED (DEC)

Summary of Significant 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 for the years ended December 31, 1973 and 1972, includes the following:

	1973	1972
	($ thousands)	
Current tax provision:		
Federal	$41,303	$57,547
Other	3,675	4,758
	44,978	**62,305**
Deferred tax provision:		
Federal	11,965	7,516
Other	860	572
	12,825	**8,088**
Deferred investment tax credit:		
Reduction in current taxes payable	4,807	1,869
Less amortization of deferred investment tax credit	1,952	1,775
	2,855	**94**
Total	$60,658	$70,487

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 cleared federal income tax returns of the company for years through 1969.

The permanent reduction of Federal taxes relative to the investment credit on equipment additions has been deferred and is being reflected in income over the estimated productive lieves of the acquired facilities.

No provision has been made for additional taxes on unremitted earnings of domestic and foreign subsidiaries and affiliates since substantially all of these earnings have been reinvested in working capital and fixed assets.

Notes to Consolidated Financial Statements

Note 6 (in part): Income Taxes— The investment credit generated and deferred in 1973 was $729 thousand compared to $443 thousand in 1972. The amortization of investment credit, included in other operating and sundry income, increased net earnings by $741 thousand and $773 thousand in 1973 and 1972, respectively.

BRIGGS & STRATTON CORPORATION (JUN)

Notes to Consolidated Financial Statements

Note 1 (in part): Investment Tax Credits: Investment tax credits are deferred and amortized over the useful lives of the related assets.

Note 2: Investment Credit— As outlined in the statement of accounting policies, the Company follows the deferral method of accounting for the Federal investment tax credit. The remaining credit of $1,278,000 at year end is being amortized over the lives of the related assets. The investment credit amounted to $498,000 and $136,000 in 1973 and 1972, respectively. Amortization of $173,000 and $131,000 was reflected in income in 1973 and 1972, respectively.

CHEMETRON CORPORATION (DEC)

Summary of Significant Accounting Policies

Income Taxes— The Company computes depreciation, for tax purposes, on accelerated methods. Provision has been made in the form of deferred income taxes for taxes which will become payable in future years when depreciation deductible for tax purposes will be less than that shown on the books. The Company also recognizes the deferred tax effect of other differences between book and tax accounting.

TAX ASSESSMENTS

126 survey companies disclosed tax claims or tax assessments. Of the 58 companies disclosing tax claims 25 resulted from operating loss carrybacks. Of the 68 companies referring to proposed tax assessments 55 had not accrued a liability for the proposed tax deficiency. Examples of disclosures of proposed tax assessments and tax claims are shown below and in connection with Tables 1-20 and 1-21.

CITATION MANUFACTURING COMPANY, INC. (JUN)

Notes to Financial Statements

Note 8: Income Taxes— Deferred taxes is composed of the following:

	Current	Non-Current
Deferred taxes on chemical royalty income	$ 74,373	$---
Deferred taxes on research and development costs	---	446,258
	$74,373	**$446,258**
Less: benefit of net operating loss carryforward	(74,373)	(117,425)
	$---	**$328,833**

The Company and its subsidiaries are presently undergoing an examination by the Internal Revenue Service. Proposed assessments, if made, would increase the Company's liability for income taxes approximately $200,000 over amounts previously provided for by the Company, and would also give rise to a net operating loss carryforward which would provide a benefit against deferred taxes of approximately $100,000. The Company is contesting the additional assessments and while the final outcome is undeterminable at this time, management believes that final assesments will not be material.

FOOD FAIR STORES, INC. (JUL)

Notes to Consolidated Financial Statements

Note 11: Income taxes— Income taxes are comprised of the following:

	1973	1972
Federal:		
Current		$ 84,000
Deferred	2,780,000	3,042,000
Investment tax credit	(1,307,000)	(10,000)
State	351,000	582,000
	$1,824,000	**$3,698,000**

Net income tax expense charged to operations in fiscal 1973 was $926,000 ($1,824,000 charged to income from continuing operations, $898,000 credited to the extraordinary item). The financial income subject to tax includes approximately $1,800,000 of income taxable at the capital gains rate. An investment tax credit of $510,000 was applied in reduction of the Federal income tax provision.

The Company and its subsidiaries file a consolidated Federal income tax return. Net operating loss and investment tax credit carryforwards of approximately $4,600,000 and $3,700,000, respectively, are available for fiscal years ending after July 28, 1973. The net operating loss carryforwards expire through 1977; the investment tax credits expire through 1980.

The Federal income tax returns of the Company and certain subsidiaries have been examined by Internal Revenue Service for the fiscal years 1964 through 1968. The Service has proposed adjustments which would result in additional taxes of approximately $10,500,000. The proposed adjustments are being contested by the Company. In the opinion of management, based upon the advice of tax counsel, the final net additional tax will be substantially less than the amounts proposed.

LORAL CORPORATION (MAR)

LONG-TERM LIABILITIES	
4½% convertible subordinated debentures, due December 1, 1980	$3,781,000
7⅞% note payable	2,135,000
8¾% mortgage payable	978,000
Contingent federal income taxes (Note 5)	600,000
Other	132,000
	$7,626,000

Note 5: Income Taxes— The Internal Revenue Service has proposed assessments of income taxes of $2,150,000 (excluding interest), based upon its examination of the Company's federal income tax returns for the four years ended March 31, 1964. The proposed assessments, in the opinion of the Company and its Counsel, are excessive and are being contested. While there are indications to support the Company's belief that the Government will agree to reduce substantially the amounts of additional taxes being claimed, it is presently impracticable to estimate the amount of ultimate liability. Furthermore, a major portion of any ultimate assessment may be offset by the resulting development of operating losses for income tax purposes in years following fiscal 1964 which might be carried back to one or more years under consideration or carried forward to subsequent years. In any event, any such assessment of significance which is not already provided for and which may not be so offset would be charged directly to retained earnings (deficit) rather than to current operations.

Since the Company does not now expect resolution prior to April 1974 of the potential liability for open years, the contingent liability for income taxes of $600,000 provided for such open years is classified as a long-term liability.

Subject to ultimate resolution of the above, the Company has available as deductions from future taxable income otherwise subject to federal income tax, carry-forward losses of approximately $4,500,000 which expire as follows: $2,000,000 in 1976; $2,500,000 in 1977. The Company also has unused investment tax credits of approximately $320,000 expiring at various dates through 1980. The Company follows the policy of crediting to income the tax benefits of the investment credit in the year taken for federal income tax purposes.

SAFEWAY STORES, INCORPORATED (DEC)

Financial Review

Taxes on Income (in part)— Canadian and United States Corporation Income Tax Returns for all years prior to 1970 have been reviewed by taxing jurisdictions. Returns for 1970 and 1971 are under review and for 1972 and 1973 are subject to review. The U.S. Internal Revenue Service has proposes an assessment of $8.1 million for the years 1963 through 1969 based on a disallowance of the Company's U.S. Employee Retirement Plan contributions for those years. Although a formal report has not been received by the Company for the years 1970 and 1971, the Service has informally indicated there will be certain disallowances but no adjustment in either of the years in connection with the Company's contributions to the U.S. Employee Retirement Plan. Any Retirement Plan contributions which may ultimately be disallowed would be carried forward as timing differences and claimed as deductions in future years. Management believes that adequate provision has been made for payment of taxes with respect to the returns that have been reviewed or which are subject to review and that any possible additional assessments in excess of those provided for will not result in any material adverse effect on stated earnings or financial position.

WARNER-LAMBERT COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 6: Tax Litigation— The Internal Revenue Service in its examination of the 1960 Federal income tax return of Parke, Davis & Company (which was merged with a subsidiary of Warner-Lambert in 1970) made a reallocation of income between Parke-Davis and its wholly owned subsidiary operating in Puerto Rico. Such reallocation resulted in the assessment of a tax deficiency and interest for the year 1960 of approximately $990,000

which has been paid. A suit for refund of the amount paid is pending and trial has been set for July 15, 1974.

The Internal Revenue Service has completed its examination of the tax returns of Parke-Davis for the years 1961 through 1970 and has proposed reallocations of income with respect to those years, which would result in substantial tax deficiencies. While it is not possible to estimate the net tax cost of the resolution of these matters, Warner-Lambert and its counsel are of the view that the ultimate net tax cost should not exceed $37 million, (the amount previously reported in a corresponding footnote in Warner-Lambert's 1972 Annual Report). Warner-Lambert is of the view that any ultimate liability will not materially adversely affect its business or operations. Payments of any deficiencies will be allocated for accounting purposes on a retroactive basis to the years in which they arose.

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.

An Accounting Interpretation of Opinion No. 23, published in the March 1973 issue of *The Journal of Accountancy* and reprinted in Section U 4095 of *APB Accounting Principles – Current Text As of June 30, 1973*, discusses disclosure of untaxed undistributed earnings of subsidiary. The Interpretation states in part:

> 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, 157 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 6-8.

TABLE 3-19: TAXES ON UNDISTRIBUTED EARNINGS

	1973	1972	1971	1970
Taxes accrued on all undistributed earnings	41	35	33	32
Taxes accrued on a portion of undistributed earnings	142	98	77	51
Taxes not accrued on undistributed earnings	189	175		
No mention of undistributed earnings	228	292	490	517
Total Companies	**600**	**600**	**600**	**600**

Reasons Cited for Non Accrual of Taxes–1973

	Subsidiary or Joint Venture	Other Investees	Total
Earnings to be reinvested	286	34	320
Earnings will be remitted in a tax free distribution	13	–	13
Other reasons	31	2	33
No reason given	11	1	12
Total Disclosures	**341**	**37**	**378**

Accrual For Taxes

AMERICAN BEEF PACKERS, INC. (MAY)

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of Accounting Policies

Taxes on Earnings– The companies file separate tax returns. The Company and certain subsidiaries have elected to utilize certain provisions of federal tax law and regulations to reduce current taxes payable, the primary items being the calculation of depreciation on an accelerated method, the use of the reserve method for bad debts, and the deferral of the undistributed earnings of a Domestic International Sales Corporation (DISC) to future periods for tax purposes. Provision has been made for deferred taxes which will be payable when depreciation and bad debt expense for financial statement purposes exceed depreciation and bad debt expense for tax purposes and when the undistributed earnings of the DISC will be remitted. Another subsidiary utilizes the reserve method for bad debts and straight-line depreciation for both financial statement and tax purposes. Investment tax credits are

Note 6: Taxes on Earnings– A comparative summary of taxes on earnings follows:

	1973	1972
Current	$1,805,000	$285,000
Deferred	1,412,000	397,000
Investment credit	(71,000)	(64,000)
Tax effect of utilization of net operating loss carryforward	386,000	52,000
	$3,532,000	**$670,000**

Taxes on earnings for the year ended June 3, 1972 are abnormally low because taxes are not included on the undistributed earnings of the DISC corporation due to the Company's plan for reinvestment of the undistributed earnings.

For the year ended June 2, 1973 taxes are abnormally high because the undistributed earnings of the DISC for the prior year were not reinvested in total and in accordance with the Accounting Principles Board Opinion No. 23, the current years taxes on earnings includes taxes attributable to these prior year earnings, $73,000 of which pertain to earnings that have been distributed and are classified as current and $118,000 of deferred taxes on the undistributed portion.

The tax effect of utilization of the net operating loss carryforward resulted from the utilization of a portion of a subsidiary's net operating loss carryforward available at the date of its acquisition by the Company. The tax benefit realized was recorded as a retroactive reduction of the fair value of property and equipment obtained in the acquisition. Any future utilization of the subsidiary's net operating loss and investment tax credit carryforwards will also result in such retroactive adjustments.

Certain subsidiaries of the Company have net operating losses and investment tax credits in the amounts of $4,439,000 and $405,000 respectively available in varying amounts through 1976 and 1981 respectively.

The federal tax returns of the Company have been examined by the Internal Revenue Service through the year ended May 31, 1969. No significant changes were made to previously reported taxable earnings.

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

Summary of Significant Accounting Policies

Taxes on Income—Adequate provision is made annually for United States, state, local and foreign taxes on income. Such provision recognizes additional United States taxes on income attributable to the Company's share of undistributed earnings of investee companies in which the Company cannot control investment policies. No provision is made for United States taxes on income on the Company's share of undistributed earnings of consolidated subsidiaries and investee companies in which the Company can control investment policies since such earnings have been invested or are expected to be invested for the indefinite future.

Investment tax credits are reflected as a reduction of the provision for income taxes in the year in which such credits are claimed.

Notes to Consolidated Financial Statements

Note 6: (in part) Taxes on Income— Total tax expense differs from the "expected" amount computed by applying the U.S. Federal income tax rate of 48% to earnings before tax because:

	Amounts	
	1973	1972
Computed "expected" tax expense	$7,705,000	$6,519,000
Increases (reductions) in taxes resulting from:		
State and local taxes on income, net of United States tax benefit	395,000	247,000
Investment tax credit	(440,000)	(425,000)
Net earnings of investee companies which are subject to foreign taxes on income and which will be subject to minimal United States taxes in the future (Excludes Italian company in 1973—see Note 3)	(1,155,000)	(193,000)
Tax benefit in 1973 from losses recognized in prior year on investment in Italian company (Note 3)	(340,000	---
Other, net	435,000	27,000
Actual tax expense	**$6,600,000**	**$6,175,000**

The Company's share of undistributed earnings of consolidated subsidiaries and investee companies on which deferred United States taxes on income have not been provided aggregated $12,380,000 and $9,425,000 at December 31, 1973 and 1972, respectively.

State and local taxes on income were included in selling, administrative and general expenses in 1972. Such taxes for that year have been reclassified and included in the provision for taxes on income to accord with current reporting practices.

ST. REGIS PAPER COMPANY (DEC)

Notes to Financial Statements

Summary of Significant Accounting Policies (in part)

Taxes on Income, Investment Credits, and Capital Gains— The company computes and records taxes currently payable based upon determination of taxable income, which is different from pretax financial statement income. The tax effect of such difference is provided for as deferred taxes.

The provision for Federal income taxes gives effect to the capital gains treatment of timber cutting and to investment credits deductible generally upon completion of qualified facilities. Such credits are reflected as a reduction of income tax expense on a flow-through basis in the year in which they arise.

Deferred Federal income taxes result principally from the company's use, for tax purposes only, of accelerated methods of computing depreciation of property, plant, and equipment, and from providing for taxes at the capital gains rate on undistributed earnings of investments carried at cost plus equity in undistributed earnings.

No provision is made for income taxes on undistributed earnings of foreign consolidated subsidiaries since all of these earnings have been or will be reinvested in the business. Provision is made at capital gains rates for income taxes on undistributed earnings of companies where St. Regis' investment is accounted for by the equity method, based on the determination that the undistributed earnings will be realized by the ultimate disposition of the investment rather than in the form of divi-

dends.

Income taxes— Income taxes for the years ended 1973 and 1972 are shown in the following table:

	1973	1972
FEDERAL:		
Current	$24,480,000	$13,719,000
Less investment tax credit	3,157,000	2,755,000
Current, net	**21,323,000**	**10,964,000**
Deferred:		
Accelerated methods of computing depreciation	2,760,000	5,760,000
Taxes provided on undistributed earnings of affiliates	1,641,000	1,459,000
Other, net	(574,000)	(632,000)
Total deferred	**3,827,000**	**6,587,000**
FOREIGN:		
Current	7,260,000	3,535,000
Deferred (principally on undistributed earnings of affiliates)	1,173,000	374,000
Total foreign	**8,433,000**	**3,909,000**
STATE	1,451,000	1,225,000
Provision for income taxes	**$35,034,000**	**$22,685,000**

Deferred taxes on the balance sheet will be reflected as a component of current tax expense in subsequent years as timing differences reverse. It is anticipated that the tax expense will continue to exceed the cash outflow because of new deferrals.

The 1973 and 1972 provisions for income taxes are less than the U.S. Federal income tax statutory rate of 48 percent, primarily as a result of applying capital gains rates, principally on timber cutting (8 percent in 1973 and 1972), and investment tax credits (3 percent in 1973 and 4 percent in 1972).

The cumulative amount of undistributed earnings of foreign consolidated subsidiaries on which the company has not recognized income taxes was approximately $62,000,000 in 1973 and $52,000,000 in 1972.

Federal income tax returns of St. Regis have been examined by the Internal Revenue Service through 1969. Adequate provision has been made in the financial statements to cover assessments and interest thereon.

SIGNODE CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of Accounting Policies Taxes on Earnings— The Company follows the policy of recognizing the tax effects of transactions in the year they enter into the determination of net earnings regardless of when recognized for tax purposes.

The Company has provided for the excess of U.S. taxes over international taxes on undistributed earnings of international subsidiaries through December 30, 1973, except for an insignificant amount of taxes applicable to earnings ($9,768,000) permanently reinvested in the years prior to 1969. The investment tax credits, both U.S. and international, and investment grants of international subsidiaries are deferred and amortized to income over the estimated useful lives of the applicable assets.

The provision for taxes on earnings includes the following:

	Fiscal 1973	Fiscal 1972
Currently payable—		
U.S. Federal	$8,188,000	$9,553,000
State	807,000	939,000
International	8,743,000	4,871,000
	$17,738,000	**$15,363,000**
Deferred income taxes—		
U.S.		
Due to excess of tax over book depreciation	478,000	567,000
Taxes on undistributed current earnings of international subsidiaries	1,229,000	551,000
Other	264,000	135,000
International	446,000	555,000
Deferred credits, net of amortization—		
U.S. investment tax credit	311,000	259,000
Investment grants and tax credits of international subsidiaries	142,000	(131,000)
	$20,608,000	**$17,299,000**

The effective income tax rates for 1973 and 1972 are 48.6% and 48.9%, respectively.

ZENITH RADIO CORPORATION (DEC)

Notes to Consolidated Financial statements

Note 1 (in part): Significant Accounting Policies: Income Taxes— The Company records certain expenses for financial reporting in the year in which the expense relates, although for income tax purposes the expenses are deductible only in subsequent accounting periods. Accordingly, the applicable prepaid income taxes have been recorded and included in current assets in the accompanying consolidated financial statements.

The Company provides deferred income taxes on undistributed earnings of DISC and foreign subsidiaries (except to the extent that such earnings are expected to be indefinately reinvested). Deferred income taxes are also provided for a timing difference in deductions arising from claiming accelerated depreciation for Federal income tax purposes for certain plant and equipment additions which are depreciated using the straight-line method for financial reporting purposes. The accompanying consolidated statement of financial position for 1972 has been restated to show deferred taxes as a separate caption.

Note 5: Income Taxes— The provision for income taxes consists of the following:

	1973	1972
	($ thousands)	
Currently payable–		
Federal	$52,786	$49,298
Foreign	521	1,276
State	4,604	4,090
Investment tax credit benefit amortized	(798)	(636)
Prepaid taxes arising from–		
Product warranty, co-op advertising and merchandising programs	(5,292)	(7,725)
Other	(548)	262
Deferred taxes relating to undistributed earnings of DISC and foreign subsidiaries and accelerated depreciation	2,354	1,047
Other	(677)	(1,012)
	$52,950	**$46,600**

The cumulative amount of undistributed earnings of foreign subsidiaries for which income taxes have not been provided is insignificant.

No Accrual For Taxes

AMERICAN SMELTING AND REFINING COMPANY (DEC)

Notes to Financial Statements

Note 4 (in part): Tax accruals under APB Opinion No. 23 have 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, 1973 the cumulative amount of equity in such undistributed earnings on which income tax has not been recognized is $220,600,000.

Note 12 (in part): U.S. and Foreign Taxes on Income

	1973	1972
	($ thousands)	
U.S. current provision, before credits	$23,447	$7,073
Investment tax credit	(3,684)	(2,014)
Utilization of foreign tax credit carryforward	(2,788)	(481)
U.S. current provision	16,975	4,578
Deferred	123	1,138
Foreign current provision	6,266	3,258
Total U.S. and foreign taxes on income	**$23,364**	**$8,974**

Deferred tax expense results from timing differences in the recognition of income and expense for tax and financial statement purposes. The sources and tax effects of these 1973 differences are:

	($ thousands)
Excess of tax depreciation over book depreciation	$3,716
Current mine development costs deducted in tax returns in excess of amortization on books of such costs capitalized in prior years	3,790
Estimated loss on closing Baltimore and Armarillo plants not deducted in tax return	(9,700)
Undistributed earnings of investments accounted for by the equity method, on which tax is accrued under APB Opinion No. 24	4,930
Other	(2,613)
	$ 123

AMPEX CORPORATION (APR)

Notes to Consolidated Financial Statements

Note 5 (in part): Income taxes— The income tax expense credit consists of:

	($ thousands) year ended		
	4/28/73	4/29/72	5/1/71
Provision for federal, foreign, and state taxes on income	2,217	3,778	4,378
Taxes deferred in prior periods and eliminated because of net operating losses.	---	(6,135)	(7,584)
Refundable federal taxes arising from carryback of net operating loss to prior years	---	---	(10,853)
Tax benefits realized through utilization of net operating loss carryforward	(1,145)	---	---
	3,072	**(2,357)**	**(14,059)**
Less amounts attributable to discontinued operations and extraordinary gain (Note 2)	746	1,236	(5,485)
Applicable to continuing operations (principally foreign taxes in 1973)	**2,326**	**(3,593)**	**(8,574)**

Opinions No. 23 and 24 of the Accounting Principles Board of the American Institute of Certified Public Accountants, to the extent that they relate to the accrual of taxes with respect to the undistributed earnings of subsidiary and associated companies, first have application to the financial statements of the Company for the year ended April 28, 1973. Under the principles established in the Opinions, it has not been considered appropriate for the Company to provide for United States taxes on undistributed earnings of foreign subsidiaries aggregating about $60,300,000. It is planned that repartriation of approximately $32,000,000 of such earnings will be made during the period in which net operating loss carryforwards are available as an offset; the remainder of such earnings is considered to be indefinitely reinvested. The planned repatriation will consume approximately $36,000,000 of the $60,000,000 net operating loss carryforward which is available at April 28, 1973, and under present laws will be subject to foreign withholding taxes of about $1,860,000. The repartriation will generate foreign tax credits of $4,000,000 in addition to the credits of $1,860,000 resulting from the

foreign tax withholding. Provision has been made during 1973 for taxes related to the foregoing. These taxes are detailed as follows:

	($ thousands)			
	1973	1972	1972	1970 and Prior
U.S. income taxes			910	3,477
Foreign withholding taxes	90	377	321	1,072
	90	**377**	**1,231**	**4,549**
Reversal of foregoing U.S. income taxes occasioned by 1972 operating loss	--	(4,387)	--	--
Net effect	**90**	**(4,010)**	**1,231**	**4,549**
Amount per share (credit)	**$.01**	**$(.86)**	**$.12**	

BLUE BELL, INC. (SEP)

Notes to Financial Statements

Note 1 (in part): Principles of Consolidation— The financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. Accounts of foreign subsidiaries are translated into United States dollars at current or historical exchange rates as appropriate. Gains and losses from currency fluctuations and translations, which have not been material, are included in income.

United States income taxes generally are not provided on undistributed earnings of subsidiaries located outside the United States since the Company intends to continue investing such earnings in operations of these subsidiaries or to remit them to the Company by means of tax—free liquidations.

Note 7: 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 deferred income tax provision for 1973 includes $1,287,000 of future income tax benefits arising from losses of certain foreign subsidiaries in 1973 since the Company believes realization of these benefits is assured beyond any reasonable doubt.

The cumulative amount of undistributed earnings of subsidiaries at September 30, 1973 on which the Company has not provided for United States income taxes which may become due if such earnings were distributed to the Company, 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, is approximately $8,700,000. Under existing income tax laws utilizing available foreign tax credits or deductions, if all undistributed earnings of subsidiaries were distributed to the Company, additional income taxes of approximately $3,100,000 would be payable on earnings accumulated to September 30, 1973. Such taxes have not been provided since the Company intends to continue investing the related accumulated earnings outside the United States.

HERFF JONES CO. (JUN)

Notes to Consolidated Financial Statements

Note 5: Taxes on Income— In computing its federal income tax liability, the Company deducts certain expenses which are deferred for financial statement purposes and uses accelerated methods of depreciation for certain properties. Deferred federal income taxes equivalent to the reduction in income taxes resulting from these timing differences have been provided in the financial statements.

Certain subsidiaries acquired during 1972 had net operating loss carryforwards at the time of the acquisition. The tax benefits of utilizing certain net operating loss carryforwards in 1973 and 1972 have been reflected in the financial statements as a provision for deferred income taxes and a reduction of excess of cost of investment in subsidiaries over equity in net assets as dates of acquisition. At June 30, 1973, these subsidiaries had net operating loss carryforwards available for future use aggregating $343,000 which expire principally in 1976.

The government of Puerto Rico has granted a subsidiary of the Company an industrial tax exemption to 1986 on substantially all income from manufacturing operations in Puerto Rico. No tax provision has been recorded for the manufacturing results of operations of this subsidiary because the Company plans to reinvest the undistributed earnings or remit the earnings in the form of a tax-free liquidation. This is the principal reason why the percentage relationship between the provison for income taxes and income before tax is lower than current tax rates. The cumulative amount of undistributed earnings from Puerto Rican manufacturing operations on which no income tax has been provided is $1,304,187 at June 30, 1973. Since the Company files a consolidated federal income tax return, no income tax is payable on the remittance of undistributed earnings of domestic subsidiaries to the parent company.

The Company follows the accounting policy of reducing the provision for federal income tax for investment tax credits in the year claimed. The current income tax provision has been reduced by $40,000 in 1973 and $55,000 in 1972 for such investment tax credits. The provision for income taxes includes provisions for state taxes on income of $81,000 and $65,000 in 1973 and 1972.

The Internal Revenue Service has assessed income tax deficiencies for the years 1970 and 1971. A protest has been filed but a final settlement has not been reached. Management feels that the ultimate dispositon of this matter will not have a material adverse effect on the financial statements.

PALL CORPORATION (JUL)

Notes to Consolidated Financial Statements

Federal Income Taxes— United States income taxes have not been provided on the earnings of foreign subsidiaries, since management considers such earnings to

be permanently invested abroad. The amount of such accumulated earnings at July 31, 1973 was $516,000.

Deferred income taxes result principally from the use, for tax purposes only, of an accelerated depreciation method.

Investment tax credits are accounted for on the "flow through" method and are treated as a reduction of income tax expense in the year utilized. Such credits amounted to $110,000 in 1973 and $32,000 in 1972.

Pall Corporation has established a domestic international sales corporation (DISC), the earnings of which are partially deferred for tax purposes. Management considers such tax deferral to be permanent since it is intended to use these earnings to finance export operations. The accumulated earnings of the DISC on which income taxes have not been provided are $252,000 at July 31, 1973.

REXNORD INC. (OCT)

Notes to Consolidated Financial Statements

Income Taxes— Income taxes are provided on transactions in the period they enter into determination of net income irrespective of when they are recognized for income tax purposes. The investment credit is treated as a reduction of income tax expense in the year of acquisition of the qualified property; this credit totaled $187,000 in 1973 and $228,000 in 1972. United States income taxes, less allowable credits, are provided on the unremitted income of foreign subsidiaries and affiliated companies to the extent that such earnings are not intended to be reinvested. At October 31, 1973, unremitted income for which United States taxes have not been provided totaled $5,100,000; the estimated net United States taxes which would be payable upon distribution of this income total $1,100,000.

EXCISE TAXES

Thirty-two companies referred to excise taxes in their 1973 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: 1973, $4,668,000; 1972, $4,691,000)	$ 94,731,000
Selling, general, and administrative expenses	19,565,000
Interest expense	1,073,000
Miscellaneous expenses	57,000
	$115,426,000

AMERICAN BRANDS, INC. (DEC)

Notes Accompanying Financial Statements: Excise Taxes and Tobacco Duty— Net sales and cost of sales include federal excise taxes on tobacco products and distilled beverages and United Kingdom tobacco duty in the amounts of $1,231,431,000 in 1973 and $1,264,608,000 in 1972. The U.K. tobacco duty was reduced in 1973 to offset the new value added tax, thus avoiding higher retail prices. The value added tax is not reflected in any reported sales revenue or tax expense.

BROWN-FORMAN DISTILLERS CORPORATION (APR)

	1973	1972
Net sales (Note 5a)	$300,369,859	$273,342,454
Cost of sales (Note 5a)	211,480,533	191,546,056
	$88,889,326	**$81,796,398**

Note 5: Other Information:

a. Sales and cost of sales include Federal excise taxes and import duties of $139,100,000 for 1973 and $128,700,000 for 1972.

LOEWS CORPORATION (AUG)

Notes to Consolidated Financial Statements

Note 1 (in part): Excise Taxes Of— $197,054,000 and $194,752,000 paid on sales of manufactured products in 1973 and 1972, respectively, are included in "sales of manufactured products and revenues of theatre and hotel operations" and "cost of sales and operating costs" in the accompanying statement of consolidated earnings and earnings retained in the business.

THE STANDARD OIL COMPANY (AN OHIO CORPORATION)

	($ thousands)
Gross Sales and Operating Revenue	$1,733,763
Less excise taxes on petroleum products and merchandise	251,769
	$1,481,994

SUN OIL COMPANY (DEC)

	1973	1972
COSTS AND EXPENSES		
Costs and Operating Expenses	$1,232,010,000	$1,042,096,000
Selling, General and Administrative Expenses	308,919,000	302,467,000
Taxes, Other than Income Taxes	123,714,000	112,893,000
Intangible Development Costs	47,157,000	52,145,000
Depreciation, Cost Depletion, Amortization and Retirements	181,079,000	156,146,000
Interest and Debt Expense	45,708,000	38,895,000
	1,938,587,000	**1,704,642,000**
Income Before Provision for Income Taxes	380,306,000	234,299,000
Provision for Income Taxes:		
U.S. Federal	62,561,000	30,999,000
Foreign and Other	88,014,000	48,591,000
	150,575,000	**79,590,000**
Net Income	$229,731,000	$154,709,000

Notes to Financial Statements

Summary of Significant Accounting Policies (in

part) Taxes— Income tax effects of certain items of income and expense are recognized for book purposes in different time periods than for tax purposes. For these timing differences tax deferral allocations are made at current tax rates and reversed at the rates in effect in subsequent periods.

U.S. income taxes generally are not provided on undistributed earnings of foreign subsidiaries because U.S. taxes on distributions would be offset by foreign tax credits.

Investment tax credits are included as a reduction of Federal income tax expense in the year the credit is earned.

Taxes collected on the sale of products and remitted to governmental agencies are not included in the consolidated statement of income.

Taxes (in part)—

TAXES, OTHER THAN INCOME TAXES, CHARGED TO INCOME:

	1973	1972
	($ Thousands)	
Capital stock and franchise	$ 3,366	$ 3,225
Payroll	14,945	11,611
Crude oil and natural gas production	63,820	54,502
Ad valorem	32,650	33,799
Import, excise, sales and other	8,933	9,756
	123,714	**112,893**
INCOME TAX EXPENSE COMPONENTS:		
Income taxes currently payable:		
U.S. Federal	34,860	9,044
Foreign and other	76,974	48,450
Deferred Taxes:		
U.S. Federal	27,701	21,955
Foreign and other	11,040	141
	150,575	**79,590**
TAXES COLLECTED AND PAID FOR OTHERS:		
Excise taxes collected from customers	503,466	484,056
Taxes collected from employees	72,483	67,236
	575,949	**551,292**
	$850,238	**$743,775**

TEXACO INC.

DEDUCTIONS:	1973	1972
Costs and Operating Expenses	$ 7,874,930,000	$5,892,033,000
Selling, general and administrative expenses	868,715,000	788,867,000
Dry hole costs	49,567,000	42,507,000
Depreciation, depletion, and amortization	550,704,000	426,872,000
Interest charges	142,959,000	107,810,000
Taxes other than income taxes*	305,099,000	254,260,000
Provision for income taxes – current	598,800,000	486,800,000
–deferred	134,452,000	69,492,000
Minority interest in net income	17,496,000	14,174,000
	$10,542,722,000	**$8,082,815,000**

*In addition, motor fuel and other taxes collected from consumers and paid (or accrued) to governmental agencies in the United States and abroad amounted to $2,033,188,000 during 1973 and $1,777,173,000 during 1972.

TABLE 3-20: TRANSLATION OF FOREIGN CURRENCY ACCOUNTS

Terminology	1973	1972	1971	1970
Translated	374	319	237	159
Converted	13	29	28	38
Stated or expressed	2	16	15	18
Included	2	9	8	9
Other term	–	–	2	3
	391	**373**	**290**	**227**
No descriptive term	46	63	125	219
No reference to foreign operations	163	164	185	154
Total Companies	**600**	**600**	**600**	**600**

Translation method used for balance sheet Accounts–1973	
Current-Noncurrent method	158
Monetary-Nonmonetary method	
Inventory at historical	51
Inventory at current	35
All accounts except fixed assets at current	96
"Appropriate" rates	34
Other methods	17
Method not disclosed	46
No reference to foreign operations	163
Total Companies	**600**
Translation method used for income statement accounts-1973	
All accounts except depreciation at average rates	242
All accounts at average rates	30
Other methods	26
Method not disclosed	139
No reference to foreign operations	163
Total Companies	**600**

TRANSLATION OF FOREIGN CURRENCY ACCOUNTS

Chapter 12 of *ARB No. 43* as amended by paragraph 18 of *APB Opinion No. 6* and paragraph 23 of *APB Opinion No. 30*, presents a summary of generally accepted accounting principles for translating foreign currency accounts into United States dollars. Paragraph 6 of *Statement of Financial Accounting Standards No. 1 – Disclosure of Foreign Currency Translation Information*, issued in December 1973 by the Financial Accounting Standards Board, specifies translation disclosures required in financial statements.

Table 3-20 summarizes translation terminology and methodology. Table 3-21 shows the accounting treatments for translation adjustments. In 1973 only a small number of the survey companies identified the foreign currencies being translated into U.S. dollars. Excluded from Table 3-21 are those companies (246 in 1973, 184 in 1972, 52 in 1971, and 32 in 1970) which did not disclose the amount of the translation adjustment.

TABLE 3-21: TRANSLATION ADJUSTMENTS

	1973	1972	1971	1970
Accounting Treatment				
Ordinary charge or credit	97	33	44	29
Deferred	63	19	47	N/C
Charged to reserve	22	28	15	23
Extraordinary charge or credit to income	4	14	35	7
Other	--	--	--	7
Total Adjustments	**186**	**94**	**141**	**66**
Number of Companies				
Disclosing foreign exchange adjustment	143	80	124	52
Not disclosing	457	520	476	548
Total	**600**	**600**	**600**	**600**

N/C— Not Compiled.

Examples of foreign currency account translations follow.

AMERICAN METAL CLIMAX, INC. (DEC)

Notes to Financial Statements ($ thousands)

Note 1 (in part): Summary of Significant Accounting Policies: Foreign Currencies— Accounts stated in foreign currencies are translated into U.S. dollar amounts as follows: (a) current assets and current liabilities at the exchange rate at the balance sheet date, (b) all other assets and liabilities and capital accounts at historical rates, and (c) income and expense items (except depreciation and depletion which are translated at historical rates) at average rates prevailing during the year. Prior to 1973 unrealized gains or losses arising from foreign currency translation were not material and were included in earnings. This policy was changed in 1973 because of the continuing realignments of foreign currencies in relation to the U.S. dollar. Effective January 1, 1973, unrealized gains from foreign currency translation were deferred and are to be credited to income to the extent of losses previously or currently charged to income. Net losses are accrued on unperformed forward exchange contracts and gains are recorded at maturity.

Note 5: Foreign Exchange— Foreign exchange losses of $5,180 were charged against earnings in 1973 and profits at December 31, 1973 of $4,360 on open forward exchange contracts have been deferred. Unrealized foreign exchange gains of $8,080 arising from currency translations are deferred in Reserves and other liabilities at December 31, 1973. Translated at rates of exchange in effect on December 31, 1973, long-term debt would increase by $590.

GAF CORPORATION (DEC)

Summary of Significant Accounting Policies

Translation of Foreign Currencies— Current assets and current liabilities of foreign subsidiaries and long-term foreign obligations are translated into U.S. dollars at year-end exchange rates, other assets and liabilities and depreciation at historical dollar values and other operating accounts generally at average exchange rates for the year.

Prior to 1973, foreign exchange gains and losses were included in income. In 1973, however, the Company modified this policy in response to major and unprecedented changes in the international monetary markets (including, among other conditions, the floating, without limitation, of major international currencies). Under the modified policy, cumulative foreign translation gains are deferred to the extent they exceed translation losses previously charged to income. Foreign translation losses will be charged to income currently to the extent they exceed net translation gains previously deferred.

Notes to Consolidated Financial Statements

Note 1: Foreign Operations— In 1973, the Company had a $2,166,000 unrealized foreign currency exchange gain including $225,000 of unrealized gains at December 31, 1973 on forward exchange contracts. Unrealized foreign currency exchange losses for 1972, amounting to $447,000, were charged to income in 1972.

Reference is made to the Foreign Operations section of the Financial Review for amounts relating to net income and net assets of foreign subsidiaries.

Financial Review

Foreign Operations— The 1973 major foreign financing of 50 million Swiss francs (approximately $16.5 million at the time of borrowing) and 100 million Belgian francs (approximately $2.6 million at the time of borrowing) reduced, to some extent, the Company's potential exposure to fluctuations in the relative values of West Europe currencies and the U.S. dollar. The Company's foreign subsidiaries are located principally in Canada, Western Europe, and Australia.

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

	($ thousands)	
December 31	**1973**	**1972**
Current Assets	$53,976	$42,001
Other assets	9,993	12,571
Total assets	**63,969**	**54,572**
Current liabilities	21,321	20,162
Other liabilities	5,863	2,629
Total liabilities	**27,184**	**22,791**
Net assets	**$36,785**	**$31,781**

Recognizing the probability of more frequent and significant fluctuations in currency values, the Company modified its accounting at the beginning of 1973 to defer gains on foreign currency fluctuations. At year-end, the Company's deferred foreign currency translation gains were $2.2 million, including $1.1 million applicable to the 50 million Swiss franc loan. Such loan had been exchanged to $16.5 million at the date the loan was secured, and at the 1973 year-end exchange rate, was translated at $15.4 million, at which value the loan is included in long-term debt.

The foreign subsidiaries achieved major gains of 35%

in sales and 128% in net income. The consolidated statement of income includes the following amounts with respect to foreign subsidiaries:

	($ thousands)	
Year Ended December 31	**1973**	**1972**
Net sales	$106,414	$78,849
Net income	$ 5,882	$ 2,576

W.R. GRACE & CO. (DEC)

Statement of Accounting Policies

Translation of Foreign Currencies— The assets and liabilities of foreign subsidiaries have been translated into United States dollars at year end rates of exchange, except that properties and equipment and certain non-current assets including goodwill (and the related depreciation and amortization) have been translated at the rates prevailing on the dates of acquisition. Income and expenses (other than depreciation and certain amortization) have been translated at weighted average exchange rates prevailing during the year. Foreign currency exchange adjustments are charged or credited to income currently, except that (1) those adjustments arising from the translation of indebtedness incurred to finance additions to properties and equipment and certain permanent investments are amortized over the estimated useful lives of the related assets, and (2) gains on forward exchange contracts which have not matured, to the extent not directly associated with current translation losses, are recognized in income upon maturity.

Notes to Financial Statements

Note 8: Foreign Currency Exchange Adjustments— Foreign currency exchange adjustments amounting to a net gain of $6,239,000 originated during the year (1972 $2,349,000 net gain). In accordance with the Company's policy, a net unrealized exchange loss of $1,985,000 from the translation of indebtedness incurred to finance additions to properties and equipment and certain permanent investments was deferred at December 31, 1973. Unrealized gains of $2,269,000 on unmatured forward exchange contracts were not recognized in the consolidated financial statements at December 31, 1973, also in accordance with the Company's policy. No such deferred losses or unrecognized gains arose in 1972. Exchange adjustments taken into income in 1973 from the translation of other accounts and from completed transactions amounted to a net gain of $5,400,000 (1972 – $2,100,000), after deducting amortization of $555,000 (1972 – $249,000) of net unrealized exchange losses deferred in a previous year. Cumulative deferred exchange adjustments at December 31, 1973 of $2,675,000 (1972 – $1,245,000) are included in "Long term receivables and other assets".

R.J. REYNOLDS INDUSTRIES, INC. (DEC)

Notes To Consolidated Financial Statements

Note A (in part): Summary of Significant Accounting Policies and Related Matters

Foreign Currency Translation and Foreign Operations— Current assets (other than leaf tobacco inventories) and current liabilities denominated in foreign currencies are translated at year-end exchange rates; other assets and liabilities are translated at the prevailing rate when the asset was acquired or the liability incurred. Long-term ship mortgage bonds, which are payable in foreign currencies, were recorded at the U.S. dollar equivalent of the bonds at their issue date. Differences between U.S. dollars required for the principal payments and the recorded bond amount are charged or credited to other (income) expense, net. Foreign currency revenues and expenses were translated at average exchange rates during the year, except that depreciation, depletion and amortization and leaf tobacco costs were translated at the exchange rates in effect on the dates the related assets were acquired. Losses resulting from foreign currency translation are expensed to the extent they exceed translation gains.

During 1972 the Company recognized net foreign currency translation losses of $332,000, all of which were charged to other (income) expense, net, bringing to $960,000 the amount of net translation losses charged against income through December 31, 1972. In 1973, the Company had translation gains of $2,052,000, of which $960,000 was credited to other (income) expense, net, and the remaining $1,092,000 was credited to reserves and non-current liabilities. At December 31, 1973, the U.S. dollar equivalent of ship mortgage bonds would have been $4,527,000 greater if translated at year-end rates rather than at the rates in effect on date of issue.

The financial position of the Company's foreign operations at December 31,1973 and 1972 and results for the years then ended were as follows:

	1973	**1972**
	($ thousands)	
Assets	$270,623	$222,248
Liabilities	144,382	95,291
Net sales and revenues	460,152	344,584
Earnings from operations	71,886	46,257
Net earnings	28,701	12,690

WHITTAKER CORPORATION (OCT)

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of Significant Accounting Policies

Translation of Foreign Currencies— Whittaker uses the monetary/non-monetary method of translating the accounts of its foreign subsidiaries into United States dollars. Inventory, property, plant and equipment and other non-monetary assets and liabilities are translated at the rates of exchange in effect when they were acquired or incurred. Cash, receivables, payables and other monetary assets and liabilities are translated at the rate of exchange in effect at the end of the period. Translation adjustments are deferred to the extent that they are incurred on monetary liabilities directly related to the acquisition of non-monetary assets. All other translation adjustments are taken into current income as they occur. Revenue and expense accounts are translated at a weighted average of exchange rates which were in effect during the year, except for consumption of inventory, depreciation of fixed assets and amortization of prepaid expenses and other non-mone-

tary assets, which are translated at the rates that were in effect at the time the respective assets were acquired.

Deferred translation gains or losses are credited or charged to current income as the indebtedness becomes current or the related asset is consumed, depreciated or amortized. Unrealized gains or losses on forward exchange contracts are recognized as exchange rates fluctuate except that unrealized gains are recognized only to the extent of translation losses in the related currency.

Foreign currency translation adjustments of $1,264,000 in 1973 and $256,000 in 1972 have been credited to income and are included in "Income of operations to be retained, before extraordinary items" in the Consolidated Statement of Operations. "Investments and miscellaneous" in the Consolidated Balance Sheet at October 31, 1973 includes deferred translation losses amounting to $132,000.

During 1973, Whittaker took steps to hedge substantially against future foreign exchange translation losses relating to its French subsidiaries, including the purchase of a two year forward exchange contract.

Exchange Adjustment Included in Income

CORNING GLASS WORKS (DEC)

Statement of Accounting Policies

Translation of Foreign Currencies— Foreign investments, goodwill, property and equipment, and depreciation are expressed in U.S. dollars at rates of exchange prevailing when the assets were acquired. All other foreign assets and liabilities are translated at year-end rates. Income and expenses (other than depreciation) are converted at rates prevailing during each year.

Consolidated gains and losses resulting from exchange rate fluctuations are generally reflected in current earnings. Consolidated gains, and consolidated losses in excess of short-term gains, are deferred when they are related to long-term receivables or loans payable beyond one year and are amortized over the remaining term. Gains and losses on forward exchange contracts are recognized when they are realized.

Notes to Consolidated Financial Statements

International Activities— Net assets employed in international activities were $118,477,000 at December 30, 1973, and $75,506,000 at December 31, 1972 (see page 3). Net sales outside the United States, including Corning Glass Works export sales, were $289,223,000 in 1973 and $184,748,000 in 1972.

Foreign currency translation gains and losses are included in net income as follows:

	($ thousands)	
	1973	**1972**
Gains (losses) originating in the year	$ 375	$ 794)
Amortization of previously deferred losses	(630)	(334)
Portion of the cost of early retirement of the 6% Swiss Franc debentures representing a realized exchange loss (before $2,660,000 tax benefit)	(5,542)	
	$(5,806)	**$(1,128)**

At December 30, 1973, $602,000 deferred exchange adjustments originating prior to 1973 are included in Other Assets. If unperformed foreign exchange contracts had been settled at December 30, 1973, a $529,000 gain would have been recognized.

THE GOODYEAR TIRE & RUBBER COMPANY (DEC)

Financial Review

Foreign Operations— Earnings from foreign operations included in consolidated net income for 1973 amounted to $64,462,000 ($59,036,000 for 1972). After deducting $32,923,000 in 1973 for minority shareholders' equity, the net foreign assets were $722,391,000 at December 31, 1973 ($647,341,000 at December 31, 1972).

Foreign currency balance sheet accounts are translated into U.S. dollars at current exchange rates except for property and inventory accounts which are translated at historical rates. Revenue and expense accounts are translated at the current rates in effect during each month except for depreciation and amortization which are translated at the rates of exchange in effect when the respective assets were acquired. The effects of fluctuations in exchange rates (including provision for losses assuming forward exchange contracts had been closed at December 31) are taken to income and included appropriately in cost of goods sold and income taxes except that adjustments applicable to long term debt are deferred and amortized over the terms of the related long term foreign indebtedness. Foreign currency exchange adjustments charged to income in 1973 were $3,901,000 ($2,982,000 in 1972) including $1,615,000 amortization of previously deferred exchange adjustments. The unamortized balance of deferred exchange adjustments included in deferred charges at December 31, 1973 was $15,082,000 ($6,401,000 at December 31, 1972) which represented future charges to income of $5,283,000 after taxes where applicable ($3,578,000 at December 31, 1972).

ROHM AND HAAS COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Translation Procedures followed in converting foreign currency accounts into United States dollars are : (1) land, buildings and equipment (and related depreciation), goodwill and intangibles are translated at historic rates of exchange; (2) all other assets and liabilities are generally translated at current rates of exchange; and (3) income, costs and expenses, other than depreciation, for each month are translated at the current exchange rate in effect for that month. Foreign exchange adjustments, including recognition of unperformed foreign exchange contracts, are charged or credited to current income.

Note 3: Foreign Exchange Adjustments— Prior to

1973, exchange losses on a long-term foreign currency loan were being amortized over the life of the loan. At December 31, 1972, the deferred loss amounted to $222,000 which was fully amortized in 1973 when the loan was paid off.

Exchange adjustments included in income tax are:

	1973	1972
Foreign exchange adjustments originating during the year	$(391,000)	$(828,000)
Amortization of discounted foreign currency loan	(222,000)	(72,000)
Net gain (loss) before income taxes	(613,000)	(900,000)
Income tax credits	873,000	62,000
Net gain (loss)	**$ 260,000**	**$(838,000)**

	1973	1972
	($ thousands)	
Deferred Gains, Balance January 1	$3,710	$2,336
Gains Originating in Current Year	7,116	1,237
	10,826	**3,573**
Gains (Losses) Included in Current Year Income Before Taxes	5,771	(137)
Deferred Gains, Balance December 31	**$5,055**	**$3,710**

In addition to these exchange adjustments, changes from 1972 in currency exchange rates used to translate sales, costs and expenses denominated in foreign currencies into U.S. dollars increased 1973 Income Before Taxes by $12,232,000. The resulting total effect of changes in currency exchange rates after applicable income taxes was +14c. per share in 1973 versus 1972 and + 2c. per share in 1972 versus 1971.

Exchange Adjustment Deferred

MERCK & CO., INC. (DEC)

Notes to Financial Statements

Note 1 (in part): Summary of Accounting Policies

Principles of Consolidation— The consolidated financial statements include the accounts of the Company and all subsidiaries. Accounts of foreign subsidiaries and branches are translated into United States dollars at the following rates of exchange: imported inventories, fixed assets and related depreciation—at rates prevailing at dates of acquisition; net assets protected against exchange fluctuation—at rates fixed by contract; remaining net assets—at free rates in effect at year end; income and expenses other than depreciation and imported inventories—at average rates each month. Realized gains and both realized and unrealized losses arising from foreign currency translation of assets and liabilities are included in other income (net gain) or other expenses (net loss) currently. Unrealized gains from such balance sheet translations are included in current operating results up to the amount of net losses that had been previously recognized from asset and liability translations of the same foreign currency. All other unrealized gains are deferred and included in current liabilities until they are realized.

Note 2 (in part): Foreign Operations— Foreign operations accounted for approximately 45% of sales in 1973 and 42% in 1972. The rate of profit on these sales is not substantially different from that experienced by the business as a whole. Earnings of foreign subsidiaries and branches are generally available for remittance to the United States.

Exchange adjustments and balances arising from changes in the currency exchange rates used to translate assets and liabilities denominated in foreign currencies into U.S. dollars are as follows:

RANCO INCORPORATED (SEP)

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of Accounting Policies: Translation of Currencies— Assets and liabilities of international subsidiaries and affiliates have been translated at the rates of exchange in effect at year-end except for inventory, property, plant and equipment which have been translated at rates of exchange prevailing at date of acquisition. Revenues and expenses have been translated at the weighted average rates of exchange in effect during the year except for depreciation which is translated at rates of exchange in effect when the respective assets were acquired. Translation adjustments are deferred to the extent that they do not exceed those attributable to long term debt and are amortized by the interest method over the remaining term of the debt.

Unrealized currency translation adjustments occurring in 1973 approximated $474,000, and amounts amortized and included in other income approximated $129,000, respective amounts in 1972 were $335,000 and $67,000. At September 30, 1973, $257,000 of deferred translation adjustments are included in other assets.

UMC INDUSTRIES, INC. (DEC)

Notes to Financial Statements

Note 1 (in part): Summary of Accounting Policies: Principles of Consolidation— The consolidated financial statements include the accounts of all subsidiaries. All significant intercompany items have been eliminated.

The voting trusts which held the outstanding shares of two subsidiaries were dissolved in September, 1973. As a result of the dissolution, control over these subsidiaries reverted to the Company and, accordingly, the accounts of these subsidiaries (previously carried on the equity basis of accounting) have been consolidated. The accounts for 1972 have been restated to give effect to

the consolidation. Such restatement increased working capital by $2,931,000 in the 1972 consolidated financial statements, total assets by $3,769,000, and net sales and other operating revenues by $12,952,000; there was no effect on net earnings or earnings per share as previously reported.

Current assets (except inventories), current liabilities and long-term liabilities of subsidiaries located outside the United States are translated into United States dollars at year-end exchange rates. Inventories and noncurrent assets are translated at historical rates. Statements of operations are translated at average rates prevailing during the year, except that depreciation and amortization are translated at historical rates. The net unrealized gains from foreign currency translation have been deferred pending further international monetary developments.

Note 3: Foreign Subsidiaries— The accompanying consolidated financial statements include the accounts of the Company's foreign subsidiaries as follows:

	1973	1972
Total assets	$14,872	$12,972
Net assets	$ 5,665	$ 4,462
Net sales and other operating revenues	$22,147	$16,136
Net earnings	$ 1,574	$ 696

Translation of the accounts of these subsidiaries into United States dollars resulted in net unrealized gains of $378,000 at December 31, 1973 (an increase of $364,000 from the prior year) and $14,000 at December 31, 1972 (a decrease of $8,000 from the prior year). Such unrealized gains have been deferred and are included in other accrued liabilities in the consolidated balance sheet.

Commencing in February, 1973, the Company began to take income, ratably, over 24 months, a technical assistance fee of approximately $1,000,000 in connection with a Japanes license agreement.

For 1973, net sales and other operating revenues of foreign subsidiaries includes approximately $460,000 of such fee.

THE UPJOHN COMPANY (DEC)

Notes to Consolidated Financial Statements

Note A (in part): Summary of Significant Accounting Policies— Foreign working capital is translated into dollars at year-end exchange rates except that inventories are translated at the lower of the historical or year-end rates. Other foreign assets, liabilities and allowances for depreciation are translated at historical rates. Results of foreign operations are translated at average rates of exchange in effect during the year, adjusted to reflect items translated at historical rates.

Realized foreign exchange gains and losses are included in earnings. Unrealized exchange gains are deferred and unrealized losses are charged against such deferral with any excess charged to earnings.

Note E: Foreign Operations— Amounts in the consolidated financial statements related to foreign operations are as follows:

	1973	1972
Working capital	$ 97,915,000	$85,759,000
Property and other assets (net)	33,325,000	28,145,000
Noncurrent liabilities	(10,144,000)	(9,120,000)
Minority equity	(12,826,000)	(8,773,000)
Equity in foreign assets	$108,270,000	$96,011,000

Contribution to earnings before tax as a percent of sales for individual lines of business is approximately the same for foreign and domestic sales.

Provision for United States and foreign taxes payable upon distribution of dividends by foreign subsidiaries has not been made for undistributed earnings of $68,600,000 because such earnings are considered to be permanently invested in the operations of the foreign subsidiaries.

An analysis of foreign exchange adjustments is as follows:

	1973	1972
Deferred exchange gain, beginning of year	$1,379,000	$1,220,000
Exchange gain originating during the year	1,975,000	788,000
Realized gain included in earnings	(511,000)	(629,000)
Deferred exchange gain, end of year	$2,843,000	$1,379,000
Minority equity in deferred exchange gain	$921,000	$926,000

THE VENDO COMPANY (DEC)

	1973	1972
OTHER INCOME:		
Interest	$1,562,534	$2,055,531
Royalty	969,579	864,238
Currency exchange gains (Note 1)	536,485	281,734
Miscellaneous	377,210	523,842
	$3,445,808	**$3,725,345**

Note 1 (in part): Translation of Foreign Currencies— The accounts of the foreign subsidiaries included in the consolidated financial statements have been translated to U.S. dollars as follows: at rates prevailing during the year for sales, costs (except depreciation) and expenses; and at year-end rates for liabilities and assets (except plant and equipment and related depreciation reserves for which historical rates have been used).

Currency exchange and translation gains totaled $1,085,132 for 1973 and $281,734 for 1972. The realized portion of the 1973 gain ($536,485) and all of the 1972 gain have been included in the consolidated statement of income. The unrealized gain ($548,647) from the translation of December 31, 1973 financial statements of foreign subsidiaries has been deferred because of economic uncertainties in countries where the Company operates.

Translation gains deferred at December 31, 1973 will be used to offset translation losses in future years or be recognized as income when realized. The deferred gain has been classified as a current item in the consolidated balance sheet since it resulted primarily from the translation of current assets and liabilities.

Effect of Translating Long Term Receivables and Payables at Current Rates

SAFEWAY STORES, INCORPORATED (DEC)

Financial Review

Summary of Accounting Policies (in part): Translation of Foreign Currencies— Current assets and current liabilities are translated at the rate of exchange in effect at the close of the period. Long-term assets and long-term liabilities are translated at historical rates. Net unrealized losses from foreign currency translation are charged to income currently. Net unrealized gains are deferred, except that these gains are credited to income to the extent of losses previously charged to income.

Revenues and expenses are translated at weighted average of exchange rates which were in effect during the year, except for depreciation and amortization which are translated at the rates of exchange which were in effect when the respective assets were acquired.

In 1973, there was an unrealized foreign currency exchange gain of $640,706. Of this amount, there was a foreign exchange gain of $81,229 arising from the translation of the overseas subsidiaries' accounts which has been credited to deferred foreign currency exchange gain. $559,477 of foreign currency exchange gains arising from translation of the Canadian subsidiaries' accounts is credited to Other Income to offset losses previously charged to income. Accumulated deferred foreign currency exchange gains of $151,264 are included in payables and accruals in the December 29, 1973 balance sheet.

Translated at the rates of exchange in effect on December 29, 1973, long-term receivables would increase by $19,444 and long-term debt would increase by $212,380.

Forward Exchange Contracts

AMPCO-PITTSBURGH CORPORATION (DEC)

Notes to Financial Statements

Note 1 (in part): Translation of Foreign Currencies — Balances and transactions in foreign currencies have been translated to United States dollars as follows: inventories, investments and property, plant and equipment — at rates current on dates of acquisition; accumulated depreciation and amortization-on basis of dollar value of the related assets; all other assets and liabilities-at rates current at end of period and operating income and expenses-at average monthly rates. Exchange adjustments, including gain or loss on settled forward exchange contracts, are recognized in income in the period incurred. During the years ended December 31, 1973 and 1972, the net gain (loss) on exchange adjustments reflected in the determination of income amounted to $81,671 and $(27,729), respectively. At December 31, 1973 and 1972, the unrecognized gain on unperformed forward exchange contracts amounted to $58,785 and $14,136, respectively.

INMONT CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Foreign Currency Translation— Assets and liabilities of foreign subsidiaries are translated into U.S. dollars at year-end exchange rates, except that fixed assets (and related depreciation) are translated at rates prevailing at dates of acquisition. Income and expense items (other than depreciation) are translated at the average rates of exchange prevailing during the year.

The reserve for "Assets in Foreign Countries" is carried in recognition of the Company's exposure to foreign exchange fluctuations, devaluations and other possible foreign losses which may affect the Company's foreign investments and operations. Unrealized foreign exchange gains and losses are credited or charged to this reserve. Losses on forward exchange contracts are accrued currently; gains on such contracts are deferred until settlement.

Note 3: Foreign Exchange Adjustments— Realized foreign exchange gains reflected in income amounted to $288,000 in 1973 and $81,000 in 1972.

Unrealized foreign exchange gains or losses, arising primarily from the translation of foreign currency assets and liabilities into U.S. dollars, resulted in a net credit to the reserve for "Assets in Foreign Countries" of $645,000 in 1973 and a charge of $263,000 in 1972. At December 31, 1973 a net cumulative gain of $170,000 was included in this reserve.

At December 31, 1973, the unrealized gain on an unperformed forward exchange contract, based on the exchange rate then in effect, amounted to $203,000.

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

BATH INDUSTRIES, INC. (DEC)

Summary of Significant Accounting Policies

Long Term Contract Accounting Procedures— The performance of long term fixed price shipbuilding contracts extends over several years and requires estimates of both contract prices and future costs of work to be performed. Estimates of both contract prices and costs are revised each year (quarterly) for all known factors. These estimates usually are not finalized until after the ships have been completed and delivered. Therefore, under the percentage of completion method used for fixed price contracts, contract profit or loss includes the estimated effect of change orders and claims and the cumulative effect of using the most current contract estimates of sales price and final cost. Accordingly, in 1973, as in prior years, net sales includes amounts for change orders and claims relating to ships previously delivered and the cumulative effect of current sales price and cost estimates.

Accrued profits for fixed price contracts are determined by applying percentages of completion (related to costs incurred) for each year (quarterly) to the estimated final retainable earnings for the respective contracts. The percentages used are the same that are furnished to the customers for billing purposes. Should the estimate on a contract indicate a loss, it is the Company's practice to record the entire estimated loss in the year first indicated.

Costs incurred on shipbuilding contracts plus accrued profits in excess of progress billings are recorded as a current asset in the accompanying balance sheets.

The Company's income derived from long term U. S. Government contracts is subject to renegotiation. Clearances have been obtained for all years through 1971. No refunds are anticipated for 1972 and 1973.

TABLE 3-22: METHOD OF ACCOUNTING FOR LONG-TERM CONTRACTS

	1973	1972	1971	1970
Percentage-of-completion	66	62	36	35
Completed contract	10	12	8	8
Not determinable	10	6	20	60
Referring to long-term contracts	**86**	**• 80**	**64**	**103**
Not referring to such contracts	514	520	536	497
Total Companies	**600**	**600**	**600**	**600**

CURTISS-WRIGHT CORPORATION (DEC)

Notes to Financial Statements

Note 1 C: 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 complete such contracts. General and administrative expenses are accounted for as period charges and are, therefore, not included in the calculation of the estimates to complete. 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 provision become known.

NORTHROP CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note A (in part): Summary of Accounting Policies

Sales Contracts— Sales under cost-reimbursement and construction type contracts are recorded as costs are incurred and include the earned fee or profit based upon the relationship that total costs incurred to date bear to total estimated costs. Sales are recorded under fixed-price contracts as deliveries are made based upon the estimated total cost of the contract plus a proportionate share of the profit. Certain fixed-price contracts contain price redetermination and incentive provisions to which applicable recognition has been given in the financial statements.

Note E: Long Term Contract— The Corporation is engaged in the performance of a long-term contract (accounted for by the percentage of completion method) with the Imperial Government of Iran. Contract performance delays and additional customer requirements have caused the ultimate job completion date to be extended, resulting in increases in the estimated final cost. During 1973, the Corporation submitted documentation of contract changes, covering the delays and additional customer needs, for the purpose of securing appropriate increases in the contract price.

As a result, in August 1973, the customer allocated an additional $60 million to the program, increasing the total funds to approximately $205 million, without agreeing to that figure as the final price.

In 1975, after conclusion of the project, the parties will negotiate a final contract price, giving consideration to the reasons and justifications for the increased costs and the extent of each party's responsibility for them.

Management expects to resolve these negotiations satisfactorily and expects the contract to be profitable. However, due to the uncertainties and until the completion of final price negotiations, the Corporation will not record any additional profit on this contract—a policy followed since January 1, 1972.

In March 1974, substantially all accounts receivable as of December 31, 1973, were paid. The customer has agreed to make future payments consistent with incurred costs.

RAYTHEON COMPANY (DEC)

Notes to Financial Statements

Note A (in part): Accounting Policies

Contracts in Process— Sales under long-term contracts are recorded under the percentage of completion method wherein costs and estimated gross margin are recorded as sales as the work is performed. Estimated gross margin provides for the recovery of allocable research, development, marketing (including bid proposal), selling and administration costs. 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 contracts, increased funding has been assumed based on expected 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. Since many contracts extend over a long period of time, revisions in cost and funding estimates during the progress of work have the effect of adjusting earnings 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, contracts in process are stated at cost plus estimated profit but not in excess of realizable value.

Note C: Contracts in Process— Contracts in process consist of the following at December 31:

	1973			1972		
	Cost Type	Fixed Price Type	Total	Cost Type	Fixed Price Type	Total
U.S. GOVERNMENT END USE CONTRACTS:						
Billed	$11,341,523	$12,050,028	$23,391,551	$13,223,908	$17,478,592	$30,702,500
Unbilled	17,233,635	293,781,385	311,015,020	13,098,721	250,529,071	263,627,792
Less progress payments	---	202,947,735	202,947,735	---	170,335,187	170,335,187
Total	**28,575,158**	**102,883,678**	**131,458,836**	**26,322,629**	**97,672,476**	**123,995,105**
OTHER CUSTOMERS:						
Billed	14,840,628	7,765,660	22,606,288	10,394,324	11,124,659	21,518,983
Unbilled	10,419,986	203,994,435	214,414,421	6,361,653	151,454,902	157,816,555
Less progress payments	---	192,927,708	192,927,708	---	139,548,955	139,548,955
Total	**25,260,614**	**18,832,387**	**44,093,001**	**16,755,977**	**23,030,606**	**39,786,583**
	$53,835,772	**$121,716,065**	**$175,551,837**	**$43,078,606**	**$120,703,082**	**$163,781,688**

Accounts receivable and contracts in process in 1972 have been restated to conform in presentation to 1973. The U. S. Government has a security title in unbilled contracts associated with those contracts which provide for progress payments.

THE RILEY COMPANY (JUN)

Consolidated Balance Sheets

CURRENT ASSETS:	
Unbilled contract work (Note 1)	$5,498,474
CURRENT LIABILITIES:	
Advances and deferred contract revenue (Note1)	$21,052,041

Consolidated Statements of Income and Retained Earnings

Net sales and contract revenues	$112,310,227

Note 1 (in part): Accounting for Long-Term Contracts— Riley Stoker Corporation recognizes income on long-term contracts on a percentage-of-completion method. The percentage of completion is determined by relating the actual cost of work performed to date to the current estimated total cost of the respective contracts. When the estimate on a contract indicates a loss, the Company's practice is to record the entire loss. Unbilled contract work represents the excess of costs incurred and profits recognized on the percentage-of-completion accounting method to date over billings to date on certain contracts. Advances and deferred contract revenue represent the excess of billings to date over costs incurred and profits recognized on the percentage-of-completion accounting method to date on the remaining contracts.

SCOPE INCORPORATED (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Contract Income— Income under cost-plus-fixed-fee contracts is recorded on the basis of direct cost plus overhead, plus an allocable portion of the fixed fee.

Income from fixed price contracts is accrued on the percentage of completion method with costs and estimated profits included in sales as work is performed; if the estimate of total contract costs indicates a loss, provision is made for the estimated loss anticipated on the contract. General and administrative expenses are included in costs allocated to the contracts in accordance with contractual provisions.

Completed Contract Method

AIR PRODUCTS AND CHEMICALS, INC. (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Major Accounting Policies

Accounting for Sales— The Company and its wholly owned subsidiary, Catalytic, Inc., record profits on fixed price contracts for the sale of major equipment and plant construction principally on the completed contract method; however, provisions for anticipated losses are made on incomplete contracts when determinable. Income from royalties is reported in the periods in which earned.

AMERICAN CHAIN & CABLE COMPANY, INC. (DEC)

Notes to Financial Statements

Note 1 (in part): Accounting Policies— A significant portion of the material handling business is performed under long-term contracts, which are accounted for on the completed contract method. Under this method, no revenue is recognized in the accounts until the contract is 95% complete. Whenever losses are anticipated, however, appropriate reserves are established immediately. Price increases on contracts are not recorded until customer approval is obtained.

CHICAGO BRIDGE & IRON COMPANY (DEC)

Consolidated balance sheets

CURRENT ASSETS:	
Contracts in progress with accumulated costs exceeding related progress billings (Note 1)	
Accumulated costs	$116,100,936
Progress billings	(72,567,817)
CURRENT LIABILITIES:	
Contracts in progress with progress billings exceeding related accumulated costs (Note 1)–	
Progress billings	$311,109,087
Accumulated costs	(239,993,754)

Consolidated Statements of Income

INCOME:	
Contracts closed (Note 1)	$364,823,546
Costs of contracts closed (Note 1)	282,001,248
	$82,822,298

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.

MINORITY INTERESTS

Table 3-23 shows that of the 225 survey companies indicating in their 1973 annual reports the existence of minority stockholder interest, 127 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

	1973	1972	1971	1970
Shown among other expenses (*116, 252, 702)	52	55	63	52
Shown in separate section after income taxes (*127, 233, 713)	75	66	57	58
Minority interest exists, but amount not disclosed	98	107	104	94
Subtotal	**225**	**228**	**224**	**204**
No indication of minority interest	375	372	376	396
Total Companies	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

EQUITY IN EARNINGS OR LOSSES OF INVESTEES

Paragraph 19 of *APB Opinion No. 18* 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. 30* should be classified in a similar manner unless they are immaterial in the income statement of the investor.

TABLE 3-24: EQUITY IN EARNINGS OR LOSSES OF INVESTEES

	1973	1972	1971	1970
Shown among other income or expenses (*88,236,574)	161	159	119	91
Shown in separate section after income taxes (*71, 239, 764)	56	55	52	41
Disclosed in notes or elsewhere (*100, 177)	52	35	24	22
Subtotal	**269**	**249**	**195**	**154**
Amount not disclosed	62	87	75	64
No investees at equity	269	264	330	382
Total Companies	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

Examples of the presentation of equity in earnings or losses of investees are shown in connection with Tables 2-23 to 2-26.

TABLE 3-25: OPERATING RESULTS OF DISCONTINUED OPERATIONS

	1973	1972	1971	1970
Operating Results of Discontinued Operations Segregated from those of continuing operations:				
Separate captions for operating results and for loss or gain from disposal of assets	12			
Combined caption for operating results and loss or gain from disposal of assets; separate amounts disclosed in notes	11			
Loss or gain from disposal of assets shown as extraordinary item	19			
Other presentations	5			
	47			
Operating Results of Discontinued operations not segregated from those of continuing operations:				
Operating results included in other income or expense	5	11	13	9
Operating results shown in separate section after income taxes	–	44	27	27
	5	**55**	**40**	**36**
Operating results not disclosed	22	77	97	69
No discontinued operations	526	468	463	495
Total Companies	**600**	**600**	**600**	**600**

DISCONTINUED OPERATIONS

APB Opinion No. 30, effective for events and transactions occurring after September 30, 1973, 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.

An *Accounting Interpretation* published in the November 1973 issue of the *Journal of Accountancy* and reprinted in Section U 2012 of *APB Accounting Principles-Current Text As of June 30, 1973* provides illustrations of transactions which should and should not be accounted for as a business segment disposal. Examples of business segment disposals follow.

BELDING HEMINWAY COMPANY, INC. (DEC)

	($ thousands)	
CONTINUING OPERATIONS:	1973	1972
Net sales	$98,983	$92,060
Cost of sales	66,150	61,653
Gross profit on sales	32,833	30,407
Selling, general and administrative expenses	23,050	21,821
	9,783	**8,586**
Depreciation and amortization	1,678	1,516
	8,105	**7,070**
Other deductions—net (including interest of $1,734,000 and $1,398,000)	1,523	1,495
Income before Federal income taxes	6,582	5,575
Provision for Federal income taxes	3,088	2,581
Income from continuing operations	**3,494**	**2,994**
Discontinued operations (Notes A and H):		
(Loss) from operations of discontinued businesses	(623)	(1,063)
(Loss) on discontinuance of businesses, less estimated deferred Federal income tax credit of $148,000	(348)	
	(971)	**(1,063)**
Income before extraordinary credit (Note (Note H)	$2,523	$1,931

Note A: During the latter part of 1972, the Company discontinued its retail and apparel fabrics divisions. In December 1973, the Company discontinued and sold its contract knit fabrics business and sold its 50% interest in a Mexican company which had manufactured fabrics principally for the retail trade. The results of such operations, which are shown as "Loss from Operations of Discontinued Businesses" in the accompanying consolidated statements of income, are summarized as follows:

	1973	1972
	($ thousands)	
Net sales	$2,419	$9,447
Cost and expenses	3,540	11,355
	(1,121)	**(1,908)**
Estimated Federal income tax credit	498	845
Loss from operations of discontinued businesses	**($623)**	**($1,063)**

Note H: The Company has changed its reporting of the results of operations to comply with Opinion 30 of the Accounting Principles Board of the American Institute of Certified Public Accountants. Therefore, in 1973, the loss on discontinuance of businesses referred to in Note A has been included under the caption, "Discontinued Operations", whereas such transactions would have been reported as Extraordinary items prior to this change.

Opinion 30 generally prohibits restating the results of operations for 1972. Had the Opinion been in effect for 1972, net income would have been the same and the gain of $394,000 ($.13 per share) from the sale of warehouse would not have been reported as Extraordinary Credit.

DOYLE DANE BERNBACH, INC. (OCT)

	1973	1972
	($ thousands)	
Income from continuing operations before taxes or income and extraordinary item	**$8,540**	**$11,455**
Provision for taxes on income:		
Federal and foreign	3,646	4,975
Other	1,026	1,214
	4,782	**6,189**
Income from continuing operations before extraordinary item	3,868	5,266
Discontinued retail operation (Note C):		
(Loss) from operations, net of income tax benefits	(211)	(740)
(Loss) on disposal of assets, net of income tax benefits	(29)	(500)
	(240)	**(1,240)**
Income before extraordinary item	3,628	4,026
Extraordinary item:		
Tax effect of operating loss carry-overs		(82)
Net Income	**$3,628**	**$4,108**
PER SHARE OF COMMON STOCK:		
Income from continuing operations before extraordinary item	$2.08	$2.69
Net income after loss on discontinued operation and before extraordinary item	$1.95	$2.06
Extraordinary item		(.04)
Net income	$1.95	$2.10
Dividends paid	$.96	$.96
WEIGHTED AVERAGE NUMBER OF SHARES	1,859,000	1,959,000

Note C: Discontinued Retail Operation— On February 28, 1973, the Company's retailing subsidiary, Trade Mart, Inc., entered into an agreement with Ehr-Lite Corporation for the sale of certain of its assets in exchange for 14,532 shares of Ehr-Lite's 3% Convertible Preferred Stock. The loss amounted to $529,431, net of estimated income tax benefits, of which $500,000 was provided at October 31, 1972.

Details of "Discontinued Retail Operation" included in the accompanying statements of consolidated income are summarized as follows:

	1973	1972
Net sales	$175,292	$1,690,400
Income from leased retail department	346,860	1,082,729
	$522,152	**$2,773,129**
Loss before income tax benefits (including depreciation and amortization of $24,741 and $70,677, respectively)	$406,265	$1,425,064
Estimated income tax benefits	195,000	684,500
Loss from operations, net of income tax benefits	**$211,265**	**$740,564**
Loss on disposal of assets, net of income tax benefits of $29,432 and $500,000, respectively	**$29,431**	**$500,000**
Per share of common stock:		
Loss from operations	$.11	$.38
Loss on disposal of assets	.02	.25
Net loss	$.13	$.63

McGRAW-EDISON COMPANY (DEC)

	1973	1972
	($ thousands)	
CONTINUING BUSINESSES:		
Net sales	**$820,996**	**$749,260**
Costs and expenses:		
Cost of goods sold	623,199	560,517
General, administrative, engineering and selling expenses	123,145	112,883
Interest expense, net	3,275	1,839
Other (income) and expense	(271)	(2,957)
Taxes on income	34,518	36,983
Total costs and expenses	**783,866**	**709,265**
Income from continuing businesses	**37,130**	**39,995**
DISCONTINUED BUSINESSES:		
Operating losses, net of income taxes of $734 and $923 for 1973 and 1972, respectively	(788)	(1,131)
Estimated losses on disposal (including provision of $2,640 for operating losses during phase-out period), net of income taxes of $3,325	(3,325)	–
Net Income	**$33,017**	**$38,864**
EARNINGS PER SHARE (based on average shares outstanding):		
Income from continuing businesses	$2.41	$2.60
Operating losses of discontinued businesses	(.05)	(.07)
Estimated losses on disposal of discontinued businesses	(.22)	–
Net Income	**$2.14**	**$2.53**

Financial Information

Loss from Discontinued Businesses: The loss from discontinued businesses arises principally from a plan to dispose of and phase out the Edison Avionics business. During recent years, losses from this business averaged in excess of $1,500,000 per year or about 10c per share. Since this business no longer held any promise of meeting acceptable profitability goals, steps were taken to discontinue its operations.

In 1972, the Company formed the Security Products Divisons through the acquisition of Securitron, Inc. In late 1973, when it became apparent that this business would not meet the Company's expectations, operations were discontinued and all assets have been sold.

Net operating results to the applicable date of decision to sell or liquidate ("decision date") these businesses and the estimated losses on disposal thereafter are each shown, net of applicable income taxes, under the caption "Discontinued Businesses" in the Consolidated Statement of Income.

Net operating results of these businesses include net sales of $2,017,000 in 1973 and $3,066,000 in 1972. The provision of $2,640,000, less income taxes of $1,320,000, is for estimated operating losses to be incurred after the decision date (such operating losses in 1973 since the decision date were $244,000, net of applicable income taxes), and relates principally to contractual commitments of the military Avionics business; these commitments should be substantially completed in 1974. The remainder of the provision for estimated losses on the disposal of these businesses relates principally to: (1) the estimated loss on the sale (less estimated proceeds from such sale) of, and other losses associated with, the commercial Avionics business and (2) the sale of the remaining operating assets of the military and commercial Avionics business.

OMARK INDUSTRIES, INC. (JUN)

	1973	1972
	($ thousands)	
Earnings from continuing operations before income taxes	$9,039	$8,290
Provision for income taxes	2,432	2,021
Earnings from continuing operations	**6,607**	**6,269**
Discontinued operations:		
Earnings (loss) of discontinued divisions (less applicable income taxes of $5,000 for 1973 and $846,000 for 1972)	5	(954)
Loss on disposal of discontinued divisions (lessapplicable income taxes of $100,000)	(107)	--
Total	**(102)**	**(954)**
Net Earnings	**$6,505**	**$5,315**
EARNINGS PER SHARE BASED ON AVERAGE SHARES OUTSTANDING:		
Continuing operations	$1.46	$1.38
Discontinued operations	(.02)	(.21)
Net earnings	**$1.44**	**$1.17**

Financial Review

Discontinued Operations— In July 1972 Omark adopted a plan to divest the Machine Tools Division. The division's assets and product line were sold or liquidated during 1973. In March 1973 Omark adopted a plan to divest the Williams Air Controls Division. The division was sold as a going business for cash as of June 30, 1973. Proceeds were primarily used to retire short-term debt.

Omark has elected to report these transactions in conformity with the June 1973 Accounting Principles Board Opinion No. 30 titled *Reporting The Results Of Operations*, although the opinion's effective date is for events and transactions occurring after September 30, 1973. Accordingly, Omark is reporting the results of continuing operations separately from discontinued operations. Gain or loss from the disposal of these divisions in 1973, including results of their operations after the date plans to divest the divisions were adopted, has been reported separately.

The following table presents the components of the discontinued divisions which have been excluded from

continuing operations.

($ thousands)

	Earnings (Loss) of Discontinued Divisions		1973 Loss on Disposal of Discontinued Divisions
	1973	1972	
NET SALES	$3,400	$5,374	$2,588
Other revenues	34	121	18
Gain on sale of assets	--	--	204
Total	**3,474**	**5,495**	**2,810**
COSTS AND EXPENSES			
Cost of sales	2,443	4,770	1,811
Selling, general and administrative	897	2,178	907
Interest	124	318	295
Other	--	29	4
	3,464	**7,295**	**3,017**
Earnings (loss) Before Income Taxes	10	(1,800)	(207)
Provision (Credit) for Income Taxes	5	(846)	(100)
Earnings (Loss)	**$5**	**$(954)**	**$(107)**

PITNEY-BOWES, INC. (DEC)

	1973	1972
	($ thousands)	
Income from continuing operations before taxes	$35,365	$25,999
Provision for income taxes	15,429	10,844
Income from continuing operations	**19,936**	**15,155**
Losses, net of income tax, from operations of point-of-sale terminal business prior to discontinuance	5,352	1,515
Estimated loss on disposition of point-of-sale terminal business (less applicable income tax recovery of $33,000,000)	37,000	-
Net income (loss)	**($22,416)**	**$13,640**

Notes to Consolidated Financial Statements

Note 7: Discontinued Operations— As of September 30, 1973, the company wrote off its entire investment in, and loans to, Pitney Bowes-Alpex, Inc. (PBA). This write-off resulted from the decision to wind up operations of PBA, which was founded in 1970 as a company owned 50% by Pitney Bowes and 50% by Alpex Computer Corp. Pitney Bowes assumed majority control on July 3, 1973, and now owns 64% of the stock. PBA had been engaged in the production and sale of point-of-sale terminals for retail establishments.

Simultaneously, the company wrote off certain other assets related to the point-of-sale terminal business. These included parts and equipment produced for PBA, but not delivered, and inventories, deferred costs, and other items connected with the manufacture and marketing of point-of-sale equipment in Europe under license from PBA. Point-of-sale equipment in Europe was marketed by a wholly owned subsidiary of the company, Pitney Bowes Data Systems, Ltd.

The net results of operations prior to discontinuance for 1973 and 1972 have been classified separately in the statement of consolidated income and, after intercompany eliminations, include:

	Nine months ended September 30, 1973	Year ended December 31, 1972
Revenues	$17,629,000	$2,541,000
Loss before income tax	6,068,000	1,345,000
Income tax charge (credit)	(716,000)	170,000
Net loss	$5,352,000	$1,515,000

For the last quarter of 1972, PBA revenues of $3,070,000 are not included above because the company accounted for PBA on the equity basis from commencement of PBA's commercial operations on October 1, 1972 through December 31, 1972.

Windup of the point-of-sale terminal business is expected to continue through most of 1974. Costs of $49,226,000 before tax effects and net of proceeds received have been charged to a reserve provided for the windup of that business. Although total disposition and windup costs cannot yet be finally determined, the remaining reserve of $20,774,000 at December 31, 1973 is believed by the company's management to be sufficient to cover these costs. The estimated tax recovery, shown on the consolidated balance sheet, gives effect to the tax benefit of $33,000,000 applicable to the disposition loss.

SAV-A-STOP INCORPORATED (AUG)

	1973	**1972**
Earnings from continuing operations before extraordinary item	$2,752,987	$2,880,919
Discontinued operations		
Operating loss	311,389	---
Provision for losses on disposal	265,000	---
Loss from discontinued operations	**576,389**	**---**
Earnings before extraordinary item	2,176,598	2,880,919
Extraordinary item -- tax benefit of operating loss carryforwards	---	566,000
Net earnings	**$2,176,598**	**3,446,919**

1973 Financial Review

Discontinued Operations— At the beginning of the current fiscal year the Company started its Action Mart Division with three Action Mart stores and an interrelated catalog sales operation. In July, 1973, it was decided to discontinue and completely phase out the operations of the Action Mart Division by January, 1974. Operations of the Action Mart Division for the year ended September 1, 1973, which are classified as "Discontinued Operations — operating loss" in the accompanying statement of consolidated earnings, are summarized as follows:

Sales	$1,487,226
Costs and expenses	2,109,615
Excess costs and expenses	**622,389**
Less income tax benefit	311,000
Operating loss	**$311,389**

"Discontinued operations—provision for losses on disposal" is comprised of the following estimated costs and expenses necessary to complete the phase out of operations and disposal of related assets:

Costs and expenses in excess of revenues during phase out period. Reflected as reduction of inventories of discontinued operations	$386,000
Write-down of fixtures and improvements. Reflected as an increase in accumulated depreciation	84,000
Lease liability on closed stores, less estimated revenue from subleases	60,000
	530,000
Less income tax benefit	265,000
Provision for losses on disposal	**$265,000**

UNIFI, INC. (JUN)

	1973	1972
	($ thousands)	
Income from continuing operations before income taxes	$4,575	$1,109
Provision for income taxes or equivalents	1,614	302
Income from continuing operations	**2,961**	**807**
Discontinued operations and loss on disposal	(1,151)	(185)
Net income	**$1,810**	**$ 622**

Notes to Financial Statements

Note 8: Discontinued Operations and Loss on Disposal of a Segment of the Business— As of March 31, 1973 the Company discontinued the warp-knitting operations which commenced in May 1972. The Company wrote off the unamortized balance of start-up expense related to this operation and wrote down the carrying value of its equipment to the estimated realizable value (See Note 3). The operating results and disposal loss of the discontinued knitting operations are summarized as follows:

	1973	1972
OPERATING RESULTS:		
Net sales	$4,171,056	$104,529
Costs and expenses, including interest and debt expense of $136,820 ($36,677-1972)	5,535,257	359,481
Loss Before Income Tax Benefit	**(1,364,201)**	**(254,952)**
Income tax benefit	480,923	69,543
Loss From Discontinued Operations	**(883,278)**	**(185,409)**
DISPOSAL LOSSES:		
Unamortized start-up expense	(163,596)	
Write down of equipment	(250,000)	
Loss before income tax benefit	**(413,596)**	
Income tax benefit	146,154	
Loss From Disposal	**(267,442)**	---
Total	($1,150,720)	($185,409)

SEPARATE INCOME STATEMENT CAPTIONS

Captions for charges and credits, other than extraordinary items or income tax expense, presented in the income statement as separate items are summarized in Table 3-26. Examples of such captions are presented in connection with Table 2-43 (Minority Interest) and Table 2-23 (Equity in Investee Operations). Additional examples follow.

BAYUK CIGARS INCORPORATED (DEC)

	($ thousands)
Income before security transactions and extraordinary credit	**$1,266**
Security transactions—Note 3	
Loss on sales of securities	(194)
Income tax benefit	58
Security transactions, net	**(136)**
Income before extraordinary credit	$1,130

Note 3: Investment in securities— During 1973 the company commenced a program of investing in securities of publicly held companies. The maximum investment in securities at cost during the year amounted to $8,125. At December 31, 1973, the cost of the securities was $4,078 and the quoted market value aggregated $3,530. The income statement for 1973 includes $122 of dividends relating to these securities.

TABLE 3-26: SEPARATE INCOME STATEMENT CAPTIONS

	1973	1972	1971	1970
Charge or Credit to Income				
Minority interest	75	66	57	58
Equity in earnings or losses of investees	56	55	52	41
Operating results of discontinued operations	*	44	27	27
Cumulative effect of Accounting Change	7	5	7	--
Other	9	6	8	7
Total Presentations	**147**	**176**	**151**	**133**
Number of Companies				
Presenting separate last section	122	152	128	118
Not presenting separate last section	478	448	472	482
Total	**600**	**600**	**600**	**600**

*No longer applicable because of APB Opinion No. 30

FAIRCHILD INDUSTRIES, INC. (DEC)

	1973	1972
	($ thousands)	
REVENUE:		
Sales	$237,224	$229,986
Other income	2,703	3,710
	239,927	**233,696**
COSTS AND EXPENSES:		
Cost of sales	208,334	189,273
Depreciation and amortization	4,064	4,383
General, administrative, marketing and development	21,776	24,015
Interest	3,186	2,666
Other costs and expenses	1,261	1,272
	238,621	**221,609**
	1,306	12,087
PROVISION TO REDUCE THE CARRYING VALUE OF THE INVESTMENT IN AND ADVANCES TO AMERICAN SATELLITE CORPORATION (NOTE 4)	5,500	--
Earnings (Loss) Before Provision for Income Taxes	**(4,194**	**12,087**
PROVISION (CREDIT) FOR INCOME TAXES	(1,931	5,900
Net Earnings (Loss)	**($2,263**	**$6,187**

Note 4: American Satellite Corporation— American Satellite Corporation (ASC), a wholly-owned subsidiary, has recently developed a revised domestic communications business plan utilizing leased satellite capacity and ASC—owned earth segments. Because of the Corporation's intention to seek other equity capital for ASC and the developmental nature of the subsidiary, ASC is accounted for on the equity basis of accounting.

The accounting policy of ASC is to defer all preoperating costs until such time as operations commence after which such deferred costs will be amortized over appropriate periods. Such accounting methods are subject to Federal Communications Commission regulation.

At December 31, 1973, the Corporation had investments in and advances to ASC of $11,193,192. On its part, ASC, as of February 28, 1974, had commitments of $20,400,000 to purchase earth stations and lease satellites of which approximately $12,000,000 has been guaranteed by the Corporation. In consideration of the recent revisions to ASC's business plan, the Corporation has provided for a reduction of $5,500,000 in the carrying amount of the investment advances.

OCCIDENTAL PETROLEUM CORPORATION (DEC)

	1973	1972
	($ thousands)	
Income before gains from emergency fleet position	$53,787	$17,013
Gains from Emergency Fleet Position (Note 7)	25,976	2,662
Income before extraordinary items	**$79,763**	**$19,675**

Note 7: 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 major downward adjustment of world shipping rates during 1971, resulted in substantial losses on the excess capacity. Because the loss exposure under the charter agreements for the excess vessels extended, in part, into 1974, a reserve of $65 million was provided in 1971 against possible future losses on those vessels.

The 1973 earnings reflect a credit of $18,912,000 from amortization of the emergency fleet reserve compared with $29,318,000 in 1972. From the $65 million reserve established in 1971, $16,770,000 is remaining at December 31, 1973, which will be substantially amortized in 1974. No income is recognized from the tankers in the emergency fleet used to carry petroleum for Occidental as the charges for this use form a part of the costs of petroleum transported. Income from the use of the tankers in the emergency fleet to carry petroleum and goods of persons other than Occidental was $25,976,000 in 1973 and $2,662,000 in 1972.

EXTRAORDINARY ITEMS

Tables 3-27 and 3-28 show that several of the survey companies treated such items as provisions for losses from discontinued operations, gains or losses on asset disposals, asset write-downs, and devaluation or revaluation gains as extraordinary. These items, properly treated as extraordinary items under *APB Opinion No. 9,* are not considered as extraordinary under *APB Opinion* No. 30. Opinion No. 30 was effective for transactions and events occurring after September 30, 1973 and consequently was not mandatory for most of the transactions listed in Tables 3-27 and 3-28. Opinion No. 30 states in part:

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, 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.

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 of abandonment of property, plant, or equipment used in the

TABLE 3-27: EXTRAORDINARY ITEMS IN INCOME STATEMENT

Nature	Debit	Credit	1973 Total	1972 Total
Discontinued operations– estimated disposal costs or gains or losses from disposing of assets	39	15	54	148
Sale or disposal of assets other than those of discontinued operations	12	36	48	91
Operating loss carryforwards and other tax adjustments	1	56	57	46
Write-down of assets	12	–	12	22
Major casualty	3	–	3	16
Currency revaluations or devaluations	–	4	4	14
Other	13	13	26	58
Total Presentations	**80**	**124**	**204**	**395**
	1973	**1972**	**1971**	**1970**
Number of Companies				
Presenting above items	137	204	204	189
Not presenting above items	463	396	396	411
Total	**600**	**600**	**600**	**600**

N/C– Not Compiled

TABLE 3-28: EXTRAORDINARY ITEMS-MATERIALITY-1973

	*Percentage of Materiality				Total
	0-5%	6-10%	11-20%	21+%	Items
Debits					
Discontinued operations– estimated disposal costs or losses from disposing of assets	7	7	3	22	39
Sale or disposal of assets other than those of discontinued operations	3	5	2	2	12
Write down of assets	8	1	1	2	12
Major casualty	3	–	–	–	3
Other	5	1	3	5	14
Total Debits	**26**	**14**	**9**	**31**	**80**
Credits					
Discontinued operations– gain from disposing of assets	3	2	–	10	15
Sale or disposal of assets other than those of discontinued operations	14	3	4	15	36
Currency revaluation	2	1	1	–	4
Operating loss carryforwards and other tax adjustments	21	8	3	24	56
Other	4	2	3	4	13
Total Credits	**44**	**16**	**11**	**53**	**124**

*Ratio of item to income or loss before extraordinary item

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.

An *Accounting Interpretation* published in the November 1973 issue of the *Journal of Accountancy* and reprinted in Section U 2012 of *APB Accounting Principles—Current Text As Of June 30, 1973* provides illustrations of events and transactions which should and should not be accounted for as extraordinary items.APB Opinion No. 26 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 Loss Carryovers

AMERICAN MOTORS CORPORATION (SEP)

	1973	1972
	($ thousands)	
Earnings Before Taxes on Income	$75,626	$31,557
Taxes on income (Note H)	31,100	15,100
Earnings before extraordinary credits	**$44,526**	**$16,457**
Extraordinary credits (Note H)	41,450	13,700
Net Earnings	**$85,976**	**$30,157**

Note H: Taxes on Income—Taxes on income for the year ended September 30, 1973 of $31,100,000 include $24,160,000 of United States taxes after reduction for investment tax credits of $4,675,000, of which $2,317,000 is carryforward from prior years. The balance, $6,940,000, represents Canadian and other income taxes.

Of the total taxes provided, $12,700,000 is currently payable after giving effect to tax loss and foreign tax credit carryforwards of $14,215,000. The remainder, $4,185,000, represents net deferred tax credits.

Investment tax credits are treated as reductions of income tax expense in the year in which the credits are realized. Deferred taxes arise primarily from accelerated depreciation for income tax purposes and from product warranty costs and other expense accruals which will provide future income tax reductions.

An extraordinary credit of $14,215,000 was recorded in 1973 to reflect the income tax effect of tax loss and foreign tax credit carryforwards. In 1972 the credit from the tax loss carryforward was $13,700,000. Additionally, in 1973 an extraordinary credit of $27,235,000 was recorded as a non-recurring adjustment to give recognition to deferred income tax charges which were not reflected in the financial statements while the Company had a tax loss carryforward.

In 1972, no United States income taxes were payable because of loss carryforwards; however, Canadian and other foreign taxes of $1,400,000 were charged to operations.

FAIRCHILD CAMERA AND INSTRUMENT CORPORATION (DEC)

	1973	1972
	($ thousands)	
Income before extraordinary credit	$26,749	$7,726
Extraordinary credit—income tax reduction from carryforward of prior years' operating losses (Note 3)	14,410	3,300
Net income	**$41,159**	**$11,026**

Note 3 (in part): Provision for Income Taxes and Extraordinary Credit— The provision for income taxes is composed of the following:

	1973	1972
	($ thousands)	
Charge equivalent to tax benefits resulting from realization of operating loss carryforwards:		
Federal	$14,636	$3,140
Foreign	1,624	160
Current—Federal	3,930	–
State	3,442	626
Foreign	4,433	1,244
Deferred—Federal	(3,431)	–
State	(454)	–
Foreign	(447)	(90)
	$23,733	**$5,080**

The provision for Federal income tax in 1972 and 1973 represents the amount that would have been provided in the absence of a net operating loss carryforward. Such provision has been computed based on financial statement income and after utilization of foreign and investment tax credits of approximately $1,350,000 in 1973 and $900,000 in 1972, becoming available as the result of current transactions.

At December 31, 1972 the Company had an unused net operating loss carryforward for Federal income tax purposes of approximately $24 million from losses sustained in 1970 and 1971 and which included approximately $4,700,000 of tax deductions in excess of financial statement expenses. In addition, the Company had unused foreign tax credit and investment tax credit carryforwards of approximately $2,100,000 and $400,000, respectively. During 1972 and 1973 the Company used all of the carryforwards available and the income tax reductions resulting therefrom have been included as an extraordinary credit in the consolidated statement of income.

GRANGER ASSOCIATES (AUG)

Income (loss) before extraordinary item	$132,340
Extraordinary item (Note 6)	
Tax benefit from operating loss carryforward	144,221
Net income (loss) for year	**$276,561**

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, 1975	$1,307,000	---
August 31, 1976	421,000	12,000
August 31, 1977	906,000	---
August 31, 1979	---	1,000
August 31, 1980	---	2,000
	$2,634,000	**15,000**

Net operating loss carryforwards totalling $439,000 were utilized to offset taxable income in the year ended August 31, 1973, including the prior period adjustment (Note 7). The portion of the resulting federal tax benefit which is allocable to income of the current year, $144,221, is shown on the consolidated statement of income as an extraordinary item.

THE RATH PACKING COMPANY (SEP)

	1973	1972
	($ thousands)	
Earnings (loss) before provision in lieu of federal income taxes	$191	$(2,915)
Provision in lieu of federal income taxes (Note 1)	85	-
Earnings (loss) before extraordinary credit	**106**	**(2,915)**
Credit arising from utilization of net operating loss carry-over (Note 1)	85	-
Net earnings (loss)	**$191**	**$(2,915)**

Note 1 (in part): Accounting Policies

Federal Income Taxes— In the statement of operations, a provision in lieu of the federal income taxes that would have been required for the 1973 fiscal year in the absence of a net operating loss carry-over (see Note 4) is charged against operations before extraordinary credit, and the credit arising from utilization of the net operating loss carry-over is reflected as an extraordinary item. In statements of operations of future periods, any required provisions for income taxes will be offset by extraordinary credits to the extent of such tax provisions until the effect of all loss carry-overs (approximately $7,900,000 at September 29, 1973-see Note 4) has been recognized.

TWENTIETH CENTURY-FOX FILM CORPORATION (DEC)

	($ thousands)
Earnings before extraordinary items	$7,678
Extraordinary items (note 16)	3,071
Net earnings	**$10,749**

Note 16 (in part): Extraordinary items—A summary of

extraordinary items follows:

	(thousands)		
	Gross	APPLICABLE INCOME TAXES	NET
1973:			
Gain on sale of Australian real estate and other extraordinary transactions (through September 1973)	$871	(494)	377
Gain on sale of New York building in March 1973	1,029	(494)	535
Federal income tax benefit from operating loss carryforward	---	2,159	2,159
	$1,900	**1,171**	**3,071**

Investment Credit Carryover

WHEELING-PITTSBURGH STEEL CORPORATION (DEC)

	1973	1972
	($ thousands)	
Income before extraordinary credit	$18,047	$13,197
Extraordinary credit	1,277	2,000
Net income	**$19,324**	**$15,197**

Notes to Financial Statements

Note C (in part): Income Taxes— The estimated tax provisions give recognition to investment credits of $6,065,000 in 1973 and $4,218,000 in 1972. Investment credit carry-forwards at December 31, 1973 amounted to approximately $19.2 million, of which $3.1 million has not been utilized for financial accounting purposes. Provision has been made for the possible effect of future taxes relating to timing differences only to the extent that benefits were realized from such timing differences. The Corporation could become liable for substantial additional federal income taxes if it is unable to continue the inventory method used for tax purposes and if presently available tax-loss and investment credit carry-forwards are no longer available.

The final amount of $1,277,000 in 1973 and $2,000,000 in 1972 of investment credit carry-forward have been recorded as extraordinary credits which result from the financial accounting basis of recording investment credit in 1968. Such extraordinary credits have been recorded to the extent that investment credit carry-forwards are utilized as a reduction of taxes on the years' earnings.

Other Tax Adjustment

LIBBY, McNEILL & LIBBY (JUN)

Earnings (Loss) Before Extraordinary Credits	**4,588,000**
EXTRAORDINARY CREDITS:	
Reversal of long-term income taxes (Note D)	3.400,000
Gain on redemption of sinking fund debentures	575,000
Other—principally gains on disposal of certain facilities, including adjustment of previous estimates	353,000
Total Extraordinary Credits	**4,328,000**
Net Earnings (Loss)	**$8,916,000**

Note D: Income Taxes— Effective July 5, 1970, the Company changed from the last-in, first-out (LIFO) method to the first-in, first-out (FIFO) method of valuing certain product inventories. The agreement with the IRS provided for amortization of the increased valuation over a ten-year period for tax purposes, but stipulated that the entire unamortized balance would be taxable immediately upon reduction of inventories below specific levels. Due to such a reduction, the unamortized balance of the increased valuation will be included in fiscal 1973 taxable income. The accrual for Federal income taxes provided in fiscal 1971 in connection with recognizing the effect of this accounting change is no longer required due to the availability of tax loss carry forwards and has been recognized as an extraordinary credit.

The cumulative amount of undistributed foreign subsidiary earnings on which the Company has not provided U.S. income taxes is $32,000,000. The Company intends to reinvest such undistributed earnings.

Adjustment Of Prior Period Extraordinary Item

CITIES SERVICE COMPANY (DEC)

	1973	1972
	($ thousands)	
Income before extraordinary credits	$135,600	$ 99,100
Extraordinary Credits (net)–(Note 3)	11,300	13,000
Net income	**$146,900**	**$112,100**

Note 3: Extraordinary Credits—The extraordinary items in 1973 and 1972 were as follows ($ millions):

	1973	1972
a) Gain on the sale of 1.4 million shares of Atlantic Richfield Company Common Stock(net of income taxes of $22.1 million)	$ --	48.0
b) In 1972, provision for anticipated loss on disposition of the agricultural chemicals business (net of deferred income tax credit of $13.6 million). In 1973, reduction of such provision to actual loss incurred (net of income taxes of $7.9 million)	11.3	(18.7)
c) Provision for loss on disposition of certain marginal oil and gas leases (net of deferred income tax credit of $5.6 million) which leases were sold in 1973	--	(16.3)
Net extraordinary credits	**$11.3**	**13.0**

The agricultural chemicals operations disposed of in March 1973 had sales of $19.8 million in 1973 and $123.4 million in 1972 and net income of $1.5 million in 1973 and $2 million in 1972.

MIDLAND-ROSS CORPORATION (DEC)

Income Before Extraordinary Loss	$12,540,000
Extraordinary Loss—(Note E)	935,000
Net Income	**$11,605,000**

Note E: Extraordinary Loss— The Company's sale in July 1973 of its Maumee, Ohio frame facility (included in "idle facilities held for sale" in the December 31, 1972 balance sheet) resulted in a loss of $1,798,000 before applicable Federal income tax credits of $863,000. The loss has been reported as an extraordinary item in 1973 in accordance with Accounting Principles Board Opinion No. 30, because the loss represents an adjustment of extraordinary items reported in 1970 and 1971 reflecting the estimated loss from the expected sale of this facility.

TOBIN PACKING CO., INC. (OCT)

Loss before extraordinary item	$(151,915)
Extraordinary item—gain (loss) on leased plant facilities, net of applicable income taxes (Note 2)	100,000
Net Loss	**$(51,915)**

Note 2 (in part): Leased Plant Facilities— In May 1973 the Company secured a two-year sublease for a major portion of its leased plant in Miami, Florida, formerly operated by the Company. The 1973 extraordinary gain of $213,000, less applicable income taxes of $113,000, represents the recovery of a portion of certain costs and expenses over the sublease period, which had been fully provided for in 1972 as an extraordinary item in the amount of $922,000, less income tax benefit of $488,400, in connection with these Miami facilities.

Major Casualty

THE UNITED STATES SHOE CORPORATION (JUL)

Earnings before extraordinary loss	$12,441,633
Extraordinary Loss— Flood, less applicable income taxes of $989,000	927,264
Net earnings for the year	**$11,514,369**

Litigation Settlements

INTERSTATE BRANDS CORPORATION (DEC)

Income before extraordinary items	$99,626
Extraordinary items, net of federal income tax (benefits) (note 8)	161,284
Net income (loss)	**$260,910**

Note 8 (in part): Extraordinary Items— The company has previously reported an anti-trust case in the United States District Court at Denver, Colorado, which was tried in June 1971, and resulted in a judgment in favor of the company on its cross-claim against one of the codefendants. The appeals taken from the verdict have been denied. In November 1973, the company received payment of the judgment and recorded an extraordinary credit of $317,489 (net of legal expenses and before federal income tax of $156,205).

OWENS-ILLINOIS, INC. (DEC)

	($ thousands)
Earnings before extraordinary gains	$74,496
Extraordinary gains:	
Gain on exchange of stock of Owens-Corning Fiberglas Corporation for common shares of Owens-Illinois, Inc., no tax effect	56,435
Net earnings	**$130,931**

Financial Review

Listed Securities (in part)— The Company's investment in Owens-Corning Fiberglas Corporation at December 31, 1973, represents 13.1% of the outstanding common stock of that corporation compared with 21.3% at December 31, 1972. Based on shares outstanding at December 31, 1973 and 1972, the Company's equity in the net assets of Owens-Corning amounted to $45.9 million and $66.8 million, respectively, and the equity in 1973 net earnings was $6.0 million compared with $7.6 million in 1972. Under an antitrust consent judgment entered in 1949, the Company is enjoined from exercising any control over Owens-Corning. This judgment was modified by a consent order entered on October 23, 1973, which requires the Company within five years to divest itself of sufficient shares of Owens-Corning common stock in order that the Company after such period would not own more than 3% (94,469 shares) of the shares owned by the Company on October 23, 1973, in addition to the shares reserved for the possible exchange for $25 million Owens-Illinois, Inc., 4½% exchangeable subordinated debentures due 1987.

Following entry of the modified consent order, the Company invited tenders and exchanged 1,200,000 shares of Owens-Corning common stock for 1,333,333 of the Company's common shares, resulting in an extraordinary gain of $56.4 million. The gain represents the excess of fair value over cost of the Owens-Corning common stock given in the exchange. Such fair value was deemed to be equivalent to the estimated net proceeds that would have been realized in a secondary public offering of the Owens-Corning common stock. The Company has received a ruling from the Internal Revenue Service to the effect that the exchange is nontaxable to the Company as the exchange of Owens-Corning common stock is in connection with the required divestiture of such stock pursuant to the 1973 modification of the 1949 consent judgment. The gain has been classified as an extraordinary item since the exchange relates to the 1973 modification of the consent judgment. The modification is an event unrelated to the ordinary and typical activities of the Company and will not recur.

WINNEBAGO INDUSTRIES, INC. (FEB)

Income before extraordinary item	$19,371,316
Extraordinary item, net of related deferred income tax effect of $1,926,323 (e)	(2,073,677)
Net income	**$17,297,639**

Note (e): Relates to a $4 million judgment for breach of contract. The Company has announced its intention to appeal this judgment and its bond in support of such appeal has been approved. See Item 5. Pending Legal Proceedings elsewhere in this Form 10-K.

Item 5 (in part): Pending Legal Proceedings— In August, 1970 an action was filed in the United States District Court for the Northern District of Iowa by Life-Time Industries, Inc., a former dealer and distributor of Winnebago products naming Winnebago and certain of its officers and directors as defendants requesting damages in an amount, as subsequently increased by an amendment, of $445.6 million, on each of five alternative theories. In essence the complaint alleged that Winnebago (1) fraudulently induced the plaintiff to enter into a contract for Winnebago to manufacture motor homes for distribution by the plaintiff, (2) interfered with the plaintiff's property rights and trade secrets under said contract, and (3) breached said contract both as written and as modified by various oral representations, all for the purpose of obtaining profit and economic gain at the expense of the plaintiff.

On November 8, 1972 the plaintiff's claims of fraud and tortious interference were dismissed on the merits as to Winnebago in accordance with the findings of the jury. Damages in the amount of $4,000,000 were awarded against Winnebago for breach of contract and damages in the amount of $400,000 each were awarded against two officers of the Company for tortious interference with business relationships and expectancies. The jury failed to reach a verdict on the trade secret count and a mistrial was declared as to that.

The Company intends to appeal the judgment and its bond and support of such appeal has been approved by the Court. Counsel for the Company have filed a variety of post-trial motions challenging the judgments which are now pending decision.

Should the Court deny the Company's motion for judgment for the defendant on the trade secret count, the count can be expected to be retried. Counsel for the Company have advised that in their opinion there is no legal merit to the plaintiff's claim on this count, and that the evidence introduced in the first trial did not establish either the existence or misappropriation of a trade secret; however, such counsel have advised that it should be noted that the jury was unable to reach a decision on these matters.

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 data together with the importance of evaluating the data in conjunction with the financial statements, requires that such data be presented prominently in the financial statements. The Board has therefore concluded that earnings per share or net loss per share data should be shown on the face of the income statement. The extent of the data to be presented and the captions used will vary with the complexity of the company's capital structure, as discussed in the following paragraphs.

13. The reporting of earnings per share data should be consistent with the income statement presentation called for by *APB Opinion No. 30.* 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 data. (See paragraphs 19-23.)

20. A schedule or note relating to the earnings per share data should explain the bases upon

which both primary and fully diluted earnings per share are calculated. This information should include identification of any issues regarded as common stock equivalents in the computation of fully diluted earnings per share. It should describe all assumptions and any resulting adjustments used in deriving the earnings per share data. There should also be disclosed the number of shares issued upon conversion, exercise or satisfaction of required conditions, etc., during at least the most recent annual fiscal period and any subsequent interim period presented.

Table 3–29 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 1973 annual reports follow.

TABLE 3-29: EARNINGS PER SHARE—1973

	Additional shares issuable for				
	Debt	Preferred Stock	Options	Warrants	Other
Effect of Additional Shares					
Included in primary per share calculation	16	48	112	24	23
Included in fully diluted per share calculation	118	76	74	13	1
No dilution	55	29	171	23	19
Not disclosed	25	10	176	16	19
No additional shares issuable	386	437	67	524	538
Total Companies	**600**	**600**	**600**	**600**	**600**
Computation Basis:		**1973**	**1972**	**1971**	**1970**
Average shares outstanding		526	515	491	465
Not determinable		57	61	77	104
Year end shares outstanding-change less than 3%		17	20	30	26
Year end shares outstanding-change more than 3%		–	4	2	4
No earnings per share shown		–	–	–	1
Total Companies		**600**	**600**	**600**	**600**

Primary Earnings Per Share Only

KANE-MILLER CORP. (DEC)

EARNINGS PER COMMON SHARE AND COMMON EQUIVALENT SHARE (NOTE 11)	1973	1972
Income from continuing operations	$4.05	$1.73
Loss from discontinued operation	--	(.09)
Income before extraordinary items	**4.05**	**1.64**
Extraordinary items	--	(.07)
Net income	**$4.05**	**$1.57**

Notes to Financial Statement

Note 1 (in part): Earnings per Share— Earnings per common share and common equivalent share are computed based on the weighted average number of common shares outstanding during each year, additional common shares issuable under acquisition agreements, and in 1973, the assumed exercise of certain stock options and warrants as follows: (In 1972, stock options and warrants were not included in the computation since their effect was anti-dilutive).

	1973	1972
Weighted average number of shares outstanding during year	2,213,540	2,273,739
Dilutive stock options and warrants	129,844	---
Contingent shares issuable (returnable) under acquisition agreements based on maintenance of specified earnings level subject to (in 1973) an aggregate market value limitation (Note 6 (D))	74,627	(60,770)
Weighted average number of common shares and common equivalent shares used at December 31	2,418,011	2,212,969

In computing the dilutive effect in 1973 of assumed exercise of the options and warrants, anticipated proceeds therefrom were partially used to purchase common stock and the remainder to retire debt with appropriate adjustment for after tax interest of $301,000, which was added to net income of $9,480,000 for the purpose of computing per share earnings.

Per share amounts are unchanged on a fully diluted basis since the results as computed, would be anti-dilutive in 1972 and not significant in 1973.

McGRAW-HILL, INC. (DEC)

	1973	1972
Earnings per common share and common equivalent share (Note 11):		
Income before extraordinary items	$1.11	$92
Extraordinary items	(.09)	(.02)
Net income	**$1.02**	**$.90**

Note 11: Earnings per common share— Earnings per common share and common equivalent share are based on the average number of such shares outstanding during the year. Common share equivalents consist of $1.20 preference stock and stock options. The number of shares issuable upon exercise of stock options has been reduced by the number of common shares assumed to have been purchased with the proceeds from the exercise of the options. Earnings per share are based on 24,992,295 shares for 1973 and 24,998,160 shares for 1972.

The conversion of the 3⅞ per cent debentures would not result in any dilution of earnings per share.

MORSE ELECTRO PRODUCTS CORP. (MAR)

	1973	1972
Primary earnings per share based on the weighted average number of shares of common stock and common stock equivalents outstanding during the years ended March 31 (Note 1F): 1973 – 2,911,143; 1972 – 2,478,708	$2.02	$1.48

Note 1F: Earnings Per Share– Earnings per common share and common share equivalents were computed by dividing net income by the weighted average number of shares of common stock and common stock equivalents outstanding during the year. The options and warrants outstanding have been considered to be the equivalent of common stock from the time of their issuance. The number of shares of common stock was increased by the number of shares issuable on the exercise of options and the warrants when the market price of the common stock exceeds the exercise price of the options and the warrants. This increase in the number of shares was reduced by the number of shares which are assumed to have been purchased with the proceeds from the exercise of the options and the warrants; 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 options and the warrants. Options granted within three months of the end of any period were ignored; cancelled options were retrospectively removed in the calculations.

Earnings per common share assuming full dilution were not reported because changes in any of the periods would have been minimal.

PENNWALT CORPORATION (DEC)

	1973	1972
Net Earnings per Common and Common Equivalent Share	$2.13	$1.58

Notes to Consolidated Financial Statements

Earnings Per Share– Earnings per common and common equivalent share have been computed by dividing net earnings by the weighted average shares of common stock and dilutive common stock equivalents outstanding (7,891,000 in 1973 and 7,353,000 in 1972). Stock options and both series of preference stock are common stock equivalents; however, earnings per share have been computed after providing for annual dividends of $3,308,000 on the second series preference stock in 1973 and $4,448,000 for annual dividends on both series of preference stock in 1972, since assumed conversion would increase earnings per share. Fully diluted earnings per share are the same as the earnings per share indicated.

UNARCO INDUSTRIES, INC. (DEC)

	1973	1972
Net Income per share (Note 1)	$2.06	$1.16

Note 1 (in part): Net Income Per Share– The computation of net income per share is based on the weighted average number of common shares outstanding during each year, including common stock equivalents (Class A and B Convertible Preferred Stock, contingently issuable shares and options). Each common stock equivalent has been considered outstanding from the beginning of each year or date of issuance. The preferred dividend requirement has been eliminated. The fully diluted net income per common share is equal to the net income per share of common stock and common stock equivalents under this computation.

Average shares outstanding used to compute net income per share for the years 1973 and 1972 include the following:

	1973	1972(i)
Common shares issued	1,597,198	1,594,111
Common shares reserved for conversion of preferred stock	810,000	810,000
Common shares contingently issuable in 1976 depending on earnings of Rohn Manufacturing Division (ii)	108,000	108,000
Common shares reserved for stock options which result in dilution	---	14,567
Average number of shares outstanding	**2,515,198**	**2,526,678**

(i) Adjusted for 8% stock dividend declared June 1973 (Note 4)

(ii) The common shares contingently issuable are contingent upon pretax profits, as defined, of Rohn for the five years ending December 31, 1975, but in no event will the total issued exceed 108,000 common shares. The cost of additional common shares issued, if any, will be allocated to assets as appropriate.

NATIONAL INDUSTRIES, INC. (DEC)

	1973	1972
Income (loss) per share of Common Stock and Common Stock equivalents (after dividends on Series B Preferred Stock of $1,397,000 in 1973 and $1,420,000 in 1972) (Note K):		
Income from continuing operations	$.70	$.26
Loss of discontinued operations	--	(.02)
Income from operations	**$.70**	**$.24**
Extraordinary items	(.05)	.02
Net income	**$.65**	**$.26**

Note K: Income Per Share– Income per share of Common Stock and Common Stock equivalents was computed by dividing net income available for Common Stock by the weighted average number of shares of Common Stock and Common Stock equivalents outstanding during the year as follows:

	1973	1972
Common Stock:		
Common shares, less shares in treasury, (weighted average) outstanding during the year	7,049,000	7,075,000
Common Stock equivalents:		
Common shares issuable upon conversion of $.60 Series A Preferred Stock	192,000	192,000
Total Common Stock and Common Stock Equivalents	**7,241,000**	**7,267,000**
Net income	$6,077,000	$3,281,000
Less dividend requirement on outstanding shares of $1.25 Series B Preferred Stock	1,397,000	1,420,000
Net Income Available for Common Stock and Common Stock Equivalents	**$4,680,000**	**$1,861,000**

WINNEBAGO INDUSTRIES, INC. (FEB)

	1972	1973
EARNINGS PER COMMON SHARE (b):		
Income before extraordinary item	$ .56	$ .77
Extraordinary item, net of related deferred income tax effect	---	.08
Net income	$ .56	$ .69
Weighted average number of shares of common stock outstanding during each period (b)	24,336,456	25,201,191

Note (b): All number of shares and earnings per share amounts have been retroactively adjusted to give effect to all stock split-ups and stock dividends. The common stock equivalents (stock option and employee stock purchase plan) have not entered into the earnings per share computations because they would not have a dilutive effect. See Exhibit C.

EXHIBIT C

COMPUTATION OF EARNINGS PER SHARE

	1972	1973
Number of shares of common stock outstanding at beginning of the period	24,193,600	25,193,600
Weighted average number of shares of common stock issued during the period	142,856	7,591
Weighted average number of shares of common stock outstanding during each period	**24,336,456**	**25,201,191**
Income before extraordinary item	$13,596,832	$19,371,316
Extraordinary item, net of related deferred income tax effect of $1,926,323	---	(2,073,677)
Net Income	**$13,596,832**	**$17,297,639**
EARNINGS PER COMMON SHARE:		
Income before extraordinary item	$ .56	$ .77
Extraordinary item, net of related deferred income tax effect	---	.08
Net income	**$ .56**	**$ .69**

All number of shares and earnings per share amounts have been retroactively adjusted to give effect to all stock split-ups and stock dividends.

The common stock equivalents, as computed by the treasury stock method, resulting from the stock option and employee stock purchase plans would have an effect at February 26, 1972 of adding 35,520 shares for primary earnings per share and 37,148 shares for earnings per share assuming full dilution and at February 24, 1973 of adding 45,857 shares for primary and fully-diluted earnings per share. The common stock equivalents have not entered into the earnings per share computations because they would not have a dilutive effect.

XEROX CORPORATION (DEC)

	1973	1972
Average Common Shares Outstanding During Year	79,092,456	78,934,275
Net Income Per Common Share	$3.80	$3.16

Notes to Consolidated Financial Statements

Summary of Significant Accounting Policies (in part):

Net Income per Common Share— Net income per common share is computed by dividing consolidated net income by the average number of shares of common and Class B stocks outstanding during each year. Common stock equivalents (outstanding stock options and the 5% convertible subordinated debentures) and the 6% convertible subordinated debentures are excluded as the potential dilution, upon assumed exercise of outstanding stock options and assumed conversion of the debentures, is less than 3%.

Fully Diluted Earnings Per Share

BEECH AIRCRAFT CORPORATION (SEP)

	1973	19 2
Earnings per share (after giving retroactive effect to the three for two stock split)—Note E		
Primary	$1.43*	$1.01*
Fully diluted (assuming the conversion of the 4¾% subordinated debentures)	$1.34	$ .97

*Based on the average shares outstanding and assuming the exercise of dilutive stock options. If computed on a basis consistent with that used in the first three quarters of the year ended September 30, 1973 and during the year ended September 30, 1972 the comparable amounts (before giving retroactive effect to the three for two stock split) would be $2.14 and $1.51 respectively.

Note E (in part): Common Stock and Additional Paid-in Capital— The board of directors on October 9, 1973 declared a three for two stock split payable November 21, 1973 to stockholders of record October 19, 1973. This stock split will result in the issuance of 2,390,173 additional shares of Common Stock and the transfer of the par value of the shares issued from additional paid-in capital to Common Stock. Fractional shares will be paid in cash and will result in a charge to retained earnings of $59,665. The earnings per share data have been retroactively adjusted to reflect this stock split.

BORDEN, INC. (DEC)

	1973	1972
Net income	$72,961,820	$67,477,353
Average number of common shares and equivalents outstanding during the year	30,810,296	30,945,652
Net income per share		
Primary	$2.37	$2.18
Fully diluted	2.28	2.13

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:

	1973	1972
Common shares	29,856,533	29,744,492
Convertible Preferred:		
Series A	459,618	472,750
Series B	466,986	708,660
Stock options and incentive compensation	27,159	19,750
Total for primary calculation	**30,810,296**	**30,945,652**
Convertible Debentures:		
6¾%	1,043,479	1,043,479
5%	952,380	299,245
Total for fully diluted calculation	**32,806,155**	**32,288,376**

HARNISCHFEGER CORPORATION (OCT)

EARNINGS PER COMMON SHARE:

	1973	1972
Primary:		
Income before extraordinary item	$4.92	$2.76
Extraordinary item	.25	--
Net Income	**$5.17**	**$2.76**
Fully Diluted:		
Income before extraordinary item	$4.67	$2.63
Extraordinary item	.23	--
Net Income	**$4.90**	**$2.63**

Financial Notes

Note 9: Earnings per Common Share— The number of shares entering into the computation of earnings per common share are as follows:

	1973	1972
PRIMARY:		
Average common shares outstanding	1,571,204	1,565,732
Common share equivalents resulting from dilutive stock options outstanding	7,653	4,713
Total– Primary	**1,578,857**	**1,570,445**
FULLY DILUTED:		
Average common shares outstanding	1,571,204	1,565,732
Common share equivalents resulting from dilutive stock options outstanding	8,434	5,155
Assumed conversion of the 6% Subordinated Convertible Note	103,369	107,098
Total– Fully Diluted	**1,683,007**	**1,677,985**

In computing fully diluted earnings per share, net income was adjusted for the related interest expense, net of applicable income taxes.

INTERNATIONAL MINERALS & CHEMICAL CORPORATION (JUN)

EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE:

	1973	1972
Primary–		
Earnings before extraordinary items	$2.10	$1.64
Net earnings	2.17	1.64
Fully diluted–		
Earnings before extraordinary items	$1.94	$1.54
Net earnings	2.00	1.54

Financial Review

Earnings Per Common and Common Equivalent Share— Primary earnings per share are based on the weighted average number of common and common equivalent shares outstanding. Common equivalent shares include dilutive stock options granted after May 31, 1969, and shares contingently issuable based on specified earnings of acquired businesses. The per share computations reflect preferred dividends, including dividends on the Series C preferred stock at $1 per share. Fully diluted earnings per share have been determined as stated previously, adjusted as to options for market prices at the end of the period, and assume the exercise of dilutive stock options granted prior to June 1, 1969, conversion of the Series C preferred stock and the 4% convertible subordinated debentures and, in 1973, conversion of the Series B preferred stock. For purposes of these computations, dividends on the Series C preferred stock and, in 1973, on the Series B preferred stock and interest on the debentures, after appropriate income tax effect, (1973–$1,272,000; 1972–$1,363,000) have been added to earnings applicable to common shares. Shares issuable on the exercise of other conversion, option and contract rights, including the Series B preferred stock in 1972, have been excluded from the computations as they would either have no effect or would be anti-dilutive. Shares used in the computations are as follows:

	1973	1972
PRIMARY EARNINGS PER SHARE:		
Weighted average common shares–		
Outstanding	11,097,184	11,119,773
Pertaining to stock options	41,748	24,188
Issuable for acquisitions	9,438	---
	11,148,370	**11,143,961**
FULLY DILUTED EARNINGS PER SHARE:		
Common and common equivalent shares, per above	11,148,370	11,143,961
Additional shares pertaining to–		
Stock options	47,558	7,123
Conversion of Series C preferred stock	787,932	796,213
Conversion of 4% convertible subordinate debentures	823,377	874,223
Conversion of Series B preferred stock	108,108	---
	12,915,345	**12,821,520**

If an annual dividend rate of $5 per share is assumed on the Series C stock (rate in effect after June 30, 1973), primary earnings per share would be:

	1973	1972
Earnings before extraordinary items	$2.03	$1.57
Net earnings	$2.09	$1.57

MAREMONT CORPORATION (DEC)

	1973	1972
PER COMMON AND COMMON EQUIVALENT SHARE:		
Income from continuing operations	$2.49	$2.43
Income from discontinued Textile Machinery Operations	.51	.36
Effect of accounting change on prior year	(.07)	--
Total	**$2.93**	**$2.79**
PER COMMON SHARE ASSUMING FULL DILUTION:		
Income from continuing operations	$2.43	$2.27
Income from discontinued Textile Machinery Operations	.49	.33
Effect of accounting change on prior year	(.07)	--
Total	**$2.85**	**$2.60**

Notes

Note 1 (in part): Summary of Significant Accounting Policies: Earnings per Share— Earnings per common and common equivalent share (4,298,000 shares in 1973 and 3,890,000 shares in 1972) and earnings per common share assuming full dilution (4,453,000 shares in 1973 and 4,254,000 shares in 1972) have been computed based on the weighted average number of common shares outstanding, adjusted retroactively for the 1972 stock dividend and 3-for-2 stock split. The computations reflect additional shares which may be issued in connection with the possible exercise of warrants and stock options. The computation of earnings per share assuming full dilution also reflects the possible conversion of certain debentures and preferred shares. See notes 5, 6 and 7 for descriptions of possible future issuances of common stock.

TRANS WORLD AIRLINES, INC. (DEC)

	1973	1972
EARNINGS PER COMMON SHARE (NOTE 5):		
On average outstanding and equivalent shares	$3.25	$3.01
Assuming full dilution	$3.02	$2.83

Note 5: Earnings per Common Share— The earnings per common share is computed as follows:

	1973	1972
	(Amounts in Thousands)	
ADJUSTMENT OF NET INCOME:		
Net income	$46,476	$43,078
Dividends on preferred stock	(2,096)	(2,096)
Reduction in interest expense, net of income tax, for the assumed tender of 6½% Subordinated Income Debentures if warrants had been exercised	2,085	2,277
Common and Common Equivalent Shares	**46,465**	**43,259**
Further adjustments assuming full dilution:		
Reduction in interest expense, net of income tax, for the assumed conversion of convertible debentures:		
4% debentures issued in 1967	3,040	3,040
5% debentures issued in 1969	5,699	5,699
Adjusted Net Earnings—Assuming Full Dilution	**$55,204**	**$51,998**
ADJUSTMENT OF SHARES OUTSTANDING:		
Average shares of common stock outstanding	12,379	12,260
Assumed exercise of warrants (expired December 3, 1973) and options:		
Warrants	1,932	2,095
Employee stock options	2	34
Total Average Common and Common Equivalent Shares	**14,313**	**14,389**
Further adjustments assuming full dilution:		
Assumed conversion of convertible debentures:		
4% debentures issued in 1967	1,197	1,197
5% debentures issued in 1969	2,778	2,778
Total Average Shares of Common Stock—Assuming Full Dilution	18,288	18,364
EARNINGS PER COMMON SHARE:		
On Average Outstanding and Equivalent Shares	$3.25	$3.01
Assuming Full Dilution	$3.02	$2.83

See Notes 9 and 10 for a description of rights and privileges of outstanding convertible securities, warrants, and optiions entering into the computation of earnings per share. Earnings per common share are computed by dividing adjusted earnings available for such shares by the weighted average number of shares assumed to be eligible for participation in such earnings. Warrants and options are considered to be common share equivalents from date of issuance except that they are excluded from the computation whenever they have the effect of increasing the earnings per share. As to warrants, net earnings were adjusted for the portion of the interest expense, net of tax effect, that would not have accrued under the assumption that the 6½% Subordinated Income Debentures were surrendered in an amount sufficient to exercise all warrants outstanding. Unexercised warrants, originally issued with the 6½% Subordinated Income Debentures, expired on December 3, 1973. As to employee stock options, the increase in the number of shares that would

occur if such options were exercised was reduced by the number of shares that presumably could have been repurchased in the open market, at the average market price during the period, with the assumed proceeds from exercise of such employee stock options. As to convertible debt, net earnings were further adjusted for the interest expense, net of tax effect, that would not have accrued under the assumption that such debt was converted to common stock at the beginning of the year or date of issuance, whichever occurred later. These adjustments are excluded from the computation in any period in which they would have the effect of increasing the earnings per share.

Election Adopted for Securities Outstanding May 31, 1969

LESLIE FAY INC. (APR)

	1973	1972
Per share data—Note 9:		
Earnings per common and dilutive common equivalent share:		
Income before extraordinary items	$1.49	$1.21
Extraordinary items	--	.11
Net income	**$1.49**	**$1.32**
Earnings per common share— assuming full dilution:		
Income before extraordinary items	$1.49	$1.20
Extraordinary items	--	.11
Net Income	**$1.49**	**$1.31**

Note 9: Per Share Data— Earnings per common and dilutive common equivalent share are based upon the average number of shares outstanding, adjusted to reflect 5% stock dividends paid in each year. Equivalent shares include those issuable (i) upon the assumed exercise of stock options granted after May 31, 1969, reflected under the treasury stock method using the average market price of the Company's shares during each year and (ii) upon the assumed conversion of convertible debentures, as of the beginning of each year, giving effect to the resultant reduction in interest costs, net of taxes thereon. Options granted prior to June 1, 1969 are not considered common stock equivalents.

Fully diluted per share data in each year reflects additional dilution resulting from inclusion of options granted prior to June 1, 1969 and the use, under the treasury stock method, of quarter-end market prices in those quarters where such prices were higher than average market price.

Cash dividends per share are based upon the current equivalent numbers of shares outstanding at the respective declaration dates.

PHILIPS INDUSTRIES INC. (MAR)

	1973	1972
EARNINGS PER SHARE (NOTE 9)		
Earnings per common and common equivalent share	$1.10	$1.10
Earnings per common share, assuming full dilution	$1.10	$1.09

Note 9: Earnings Per Share— The earnings per common and common equivalent share are based on the following:

	1973	1972
	(In Thousands)	
EARNINGS AVAILABLE TO COMMON:		
Net income	$6,510	$6,477
Preferred dividends—$3.00 series	(176)	(178)
Total	**$6,334**	**$6,299**
AVERAGE SHARES OUTSTANDING:		
Common	4,849	4,788
Dilutive common stock equivalents (a) (c)	917	946
Basis for primary earnings per share	**5,766**	**5,734**
Other dilutive stock options (b) (c)	5	35
Basis for fully diluted earnings per share	**5,771**	**5,769**

(a) The Special Preferred Stock $1,00 Issue, and certain stock options are considered common stock equivalents.
(b) The Preferred Stock $3,00 Series and stock options issued through May 31, 1969, are not considered to be common stock equivalents and enter into the computation of fully diluted earnings per share only when the effect is dilutive.
(c) The number of common shares included for dilutive stock options is reduced by shares assumed to have been purchased with the proceeds from the exercise of options.

SOLA BASIC INDUSTRIES, INC. (MAR)

	1973	1972
NET EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE		
Assuming no dilution	$1.57	$1.21
Assuming full dilution	$1.47	$1.13

Notes to Consolidated Financial Statements

Net Earnings Per Share of Common Stock— Net earnings per share of common stock— assuming no dilution is based on the weighted average number of common and common equivalent shares outstanding during the respective years. Common equivalent shares relate to stock options granted subsequent to May 31, 1969. Net earnings per share computations are based upon the assumption that the stock options were exercised at the beginning of the respective years or at the date of grant, if later. It is assumed that the proceeds from the exercise of the options were used to purchase treasury stock.

Net earnings per share of common stock—assuming full dilution is based on the assumption that the convertible subordinated debentures were converted and that the stock options granted prior to June 1, 1969 were exercised at the beginning of the respective years or at the date of grant, if later. As to the convertible subordinated debentures, interest and debt expense related to such debentures, net of applicable tax effect, are added back to net earnings for the calculation of the net earnings per share amount.

Supplementary Earnings Per Share Data

EMERSON ELECTRIC CO. (SEP)

EARNINGS PER COMMON SHARE	1973	1972 Restated for Poolings of Interests	1972 Previously Reported
Primary earnings	$1.54	$1.36	$1.32
Fully diluted earnings	$1.46	$1.29	$1.26

Notes to Consolidated Financial Statements

Note 1 (in part): Earnings per Common Share— Primary earnings per common share are computed by dividing net earnings, after deducting dividends of preferred stock, by the weighted average number of common and common equivalent shares outstanding during the respective years. Fully diluted earnings per common share are computed by dividing net earnings by the weighted average number of common and common equivalent shares which would have been outstanding if conversion of all outstanding preferred stock had taken place at the beginning of each respective year. Stock options are considered to be common stock equivalents.

The weighted average number of common and common equivalent shares used in the computation of primary earnings per common share includes common shares issued on conversion of the preferred stock from the date of conversion. Assuming that these conversions of preferred stock had taken place at the beginning of fiscal 1972, primary earnings per common share would have been $1.49 for 1973 and $1.32 for 1972.

FOOTE MINERAL COMPANY (DEC)

	1973	1972
EARNINGS (LOSS) PER COMMON SHARE AFTER DEDUCTING PREFERRED DIVIDENDS PAID OR PAYABLE (Note 9):		
From continuing operations	$ .84	– – –
From discontinuing operations	.07	– – –
Before extraordinary item	$ .91	– – –
Net earnings (loss)	$ .91	(3.28)
EARNINGS (LOSS) PER COMMON SHARE AS ABOVE AND AFTER DEDUCTING THE EARNINGS APPLICABLE TO THE PREFERRED SHARES TENDERED (Note 9):		
From continuing operations	$ .31	– – –
From discontinuing operations	.03	– – –
Before extraordinary items	$ .34	– – –
Net earnings (loss)	$ .34	(3.28)

Note 9: Earnings per Share— The computation of earnings per share is presented below under two methods:

Under *Method A,* earnings per common share have been computed by deducting from net earnings only the amount of preferred dividends paid or payable. This recognizes the net earnings legally available to common shareholders.

Under *Method B,* earnings per common share have been computed by deducting from net earnings, in addition to the preferred dividends paid or payable, the portion of earnings equivalent to the preferred dividends that would have been paid (had they been declared) on the preferred shares tendered in connection with the offer described in Note 5 to the Consolidated Financial Statements because such shares were outstanding for approximately 7.7 months of the year. This method represents the view of the Company's auditors, Peat, Marwick, Mitchell & Co.

It is considered appropriate to present both methods of computation since both contain information useful to shareholders.

	Amount	Per Common Share
Net earnings	$2,811,847	
Less:		
Dividends paid	758,860	
Dividends payable	252,953	
	1,011,813	
Net earnings applicable to common stock under Method A	1,800,034	$ .91
Less the earnings applicable to the preferred shares tendered*	1,127,902	
Net earnings applicable to common stock under Method B	$ 672,132	$ .34
Weighted average number of common shares	1,976,647	

*Assumes that tendered shares were outstanding through the midpoint of the offering (233rd day of year) computed as follows: 233/365 of $2.20 = $1.404 x 803,349 = $1,127,902

Earnings per common share have been allocated between continuing operations and discontinuing operations on a pro rata basis.

Shares reserved for issuance under employee stock option plans and conversion requirements of preferred stock and debentures would not be dilutive.

LEHIGH PORTLAND CEMENT COMPANY (DEC)

	1973	1972
PER SHARE (Note 2)		
Earnings from operations before extraordinary item	$2.94	$1.83
Extraordinary item, net of taxes	– –	.50
Net Earnings	**$2.94**	**$2,33**

Note 2: Earnings Per Share– Earnings per share are calculated based on the weighted average number of common shares outstanding during the year (3,682,909 and 4,150,332 shares during 1973 and 1972, respectively).

Pursuant to a May 1973 tender offer, Lehigh acquired 738,804 shares of its common stock at $17.50 share. An additional 11,528 shares were subsequently purchased on the open market at an average price of $17.77 per share. Assuming that all of the reacquired shares had been purchased on January 1, 1973, and that the cash used to purchase such shares had not been available for investment in short-term, interest-bearing securities after that date, earnings per share for 1973 would have been $3.13.

Options and Warrants Exceed Twenty Percent

THE LTV CORPORATION (DEC)

	1973	1972
Per share data:		
Primary–		
Income from continuing operations	$ 4.08	$ 1.31
Income before extraordinary items	3.50	0.63
Net income	**5.16**	**0.73**
Assuming full dilution–		
Income from continuing operations	2.91	1.18
Income before extraordinary items	2.69	0.57
Net income	**3.32**	**0.66**

Financial Comments

Income Per Share– Primary income per share amounts for 1973 are after deducting preferred stock dividend requirements of $2,57?,000 and are based upon a total of 10,472,933 shares, representing the sum of (a) 7,431,445 shares – the average number of common shares outstanding, (b) 906,634 shares – the average number of Special Stock, Class AA shares outstanding, adjusted to the beginning of the year conversion ratio of 1.15 common shares for each share of Special Stock, and (c) 2,134,854 shares – the number of common equivalent shares issuable upon the assumed exercise of stock options and warrants issued after May 31, 1969, less shares assumed purchased with a portion of the funds assumed to have been received. It has been further assumed in these calculations that funds obtained from the exercise of warrants and options have been applied (a) to purchase of common shares at the average market price for the year to the extent of 20% of the total common and Class AA shares outstanding, and (b) to repurchases of outstanding debt, with $6,719,000, representing the related reduction in interest expense less applicable income taxes, being added to earnings as result. For 1972, the assumptions with respect to the exercise of warrants and options were not required because of anti-dilutive effects.

Fully diluted per share results for both years have been determined by increasing the average number of shares outstanding to reflect the maximum conversion ratio (1.50) and the cumulative effect of 3% annual stock dividends for the ensuing ten years on the Special Stock outstanding. For 1973, per share results also reflect the assumed exercise of all stock options and warrants, the conversion of certain convertible securities and related adjustments to income for the interest expense, less applicable income taxes, on the debt assumed to have been converted or retired by application of warrant and option proceeds. For 1972 such assumptions with respect to stock options and warrants were anti-dilutive and accordingly not required.

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.*

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.

TABLE 3-30: LONG-TERM LEASES– ACCOUNTING METHODS USED BY LESSORS

	1973	1972	1971	1970
Operating method	41	47	42	34
Financing method	5	4	2	3
Both operating and financing methods	7	6	3	1
Total Companies	**53**	**57**	**47**	**38**

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

GEARHART-OWEN INDUSTRIES, INC. (JAN)

Consolidated Balance Sheet

Rental Equipment, (At Cost), net of accumulated depreciation (1974 $515,992 – 1973 $425,553)	$858,626

Notes To Consolidated Financial Statements

Note 1 (in part): Summary of Significant Accounting Policies: Rental Income on Leased Equipment— Rental contracts for use of equipment manufactured by the company are accounted for by the operating method with the equipment shown as rental assets at cost less accumulated depreciation and rent recorded as income over the lives of the contracts.

LUNDY ELECTRONICS & SYSTEMS, INC. (JUN)

	1973	1972
INCOME-PRODUCING RENTAL EQUIPMENT (NET OF ACCUMULATED DEPRECIATION OF $924,787 IN 1973; $153,500 IN 1972) (NOTE 1 (d)	$5,455,213	$1,036,500
PROPERTY, PLANT AND EQUIPMENT, AT COST:		
Land	325,000	550,000
Buildings and improvements	1,741,267	2,998,594
Machinery and equipment	1,940,299	1,688,934
Office furniture and sundry equipment	215,326	230,535
Capitalized leased properties	1,783,786	---
Equipment construction in process	469,000	---
	6,474,678	**5,468,063**
Less accumulated depreciation	1,588,649	1,323,050
	4,886,029	**4,145,013**

Note 1 d: Income-Producing Rental Equipment— The Company's policy is to lease data entry systems equipment over periods of three to five years (except for certain governmental agencies which are limited to one year terms) and use the operating method to account for the lease contracts. Accordingly, revenues are recorded as earned and depreciation is computed by the straight-line method and charged to operations over periods of four to five years. Depreciation of equipment on lease will be evaluated annually as to whether the market conditions warrant continuation of the above lives or, alternatively the noncancellable lease period. Revenues from rentals and depreciation for 1973 amounted to $1,357,091 and $771,287, and for 1972 amounted to $327,995 and $153,500. Under lease contracts in force at June 30, 1973 rental revenues and depreciation related thereto over the next five fiscal years are as follows:

	Revenues	Depreciation
1974	$1,898,771	1,291,000
1975	1,558,775	1,291,000
1976	1,155,556	1,253,750
1977	620,408	1,187,000
1978	233,050	509,714

For those leases with terms of less than five years, the Company expects that the present lessees will extend the leases and/or the equipment will be leased to others.

POTTER INSTRUMENT COMPANY, INC. (JUN)

Consolidated Balance Sheet

Rental Equipment, at Cost (Note 1)	$24,311,056
Less accumulated depreciation	7,366,343
	$16,944,713

Note 1 (in part): Rental Equipment— Equipment leased to customers is recorded at manufacuring cost plus applicable freight and duties. Costs incurred in the modernization or model conversion of previously leased equipment is capitalized. (See also "Accounting Changes" later herein.)

Depreciation of rental equipment is calculated on the straight-line method over five years (without salvage value) from the month in which the equipment is first placed on rent. Equipment off-rent (approximate net book value at June 30, 1973 – $2,157,000) continues to be depreciated on the same basis as when on-rent. Modernization and model conversion costs are depreciated over the remaining life of the original equipment.

Revenues from rental equipment are reported monthly as billed under the operating method of accounting. Upon sale of rental equipment the related costs and accumulated depreciation are removed from the accounts and any gain or loss is taken into income or expense.

SUNDSTRAND CORPORATION (DEC)

Consolidated Balance Sheet

Equipment systems leased to customers (net of accumulated depreciation of $211,000)	$1,128,000

Financial Summary

Summary of Significant Accounting Policies (in part)

Equipment Systems Leased to Customers, under long-term leases, are accounted for under the operating method and are depreciated over their estimated useful lives on the straight-line method.

XEROX CORPORATION (DEC)

Consolidated Balance Sheet

	1973	1972
	($ thousands)	
Rental Equipment and Related Inventories		
At cost (less accumulated depreciation: 1973–$1,360,151; 1971–$1,067,362)	$1,102,986	$869,662

Notes to Consolidated Financial Statements

Summary of Significant Accounting Policies

Revenues from Rental Equipment— Revenues from rental equipment are accounted for by the operating lease method. Revenues from leased copiers and duplicators vary each month based on the number of copies produced; revenues from leased computers are based upon the terms of lease agreements.

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. The double declining balance method of computing depreciation is generally used in the U.S. and in Canada; the straight line method of computing depreciation is used in other countries.

Financing Method

INDUSTRIAL NUCLEONICS CORPORATION (DEC)

Consolidated Balance Sheet

	1973	1972
	($ thousands)	
CURRENT ASSETS		
Cash	$3,169	$2,571
Accounts Receivable—		
Trade Customers—less allowance of $70,000 and $50,000	22,953	18,050
Contracts Receivable—Current (note 4)—		
Long-Term Leases	4,719	2,778
Installment Sales	5,477	2,241
Inventories, at first-in, first-out cost	26,212	16,031
Prepayments	2,580	1,104
Total Current Assets	**$65,110**	**$42,775**
OTHER RECEIVABLES		
Contracts Receivable (note 4)—		
Long-term Leases	$23,817	$17,906
Installment Sales	7,988	2,506
Joint Venture Notes, 7% due in 1975-1976 (note 8)	62	280
	$31,867	**$20,692**

Note 4: Contracts receivable— Operating revenues include $8,868,000 in 1973 and $7,677,000 in 1972, for process control systems installed under long-term lease agreements of five to ten years. These agreements have been accounted for under the financing method using discount rates in excess of the company's cost of borrowed funds, and, commencing in 1971, without considering residual values. Operating revenues also include $8,898,000 in 1973 and $3,587,000 in 1972 for systems installed under installment sales agreements of varying lives from six months to six years.

Contracts receivable are presented net of unearned interest and service charges. The payments are reported for income tax purposes in the year received and a provision has been made for deferred income taxes. Systems are generally subject to an evaluation period (normally six months) during which time the customer may return the system and cancel the contract without penalty. Reserves of $500,000 in 1973 and $300,000 in 1972 have been provided for any losses which may be incurred as the result of such returns.

Contracts receivable excluding reserves are summarized below:

	1973	1972
	($ thousands)	
Aggregate Payments Receivable—		
Long-term leases	$40,094	$31,898
Installment sales	15,298	5,622
	$55,392	$37,520
Less unearned financing income	12,891	11,789
	$42,501	$25,731
Less current portion	10,196	5,019
	$32,305	**$20,712**

The $42,501,000 balance in "Contracts Receivable" as of December 31, 1973 will be recovered as follows: 1974— $10,196,000; 1975— $7,790,000; 1976— $7,298,000; 1977— $6,143,000; 1978— $3,658,000; thereafter— $7,416,000.

ADDRESSOGRAPH MULTIGRAPH CORPORATION (JUL)

Consolidated Balance Sheet

Lease Contracts Receivable, due after one year, less unearned finance charges	$15,930,000

Financial Review and Summary of Accounting Policies

Equipment Leasing Agreements— Under the Company's method of accounting, machines leased under certain long-term leases are treated as sales and the trading profit is recognized currently in the income statement. Related finance charges are taken into income over the life of the leases. However, for federal income tax purposes, the Company has adopted the installment method of reporting income so that lease receipts are not taxed until the year received.

Net sales derived from leases treated as explained above were $7,386,000 in 1973 and $11,316,000 in 1972. Finance income from such leases amounted to $3,125,000 in 1973 and $3,182,000 in 1972.

Operating and Financing Methods

AMPEX CORPORATION (APR)

Summary of Accounting Policies

Lease Accounting— The operating method is used for computer peripheral equipment leases in which the present value of lease rentals does not equal normal selling price (rentals are recorded monthly as income). When the present value of lease rentals exceeds the normal selling price, the finance method is used (present value of total rentals is recorded as a sale). The cost of computer peripheral equipment on operating leases is fully depreciated over three and four years by the straight line method.

CODEX CORPORATION (SEP)

Balance Sheet

CURRENT ASSETS:	
Lease Receivables, due within one year, net of deferred finance income of $197,500 in 1973 and $76,700 in 1972 (Note 1)	$2,272,569
LEASE RECEIVABLES, due after one year, net of deferred finance income of $51,100 in 1973 and $20,200 in 1972 (Note 1)	$ 976,488
EQUIPMENT LEASED TO OTHERS, at cost, less amortization of $636,800 in 1973 and $460,800 in 1972 (Note 1)	$1,491,866

Note 1 (in part): Summary of Accounting Policies

Lease Accounting— The Company accounts for commercial leases with a noncancelable term of two years or more by reporting as sales the discounted amount of future lease payments and reporting as cost of sales the cost of the equipment. Deferred finance income applicable to these leases is being recognized over the lease terms using the sum-of-the-months-digits method. The Company does not assign a residual value to such equipment.

The Company accounts for all other leases under the operating method by recognizing revenues over the lease term and by depreciating the leased equipment over its estimated useful life.

CONTROL DATA CORPORATION (DEC)

	($ thousands)
LONG-TERM CONTRACTS RECEIVABLE, LESS CURRENT PORTION	$98,912
PROPERTY, PLANT AND EQUIPMENT, AT COST	
Land	6,923
Buildings and improvements	86,070
Machinery and equipment	148,836
Leased and data centers computing equipment	441,969
	683,798
Less accumulated depreciation	
Buildings, machinery and equipment	115,768
Leased and data centers computing equipment	186,778
	302,546
Net property, plant and equipment	381,252

Significant Accounting Policies

Lease Revenues and Lease Costs— Non-cancellable long-term lease contracts which are in substance equivalent to installment sales are accounted for as outright sales, at the discounted present value of rentals to be collected, less provision for other costs to be incurred over the lease period. The related cost of the leased equipment is charged to cost of sales. Other lease contracts are accounted for as operating leases and rentals are included in rental revenue over the terms of the leases.

Allocated portions of certain product and software development costs, systems application costs and marketing expenses related to the acquisition of operating leases are deferred for amortization over a three-year period. Unamortized deferred costs related to leases cancelled or converted to sale prior to expiration of the three-year period are charged to cost of sales.

ACF INDUSTRIES- INCORPORATED (DEC)

Consolidated Balance Sheet

	1973	1972
	($ thousands)	
PROPERTY, PLANT AND EQUIPMENT, AT COST–NOTE 3		
Land	$6,342	$6,146
Manufacturing facilities	133,230	116,777
Specialized railroad cars leased to others and repair service facilities	471,762	439,625
	611,334	562,548
Less–Accumulated depreciation	246,266	228,191
	365,068	**334,357**
NET RECEIVABLE FROM FINANCE LEASING–NOTE 3	12,468,000	13,007,000

Note 1 (in part): 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— 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 those 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.

	DECEMBER 31	
	1973	1972
Aggregate rental receivable	$28,064,000	$29,884,000
Unearned financing charges	(15,057,000)	(16,389,000)
Net receivable from finance leasing	13,007,000	13,495,000
Portion to be recovered within one year	(539,000)	(488,000)
Balance receivable in installments through 1992	$12,468,000	$13,007,000

The estimated residual value, $758,000, 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.

TABLE 4-1: PRESENTATION OF RETAINED EARNINGS TRANSACTIONS

	1973	1972	1971	1970
Combined statement of income and retained earnings (*53, 55, 56)	185	199	209	227
Separate statement of retained earnings (*118, 123, 134, 153)	199	206	222	238
Combined statement of retained earnings and additional capital and/or capital stock (*57, 58, 64)	209	190	164	132
Changes shown in balance sheet	7	5	5	3
Total Companies	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

Combined Statement of Income and Retained Earnings

ALLIED MILLS, INC. (MAR)

Consolidated Statement of Earnings and Retained Earnings

	1973	1972
Net sales	$347,957,000	$364,286,000
Costs and expenses:		
Cost of sales	303,538,000	323,571,000
Selling and administrative	27,842,000	34,154,000
Interest	3,233,000	3,085,000
Provision for closing of facilities	4,157,000	
Other—net	(59,000)	114,000
	338,711,000	360,924,000
Earnings before income taxes	**9,246,000**	**3,362,000**
Provision for income taxes:		
Current	5,600,000	1,083,000
Deferred	(1,235,000)	293,000
	4,365,000	1,376,000
Net earnings	**4,881,000**	**1,986,000**
Retained earnings at beginning of period	51,045,000	51,105,000
Cash dividends (56¼c per share in 1973 and 75c in 1972)	(1,527,000)	(2,046,000)
Retained earnings at end of period	**$ 54,399,000**	**$ 51,045,000**
Net earnings per share	**$1.80**	**$.73**

Separate Statement of Retained Earnings

THE MAYTAG COMPANY (DEC)

Statement of Consolidated Retained Earnings

	1973	1972
	($ thousands)	
Retained earnings at beginning of year	$62,380	$52,474
Net income for the year	29,394	27,993
	91,774	80,467
Cash dividends—(1973—$1.50 a share; 1972—$1.35 a share)	20,080	18,087
Retained earnings at end of year	**$71,694**	**$62,380**

Combined Statements of Retained Earnings and Capital Accounts

AIR PRODUCTS AND CHEMICALS, INC. (SEP)

Changes in Shareholders' Equity

	Common Stock $1 Par Value (Number of Shares)	Capital in Excess of Par Value	Retained Earnings
	(Amounts in Thousands)		
Balance, beginning of year 1972.	**6,019**	**$82,211**	**$ 80,326**
Net Income			18,334
Cash Dividends			
Convertible Preferred Stock			(74)
Common Stock, 10c per share			(1,237)
Shares issued for:			
2% Stock Dividend, at quoted market price, less cost of issue	123	7,552	(7,709)
Conversion of 41,600 shares of Preferred Stock	109	(68)	
Stock Options	14	523	
Treasury shares issued at market price for:			
Employees Savings and Stock Ownership Plan—Savings Years 1971 and 1972	16	887	
Incentive Compensation Plan	3	167	
Miscellaneous	8	(8)	
Balance, beginning of year 1973.	**6,292**	**91,264**	**89,640**
Net Income			24,059
Cash Dividends			
Common Stock, 15c per share			(1,927)
Shares issued for:			
2% Stock Dividend, at quoted market price, less cost of issue	126	9,177	(9,336)
Two-for-one stock split	6,438	(6,438)	
Stock Options	28	821	
Treasury shares issued at market price for:			
Employees Savings and Stock Ownership Plan—Savings Year 1973	12	466	
Incentive Compensation Plan	2	152	
Miscellaneous	5	(31)	
Balance, end of year 1973 ($63,000,000 of Retained Earnings restricted) (Note 2)	**12,903**	**$95,411**	**$102,436**

BROWN GROUP, INC. (OCT)

Consolidated Stockholders' Equity

	Year Ended November 3, 1973 (53 weeks)	October 28, 1972 (52 weeks)
COMMON STOCK		
Balance at beginning of year	$ 28,387,275	$ 28,420,991
Par value of shares sold under stock option plans—Note C	116,486	32,250
Par value of shares purchased for treasury—305,200 in 1973 and 23,300 in 1972	(1,144,500)	(87,375)
Other	22,943	21,409
Balance at end of year	**$ 27,382,204**	**$ 28,387,275**
ADDITIONAL CAPITAL		
Balance at beginning of year	$ 14,081,522	$ 13,959,463
Excess of proceeds over par value of Common Stock sold under stock option plans	580,464	174,738
Charge attributable to Common Stock purchased for treasury	(576,247)	(43,202)
Other	(22,943)	(9,477)
Balance at end of year	**$ 14,062,796**	**$ 14,081,522**
RETAINED EARNINGS		
Balance at beginning of year	$138,985,087	$128,265,637
Net earnings	24,582,098	22,754,659
Cash dividends paid: 1973—$1.52½ a share; 1972—$1.50 a share	(11,329,225)	(11,367,075)
Charge attributable to Common Stock purchased for treasury	(6,923,135)	(668,134)
Balance at end of year	**$145,314,825**	**$138,985,087**

EMERSON ELECTRIC CO. (SEP)

Consolidated Statement of Stockholders' Equity

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
			($ Thousands)			
Year ended September 30, 1973						
Balance at beginning of year	$8,275	47,283	12,637	337,134	(5,241)	400,088
Add (deduct):						
Net earnings	—	—	—	75,873	—	75,873
Stock options exercised	—	99	2,453	—	128	2,680
Preferred stock conversions	(4,789)	2,682	2,107	—	—	—
Expenses of common stock split	—	—	(153)	—	—	(153)
Stock issued by pooled companies prior to combination	—	66	574	—	—	640
Cash dividends:						
Preferred stock—$.90 per share	—	—	—	(2,572)	—	(2,572)
Common stock—$.62½ per share	—	—	—	(29,498)	—	(29,498)
By pooled companies prior to combination	—	—	—	(379)	—	(379)
Balance at end of year	**$3,486**	**50,130**	**17,618**	**380,558**	**(5,113)**	**446,679**
Year ended September 30, 1972						
Balance at beginning of year:						
As previously reported	$8,584	22,963	33,741	291,324	(5,288)	351,324
Adjustments:						
Common stock split	—	22,963	(22,963)	—	—	—
Poolings of interests	—	1,119	174	9,676	—	10,969
As restated	8,584	47,045	10,952	301,000	(5,288)	362,293
Add (deduct):						
Net earnings	—	—	—	66,867	—	66,867
Stock options exercised	—	65	1,549	—	55	1,669
Preferred stock conversions	(309)	173	136	—	—	—
Cash dividends:						
Preferred stock—$.90 per share	—	—	—	(3,014)	—	(3,014)
Common stock—$.59½ per share	—	—	—	(26,975)	—	(26,975)
By pooled companies prior to combination	—	—	—	(744)	—	(744)
Treasury stock acquired	—	—	—	—	(8)	(8)
Balance at end of year	**$8,275**	**47,283**	**12,637**	**337,134**	**(5,241)**	**400,088**

LIBBEY-OWENS-FORD COMPANY (DEC)

Statement of Consolidated Shareholders' Equity

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings
		($ Thousands)		
Balance at January 1, 1972	$53,579	$53,685	$4,498	$221,634
Issuance of 5,267 preferred shares and 43,396 common shares under employee stock option plans	202	217	1,834	
Conversion of 7 preferred shares into 10 common shares	—	—	—	—
Charges arising from purchase of 97,654 preferred shares	(3,762)			(4,100)
Issuance of 172,300 common shares in acquisitions — Note B		862		936
Net earnings for the year				52,610
Cash dividends paid:				
Common stock—$2.15 a share				(23,320)
Preferred stock—$4.75 a share				(6,436)
Balance at December 31, 1972	**50,019**	**54,764**	**6,332**	**241,324**
Issuance of 41,824 common shares under employee stock option plans		209	1,630	
Conversion of 48 preferred shares into 72 common shares	(1)	—	1	
Charges arising from purchase of 148,933 preferred shares	(5,738)			(5,741)
Charges arising from purchase of 46,812 common shares		(234)	(33)	(1,295)
Net earnings for the year				62,210
Cash dividends paid:				
Common stock—$2.50 a share				(27,412)
Preferred stock—$4.75 a share				(5,710)
Balance at December 31, 1973	**$44,280**	**$54,739**	**$7,930**	**$263,376**

MEREDITH CORPORATION (JUN)

Statement of Consolidated Stockholders' Equity

	1973	1972
	($ Thousands)	
COMMON STOCK:		
Beginning of year	$14,058	$14,234
Treasury stock adjustment (Note 5)	—	(372)
Shares issued during year (Note 5)	290	196
End of year	**14,348**	**14,058**
ADDITIONAL PAID-IN CAPITAL:		
Beginning of year	3,426	4,679
Treasury stock adjustment (Note 5)	—	(2,036)
Excess of proceeds on shares issued over par value (Note 5)	775	783
End of year	**4,201**	**3,426**
RETAINED EARNINGS (NOTE 4):		
Beginning of year	45,852	44,826
Deduct adjustment for conversion of 50 percent owned company to equity basis (Note 3)	—	(473)
Beginning of year as adjusted	45,852	44,353
Net earnings (loss)	(8,527)	3,455
Dividends paid—70 cents per share	(1,990)	(1,956)
End of year	**35,335**	**45,852**
Total Stockholders' Equity	**$53,884**	**$63,336**

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 4-2: DIVIDENDS ON COMMON STOCK

	1973	1972	1971	1970
Nature of Dividend*				
Cash dividends—per share amount disclosed in statement of retained earnings (*191, 463, 766)	426	421	417	429
Cash dividends—per share amount not disclosed in statement of retained earnings	78	73	78	87
Dividends of pooled companies (*32, 286, 333)	19	18	22	39
Stock dividends	40	48	44	51
Dividends in kind	1	4	2	2
Dividends or distributions to common stockholders	**564**	**564**	**563**	**608**
Number of Companies				
Making payments or distributions to common stockholders	513	512	514	532
Payments by pooled companies only	—	—	2	1
No payments or distributions to common stockholders	87	88	84	67
Total	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

TABLE 4-3: DIVIDENDS ON PREFERRED STOCK

	1973	1972	1971	1970
Full dividend paid-per share amount disclosed in statement of retained earnings (*413, 415, 753)	166	176	165	175
Full dividend paid-per share amount not disclosed in statement of retained earnings	63	72	86	85
Dividends in arrears	7	8	7	6
Dividend not currently payable (newly-issued)	—	2	1	2
Number of companies with preferred stock outstanding	**236**	**258**	**259**	**268**

*Refer to Company Appendix Section.

Cash Dividends

ARMSTRONG CORK COMPANY (DEC)

	1973	1972
RETAINED EARNINGS	($ Thousands)	
Amount at beginning of year	$329,341	$308,769
Net earnings for the year	55,733	41,761
	385,074	**350,530**
Deduct dividends:		
Preferred stock—$3.75 per share	443	443
Voting preferred stock: 1973—$.59375 per share; 1972—$2.375 per share	59	238
Common stock: 1973—$.82 per share; 1972—$.80 per share	21,098	20,508
	21,600	**21,189**
Amount at end of year	**$363,474**	**$329,341**

H. J. HEINZ COMPANY (APR)

Statements of Consolidated Additional Capital and Retained Earnings

	1973	1972
RETAINED EARNINGS		
Amount at beginning of year, as previously reported	$274,409,817	$247,485,619
Prior years' adjustment (Note 3)	(2,565,000)	(2,565,000)
Amount at beginning of year, as adjusted	271,844,817	244,920,619
Add Net income for the year	21,552,285	42,286,568
	293,397,102	**287,207,187**
Deduct Dividends paid:		
On preferred stock:		
3.65% series	112,800	119,423
$3.50 series	52,213	64,462
	165,013	183,885
On common stock, $1.05 per share ($1.01 in 1972)	15,813,928	15,178,485
	15,978,941	**15,362,370**
Amount at end of year	**$277,418,161**	**$271,844,817**

UTAH-IDAHO SUGAR COMPANY (FEB)

Statements of Consolidated Earnings and Earnings Retained for Use in the Business

Net Earnings	$ 1,107,750	$ 2,517,094
Earnings Retained for Use in the Business		
Dividends paid on Preferred Stock:		
Class A—$1.265 per share in 1973 and $.6325 per share in 1972	124,501	62,251
Class B—$.6325 per share	62,254	
Earnings Available to Common Stock	920,995	2,454,843
Amount at beginning of year	30,131,570	29,534,009
	31,052,565	**31,988,852**
Dividends paid on Common Stock—$.80 per share each year	1,855,469	1,857,282
Amount at End of Year	**$29,197,096**	**$30,131,570**

Dividend in Kind

GABLE INDUSTRIES, INC. (JUN)

Statement of Changes in Consolidated Stockholders' Equity

	Common Stock $1 Par Value	Additional Paid-In Capital	Retained Earnings
		($ Thousands)	
Balance at July 1, 1971	$1,380	$1,060	$4,114
Net income for year	—	—	4,315
Additional shares issued resulting from the merger of Central Foundry and Fuqua National	512	7,927	—
Fair value of shares issued for purchased business	222	4,860	—
Conversion of 8% Convertible Subordinated Debentures	150	2,100	—
Other	—	(12)	(88)
Balance at June 30, 1972	**2,264**	**15,935**	**8,341**
Net income for year	—	—	5,792
Fair value of shares issued for purchased business	250	2,269	—
Retirement of shares held in treasury	(212)	(3,789)	—
Net carrying amount of capital stock of Fuqua Television, Inc. distributed as a dividend	—	—	(1,832)
Fair value of additional shares issued based on earnings of acquired businesses	59	932	—
Conversion of 5% Convertible Subordinated Debentures	55	736	—
Common Stock sold under Stock Option Plan	30	307	—
Fair value of warrants issued with 8½% Senior Subordinated Notes	—	675	—
Other	14	286	—
Balance at June 30, 1973	**$2,460**	**$17,351**	**$12,301**

Financial Review

Discontinued operations—Effective May 31, 1973, Gable distributed as a dividend to its shareholders (on a pro rata basis) 100% of the stock in its wholly-owned subsidiary, Fuqua Television, Inc. The dividend was charged to retained earnings, based on the net carrying amount of the subsidiary at the effective date. Net income of Fuqua Television, Inc. has been included in the consolidated results of operations through May 31, 1973. If the dividend had been distributed as of July 1, 1971, Gable's sales and revenues, net income, primary income per share and fully diluted income per share would have been $160,162,000; $5,236,000; $2.17 and $2.04 for 1973 and $86,781,000; $3,839,000; $1.90 and $1.70 for 1972, respectively.

Dividends in Arrears

ARDEN-MAYFAIR, INC. (DEC)

Notes to Financial Statements

Note 3 (in part): Long Term Insurance Loans and 6% Subordinated Income Debentures—The most restrictive covenants of the loan agreements and debenture indenture pertain to restrictions on retained earnings for payment of cash dividends, acquisition of any class of the Company's stock, or payment of principal or interest on the debentures. There was no retained earnings available for such acquisitions or payments at December 29, 1973. The Company would be required to have $3,189,385 of retained earnings in order to be able to pay interest and dividends that were in arrears on that date, without restriction. The arrearages of interest that was due September 1, 1973 and of quarterly preferred stock dividends that were scheduled for payment on September 1, 1973 and December 1, 1973 but were not declared, amounted to $657,006 and $218,710 ($1.50 per share of Preferred stock), respectively.

GENERAL REFRACTORIES COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 7: Capital Stock—The first series preferred shares are convertible into five common shares and are redeemable at the Company's option. Liquidation and redemption value is $105 per share, plus accumulated and unpaid dividends. As of December 31, 1973, three quarterly dividend payments amounting to $3.75 per share or $196,000 in the aggregate were unpaid. An annual contribution of approximately $650,000 to a sinking fund for redemption of the preferred shares is required except that such contribution shall be reduced by an amount equal to the redemption price of shares redeemed, reacquired or converted into common stock of the Company. Redemptions and acquisitions eliminated the need for a contribution in 1973. At December 31, 1973, sufficient preferred shares had been converted or reacquired to reduce the required annual contribution for 1974 to approximately $210,000.

During 1973, 5,599 preferred shares were repurchased under a tender offer and other transactions for $299,000. The preferred shares acquired during 1973, along with the 6,000 common shares acquired previously at a cost of $84,000, are currently held in the Company's treasury.

LYKES-YOUNGSTOWN CORPORATION (DEC)

Notes to Financial Statements

Note 10 (in part): Capital Stock and Stock Options—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 stock 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 $167.66 to $166.66 per share plus accrued dividends and is convertible into common stock on a basis of 1 share of preferred for 3.885 shares of common stock.

After payment of the dividends on January 15, 1974, cumulative dividends of $20,336,000 and $192,000 ($3.75 and $6.00 per share) were in arrears for the Series A and $4 Series cumulative convertible preferred stock, respectively.

TABLE 4-4: STOCK DIVIDENDS-PERCENT

	1973	1972	1971	1970
5% or less	33	48	41	49
More than 5% but not more than 10%	5	—	1	2
More than 10%	2	—	2	—
Total	**40**	**48**	**44**	**51**

Stock Dividends

ABERDEEN MANUFACTURING CORPORATION (DEC)

Consolidated Statement of Additional Paid-In Capital and Retained Earnings

	1973	1972
ADDITIONAL PAID-IN CAPITAL:		
Balance, beginning of year	$3,535,032	$3,086,529
Excess of fair market value of stock dividends distributed (14% in 1973 and 4% in 1972) over par value of shares issued	1,116,058	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	**$4,651,090**	**$3,535,032**
RETAINED EARNINGS:		
Balance, beginning of year	$5,899,103	$4,899,594
Net income for the year	1,799,932	1,824,040
Total	**7,699,035**	**6,723,634**
Less: Cash dividends—42½c a share in 1973 and 40c a share in 1972	399,776	353,200
Fair market value of stock dividends distributed (14% in 1973 and 4% in 1972) plus cash paid in lieu fractional shares	1,251,471	471,331
	1,651,247	**824,531**
Balance, end of year	**$6,047,788**	**$5,899,103**

Notes to Financial Statements

Note 7–Common Stock—The changes in common stock are as follows:

	1973	1972
Balance, beginning of year	$ 891,931	$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 dividends	$35,310	33,999
Par value of shares issued on 10% stock dividend	92,297	—
Balance, end of year	**$1,019,538**	**$891,931**

Since the par value of the common stock is $1.00 a share, the above analysis of changes also shows the changes in the number of shares issued.

BLISS & LAUGHLIN INDUSTRIES INCORPORATED (DEC)

Consolidated Statements of Additional Capital and Retained Earnings

	1973	1972
ADDITIONAL CAPITAL:		
Balance at beginning of year	$ 7,920,205	$ 7,413,526
Add (Deduct):		
Market value in excess of par value of common stock issued in payment of 10% common stock dividend	4,109,602	—
Principal amount of convertible debentures in excess of par value of common stock issued upon conversion (Notes 4 and 6)	—	522,500
Other, net	(37,665)	(15,821)
Balance at end of year	**$11,992,142**	**$ 7,920,205**
RETAINED EARNINGS:		
Balance at beginning of year	$38,325,238	$35,099,750
Add (Deduct):		
Net income	8,205,471	6,078,108
Cash dividends paid ($.98 per share in 1973 and $.91 per share in 1972)	(3,054,571)	(2,852,620)
10% Common stock dividend	(4,838,775)	—
Balance at end of year (Note 3)	**$38,637,363**	**$38,325,238**

Notes to Consolidated Financial Statements

Note 6: Common stock transactions were as follows:

	Shares 1973	1972
Issuance of previously unissued common stock:		
For conversions of 5¾% convertible subordinated debentures	—	31,460
To employees under a stock option plan	—	319
10% stock dividend	291,668	—
Acquisition of treasury stock	39,469	14,135

Throughout the 1973 annual report prior years' references to numbers of shares and amounts per share have been restated to reflect the 10% stock dividend.

ELECTRIC HOSE & RUBBER COMPANY (AUG)

Statements of Retained Earnings

	1973	1972
Balance at beginning of year	$10,169,000	$10,522,300
Add (deduct)		
Net income	1,378,600	377,100
Dividends		
Cash—$.30 per share in 1973	(436,400)	—
Stock—Note 8	(219,300)	(730,400)
Balance at end of year	**$10,891,900**	**$10,169,000**

Note 8: Capital Stock and Stock Dividends—The Board of Directors has the authority to issue the authorized unissued preferred stock at its discretion with preferences and rights and at prices which it deems appropriate.

During the two years ending August 31, 1973, four 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. The following summarizes the capitalization of retained earnings in each year based on fair values at dates of declaration:

	1973	1972
Number of two percent stock dividends	One	Three
Number of shares issued	30,247	87,229
Capitalization of retained earnings.		
Common stock, $5 par value	$151,300	$436,100
Capital in excess of par value	68,000	294,300
	$219,300	**$730,400**

CONAGRA, INC. (JUN)

Consolidated Stockholders' Equity

	1973	1972
PREFERRED STOCK:		
Beginning of year	$ 4,619,150	4,621,650
Retirements	(6,400)	(2,500)
End of year	**4,612,750**	**4,619,150**
COMMON STOCK:		
$5 par value per share. Authorized 5,000,000 shares; issued 2,954,591 shares (2,811,099 in 1972), including 264 shares held in treasury:		
Beginning of year	14,054,175	13,230,390
5% stock dividend 140,542 shares (132,304 in 1972)	702,710	661,520
Shares issued in acquisition, 32,717	—	163,585
Exercise of stock options, 2,950 shares	14,750	—
Treasury stock acquired, 264 shares	—	(1,320)
End of year	**14,771,635**	**14,054,175**
ADDITIONAL PAID-IN CAPITAL:		
Beginning of year	10,516,427	9,192,435
Excess of fair market value over par value of common stock issued as a stock dividend	1,247,310	1,157,655
Excess of fair market value over par value of stock issued in acquisition of a subsidiary	—	167,511
Excess of issue price over the par value of stock issued under stock option plan	15,519	—
Excess of cost over par value of treasury shares required	—	(1,174)
End of year	**11,779,256**	**10,516,427**
RETAINED EARNINGS:		
Beginning of year	10,700,875	11,094,257
Net earnings	6,062,928	3,060,115
Cash dividends declared:		
Preferred stock, all classes, cash	(257,517)	(257,620)
Common stock:		
Cash—$.495 per share ($.50 in 1972)	(1,444,545)	(1,376,698)
Stock—5%, at fair market value at date of declaration	(1,950,020)	(1,819,179)
End of year	**13,111,721**	**10,700,875**
Total Stockholders' Equity	**$44,275,362**	**39,890,627**

HYGRADE FOOD PRODUCTS CORPORATION (OCT)

Statement of Consolidated Retained Earnings

	1973	1972
Balance at beginning of year	$ 9,215,556	$ 6,191,036
Net earnings for the year	6,099,692	4,963,072
	15,315,248	**11,154,108**
Dividends paid:		
Preferred stock:		
Series A—$4 a share	22,294	22,756
Series B—$5 a share	45,905	50,056
Preference stock— Series A— $4 a share	149,995	198,151
Stock dividend—5%:		
Market value of 50,512 common shares issued (48,220 in 1972)	1,205,974	1,657,562
Cash in lieu of fractional shares ...	13,751	10,027
	1,437,919	**1,938,552**
Balance at end of year..................	**$13,877,329**	**$ 9,215,556**

Statement of Consolidated Other Capital

	1973	1972
Balance at beginning of year	$13,128,388	$13,921,803
Excess of proceeds over par value of common shares issued under restricted stock option agreements	—	38,500
Excess of market value of 5% common stock dividend over par value of 50,512 shares issued (48,220 in 1972)................	953,414	1,416,462
Excess of par value over cost of preferred stock, Series A, purchased and retired (208 and 132 shares in 1973 and 1972, respectively)	11,491	7,260
	14,093,293	**15,384,025**
Preference stock conversions, including cash inducements	—	2,170,491
Preference stock redemptions		
Excess of cost over par value of 4,010 shares purchased (15,040 in 1972)..............	178,139	718,746
Reversal of 1971 provision for redemption requirements......	—	(633,600)
Excess of cost over par value of 57,700 common shares purchased	931,069	—
	1,109,208	**2,255,637**
Balance at end of year..................	**$12,984,085**	**$13,128,388**

TABLE 4-5: ADJUSTMENTS TO OPENING BALANCE OF RETAINED EARNINGS

	1973	1972	1971	1970
Reasons for Adjustment				
Poolings of interests.................	56	67	69	97
Litigation or income tax settlements	29	26	15	17
Equity method adopted for investments	9	41	56	7
Accrual of taxes on undistributed earnings	5	19	—	—
Consolidation of subsidiaries previously carried at cost	5	6	11	11
Other	17	23	20	18
Total Presentations.........................	**121**	**182**	**171**	**150**
Manner of Presentation				
Prior year's balance sheet restated— retained earnings statement shows amount of adjustment.......................	92	127	117	68
Prior year's balance sheet restated— retained earnings statement shows adjusted balance only.........................	26	46	44	79
Prior year's balance sheet not restated...........................	3	9	10	3
Total Presentations.........................	**121**	**182**	**171**	**150**
Number of Companies				
Opening balance of retained earnings adjusted.....................	106	156	144	132
Opening balance of retained earnings not adjusted	494	444	456	468
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

RELIANCE ELECTRIC COMPANY

Statement of Consolidated Stockholder's Equity

	Serial Preferred Stock Series A	Serial Preferred Stock Series B	Common Stock	Other Capital	Retained Earnings
	(Thousands of Dollars)				
YEAR ENDED OCTOBER 31, 1972:					
Balance at November 1, 1971, as previously reported	$7,253	$10,536	$16,476	$3,107	$ 83,384
Pooling of interests			4,859		8,816
Cumulative effect of accounting changes					535
Balance at November 1, 1971, as restated	**7,253**	**10,536**	**21,335**	**3,107**	**92,735**
Net earnings					15,370
Cash dividends:					
Series A—$3.00 per share					(2,918)
Series B—$1.60 per share					(2,134)
Common—$.70 per share					(4,747)
Sale of 120 Series A shares, 2,570 Series B shares and 9,455 common shares under option plans	2	81	23	124	
Purchase of 5,257 common shares for treasury			(13)	(2)	(114)
Issuance of 267,192 common shares on conversion of 13,350 Series A shares and 125,458 Series B shares and other	(99)	(919)	668	392	9
Dividends of pooled companies before mergers					(171)
Balance at October 31, 1972	**7,156**	**9,698**	**22,013**	**3,621**	**98,030**
YEAR ENDED OCTOBER 31, 1973:					
Net earnings					23,171
Cash dividends:					
Series A—$3.00 per share					(2,861)
Series B—$1.60 per share					(1,995)
Common—$.725 per share					(5,449)
Purchase of 5,600 Series A shares, 39,600 Series B shares and 7,392 common shores for treasury	(42)	(292)	(18)	(3)	(1,241)
Issuance of 173,735 common shares on conversion of 14,100 Series A shares and 73,121 Series B shares and other	(104)	(539)	434	260	
Dividends of pooled company before merger					(430)
Adjustment for change in fiscal year of pooled company					(206)
Balance at October 31, 1973	**$7,010**	**$ 8,867**	**$22,429**	**$3,878**	**$109,019**

Notes to Financial Statements

Note B–Acquisitions–In August 1973 the Company acquired Lorain Products Corporation for 1,945,759 common shares in a transaction accounted for as a pooling of interests. For 1973, the fiscal closing of Lorain was changed from December to October to conform to that of the Company. The results of operations of Lorain for its year ended December 31, 1972 are included in the statement of consolidated earnings for the fiscal year ended October 31, 1972. Net sales and net earnings of both companies for the periods preceding the acquisition were:

	Net Sales	Net Earnings
	(Thousands of Dollars)	
Nine months ended July 31, 1973 (unaudited)		
Reliance	$336,060	$14,393
Loraine	20,244	1,174
	$356,304	**$15,567**
1972 fiscal year		
Reliance	$375,468	$13,849
Lorain	23,805	1,521
	$399,273	**$15,370**

In 1972, the Company acquired two companies for 100,370 common shares in transactions accounted for as poolings of interests.

G. D. SEARLE & CO. (DEC)

Consolidated Statement of Shareowners' Investment

	Common Stock (Note 6)	Capital In Excess of Par Value	Retained Earnings (Note)	Cost of Treasury Stock
	($ Thousands)			
Balance at Beginning of 1972				
As previously reported....	$13,502	$ 7,972	$124,851	$(6,582)
Pooling of Will Ross (Note 1)	1,923	11,937	30,450	—
As restated................	$15,425	$19,909	$155,301	$(6,582)
Net earnings			48,518	
Cash dividends:				
Preferred			(1,214)	
Common ($.43-1/3 per share)................			(17,455)	
Will Ross prior to pooling................			(2,102)	
Common stock issued to:				
Employees upon exercise of stock options	31	1,209		
Convert convertible debentures and preferred stock	75	3,325		
Acquire a company		366	(2,065)	2,012
Profit sharing plan......		561		483
Other........................	65	318	188	
Balance at Beginning of 1973	**$15,596**	**$25,688**	**$181,171**	**$(4,087)**
Net earnings			59,793	
Cash dividends:				
Preferred			(283)	
Common ($.45 per share)................			(18,648)	
Will Ross prior to pooling................			(2,408)	
Common stock issued to:				
Profit sharing plan......		930		546
Employees upon exercise of stock options	20	1,073		
Convert convertible debentures and preferred stock	543	3,692		34
Will Ross transactions during period April 1 through December 31, 1972 (note 1)..........	18	1,640	3,586	
Other........................	23	14	34	
Balance at December 31, 1973........................	**$16,200**	**$33,037**	**$223,245**	**$(3,507)**

Note 1: Merger of Will Ross.—Effective December 31, 1973, the company exchanged 6,157,000 shares of its common stock for all the outstanding common stock of Will Ross Inc. in a merger accounted for as a pooling of interests. Accordingly, the accompanying financial statements for 1973 include the consolidated financial statements of Will Ross Inc. and its subsidiaries for that calendar year. The accompanying financial statements for 1972 have been restated to include the consolidated financial statements of the Will Ross companies for their fiscal year ended March 31, 1972. Such financial statements exclude the sales ($23,213,000 in 1972) but include the losses ($329,000 in 1972) of the Matheson Scientific Division, which was sold in February, 1973. The net earnings, dividends and other changes in shareowners' investment of the Will Ross companies between April 1 and December 31, 1972, have been recorded directly in the appropriate shareowners' investment accounts.

The accompanying consolidated financial statements include the following amounts for the Will Ross companies for periods prior to the date of the merger (in thousands of dollars):

	Year Ended 12/31/73	4/1/72 thru 12/31/72	Year Ended 3/31/72
Net sales	$156,796	$107,899	$131,053
Net earnings	6,843	5,332	6,627
Other increases (decreases) in shareowners' investment:			
Dividends..................	(2,408)	(1,746)	(2,102)
Common stock issued on:			
Exercise of stock options................	59	241	149
Conversion of debt	1,093	1,417	435
Combinations accounted for as poolings of interests (prior years not restated)...............	71	—	571

The consolidated financial statements of the Will Ross companies for the years ended March 31, 1972, and December 31, 1973, were examined by auditors other than Arthur Andersen & Co.

The accompanying consolidated statement of earnings includes the following amounts (in thousands of dollars):

	G. D. Searle & Co.		Will Ross Inc.	
	Calendar 1973	Calendar 1972	Calendar 1973	Fiscal 1972
Net sales	$314,885	$271,878	$156,796	$131,053
Earnings before income taxes.......	66,409	53,388	13,156	12,826
Net earnings	52,950	41,891	6,843	6,627

SCOVILL MANUFACTURING COMPANY (DEC)

Consolidated Statement of Stockholders' Equity

	Preferred Stock (Cumulative) $2.50 Convertible Series A	Common Stock	Additional Capital Paid in by Stockholders	Retained Earnings
	($ Thousands)			
Balances at December 26, 1971 — as previously reported	$25,786	$40,544	$5,026	$ 82,881
Retained earnings of Brazilian subsidiary — Note B				1,632
Balance at December 26, 1971 — as restated	**25,786**	**40,544**	**5,026**	**84,513**
Additions:				
Stock options exercised (Preferred — 1,168 shares; Common — 74,386 shares)	25	465	1,116	
Issuance of 313,993 shares of Common Stock upon conversion of 128,687 shares of Preferred Stock	(2,863)	1,963	900	
Net earnings				18,031
Deductions:				
Cash dividends declared:				
Preferred Stock (Cumulative) $2.50 Convertible Series A				2,680
Common stock — $.725 a share				4,899
Balances at December 31, 1972	**22,948**	**42,972**	**7,042**	**94,965**
Additions:				
Stock options exercised (Common—600 shares)		3	10	
Issuance of 116,518 shares of Common Stock upon conversion of 47,754 shares of Preferred Stock	(1,062)	728	334	
Net earnings				20,453
Deductions:				
Cash dividends declared:				
Preferred Stock (Cumulative) $2.50 Convertible Series A.				2,517
Common Stock — $.775 a share				5,375
Acquisition of 5,000 shares of common Stock for the treasury.		31		57
Balances at December 30, 1973	**$21,886**	**$43,672**	**$7,386**	**$107,469**

Note B—As of January 1, 1973 the Company's Brazilian subsidiary was consolidated since management is satisfied that economic conditions have reached sufficient stability to warrant consolidation. Previously this investment was carried at cost and income was recorded to the extent of dividends received. The effect of this change was to increase net earnings and net earnings per share as follows:

	Fiscal Year Ended December 30, 1973	December 31, 1972
Net earnings	$1,005,000	$509,000
Net earnings per share of Common Stock:		
Primary	$.15	$.08
Fully diluted	$.11	$.05

Also, in 1973 the Company acquired an additional 20% interest in an Australian subsidiary and commenced consolidation of the accounts of this subsidiary. Previously this subsidiary was carried at cost plus equity in undistributed earnings and, accordingly, net earnings and net earnings per share were not affected by this action.

The financial statements for the fiscal year ended December 31, 1972 have been restated for comparative purposes.

During 1973 the Company also purchased an interest in two small foreign and two small domestic businesses and sold a small domestic division. The results of operations of these businesses, and the gain on the disposition, are not significant in relation to the overall consolidated results.

TIME INCORPORATED (DEC)

Consolidated Statement of Shareholders' Equity

	Common Stock	Additional Paid-In Capitol	Retained Income	Shareholders' Equity
		($ Thousands)		
Shareholders' Equity at December 31, 1971..	**$ 7,278**	**$23,479**	**$215,509**	**$246,266**
Adjustment for acquisition of Temple Industries, Inc., accounted for as a pooling of interests	3,029	22,912	36,038	61,969
Shareholders' Equity as Restated at December 31, 1971	**$10,307**	**$46,391**	**$251,547**	**$308,245**
Net income — $3.07 a share	—	—	31,849	31,849
Stock options exercised, including stock options of Temple prior to acquisition	61	944	—	1,005
Awards under Temple stock bonus plan	—	245	—	245
Dividends paid:				
Time Incorporated — $1.90 a share	—	—	(13,839)	—
Temple prior to acquisition	—	—	(1,646)	(15,485)
Shareholders' Equity at December 31, 1972..	**$10,368**	**$47,580**	**$267,911**	**$325,859**
Net income — $4.58 a share	—	—	47,520	47,520
Stock options exercised, including stock options of Temple prior to acquisition	13	437	—	450
Awards under Temple stock bonus plan	—	218	—	218
Dividends paid:				
Time Incorporated — $1.90 a share	—	—	(16,794)	—
Temple prior to acquisition	—	—	(987)	(17,781)
Shareholders' Equity at December 31, 1973..	**$10,381**	**$48,235**	**$297,650**	**$356,266**

Notes to Financial Statements

Acquisitions, Dispositions, and Discontinued Operations (in part)–On August 16, 1973, the Company acquired Temple Industries, Inc. for 3,082,000 shares of the Company's common stock in a transaction accounted for as a pooling of interests. Accordingly, the consolidated financial statements for 1973 include Temple Industries, Inc. for the entire year, and 1972 has been restated.

Revenues and net income of the Company and Temple for the six months ended June 30, 1973 (unaudited), and the year 1972 (Temple had no extraordinary items during these periods) were as follows:

	1973 (First Half)		1972	
	Revenues	Net Income	Revenues	Net Income
	(in thousands of dollars)			
Company	$278,972	$14,772	$510,983	$22,407
Temple Industries, Inc.	60,462	6,960	99,599	9,613
Intercompany eliminations	(901)	(82)	(2,024)	(171)
Combined	**$338,533**	**$21,650**	**$608,558**	**$31,849**

Equity Method Adopted

THE GENERAL TIRE & RUBBER COMPANY (NOV)

Statement of Consolidated Earnings

	1973	1972
	($ thousands)	
Balance, beginning of year, as previously reported	$368,514	$324,833
Adjustments applicable to prior years to reflect adoption of equity accounting (Note A)	15,020	14,080
RKO General, Inc. adjustments (Note B)	1,060	1,060
Balance, beginning of year, as restated	**384,594**	**339,973**
Net income	76,846	74,839
	461,440	**414,812**
Cash dividends:		
On preference stock at required rates—		
4.75% series	348	368
$5 series	271	281
	619	649
On common stock, $1.05 in 1973 and $1.00 in 1972, per share	21,605	19,296
	22,224	**19,945**
Stock dividends—2% payable April 19, 1974 and April 20, 1973 at approximate market values	6,540	10,273
	28,764	**30,218**
Balance, end of year	**$432,676**	**$384,594**

Notes to Consolidated Financial Statements

Note A–Equity Accounting–In 1973, the Company adopted the equity method of accounting in accordance with Opinion No. 18 of the Accounting Principles Board for investments in foreign subsidiaries and associated companies in which the Company holds over 20% of the voting securities and exercises significant influence. The investments in these companies, previously carried at cost, have been adjusted to reflect the Company's equity in the underlying net assets except for companies in countries where there are substantial uncertainties as to realization of undistributed earnings because of existing political and economic conditions. The latest available unaudited financial statements, generally August 31, were used to determine the Company's equity. The

financial statements of the Company for the prior years have been restated to reflect an increase, as of December 1, 1971, in investments $18,093,000, deferred income taxes $5,838,000, retained earnings $14,080,000 and other assets and liabilities, net $1,825,000. Net income for 1972 was increased by $940,000 or $ .05 per share of common stock, from the amount previously reported and net income for 1973 was increased by $1,688,000, or $ .08 per share of common stock, as a result of the adoption of equity accounting.

Current assets, current liabilities and long term debt are translated at the rate of exchange in effect at the close of the period. Other assets and liabilities are translated at the rates in effect at the date the asset was acquired or the obligation was incurred. Revenues and expense accounts are translated at the weighted average exchange rate in effect during the year except for depreciation, which is translated at historical rates. Net unrealized translation losses are charged to income currently and net unrealized translation gains are deferred, neither of which were material. Foreign withholding and U.S. income taxes have been provided as deferred income taxes on unremitted foreign earnings accounted for under the equity method.

Summary financial data, unaudited, relating to the foreign subsidiaries and associated companies, generally at August 31, are as follows (dollar amounts in thousands):

	1973	1972
Current assets	$159,126	$143,254
Current liabilities	111,089	101,272
	48,037	41,982
Other assets	116,876	109,097
	164,913	151,079
Other liabilities	64,710	57,996
Stockholders' equity	$100,203	$ 93,083
Net earnings	$ 12,273	$ 6,633

The Company's equity in the net earnings of the companies amounted to $5,083,000 and $2,689,000 for 1973 and 1972, respectively and $1,686,000 and $1,070,000, respectively, were received as dividends.

In 1973, certain reclassifications of expense items, namely cost of products sold and selling, general and administrative, were made for better management control analysis, and accordingly, the 1972 expenses have been similarly reclassified for comparative purposes.

Litigation Settlements

ARDEN-MAYFAIR, INC. (DEC)

Statements of Operations and Retained Earnings (Deficit)

	1973	1972
Net loss	$(17,970,269)	$(1,039,704)
Retained earnings, beginning of year, restated (Note 7)	3,501,485	4,986,860
	(14,468,784)	**3,947,156**
Less, cash dividends:		
Preferred stock, $1.50 and 3.00 per share, respectively	220,585	445,671
Retained earnings (deficit), end of year	**$(14,689,369)**	**$ 3,501,485**

Note 7: Restatement–During 1973, the State of California completed their audit of sales tax returns filed by the Company for the 50 month period ended December 1968. The audit resulted in assessments in excess of amounts previously provided by $317,900 (net of applicable income taxes of $293,000) which have been charged to retained earnings as a prior period adjustment for years prior to 1969. The effect on earnings per share for the four years 1965 through 1968 was $.03 for each year.

NATIONAL GYPSUM COMPANY (DEC)

	1973	1972
	($ Thousands)	
RETAINED EARNINGS		
Balance at beginning of year, as previously reported	$150,376	$137,030
Settlement of certain antitrust litigation related to 1966 and 1967, less applicable income taxes of $10,078,000	9,644	9,644
Balance at beginning of year, as restated	**140,732**	**127,386**
Net income for the year	31,264	30,625
	171,996	**158,011**
Deduct cash dividends:		
On $4.50 Cumulative Preferred Stock	258	286
On Common Stock — $1.05 per share	16,843	16,992
	17,101	**17,279**
Balance at end of year	**$154,895**	**$140,732**

Notes to Financial Statements

Restatement: The settlement of the antitrust litigation (see Litigation note) in the amount of $19,722,000 has been recorded as an adjustment of prior periods. Accordingly, retained earnings as of December 31, 1971 have been reduced $9,644,000 the after tax cost of the settlement. The cost of settlement has been charged to earnings for the years ended December 31, 1967 and 1966 on the basis of board feet of gypsum shipped in those years. There is no significant effect on current year's earnings.

Litigation: A number of civil antitrust damage suits were brought in the United States District Court for the Northern District of California against the company and other gypsum wallboard manufacturers by a substantial number of plaintiffs. In 1973, as part of an overall settlement by the gypsum industry of these treble damage claims, the company made aggregate payments of $19,722,000. The effect of this settlement, which became final in early January 1974, is to bar all such further claims for any period prior to August 1973, except for those persons who declined to participate in the settlement. A few nonparticipating claimants together with the United States of America, which filed a single damage claim, could pursue their claims. The aggregate amount of damages, if any, which may be awarded to such claimants is not expected to materially and adversely affect the financial condition or business of the company.

On December 27, 1973, a Federal Grand Jury sitting in Pittsburgh, Pennsylvania (United States District Court for the Western District of Pennsylvania) handed down indictments against the company, its Chief Executive Officer and Vice President-Sales of its Gold Bond Building Products Division and against five other gypsum manufacturers and eight of their officers charging that they engaged in a combination and conspiracy in unreasonable restraint of interstate trade and commerce in the manufacture and sale of gypsum wallboard products in violation of Section 1 of the Sherman Act. On the same date, the United States Department of Justice filed a petition with the United States District Court for the District of Columbia asking the Court to adjudge the company, its Chief Executive Officer, and three other gypsum manufacturers and three of their officers to be in criminal contempt on the grounds that the same acts alleged in the Pennsylvania indictment constituted a violation of certain of the provisions of a Final Judgment of said Court dated May 15, 1951. The company and its officers deny any alleged violations of law or court decrees and will vigorously defend themselves against these charges. In the event the final decision of the Court in respect to the above indictment is adverse to the company and if pertinent provisions of the Tax Reform Act of 1969 are given retroactive application, two-thirds of the amount paid in settlement of the treble damage action referred to above might be disallowed as a deduction for Federal income tax purposes. This would add approximately $6,719,000 to the after tax cost of such settlements as charged to retained earnings (see Restatement footnote).

The company is a defendant in litigation other than described above. Although the ultimate liability in respect of such other litigation can not be determined at this time, such liability is not expected to have any material adverse effect on the company's financial condition.

VARIAN ASSOCIATES (SEP)

Consolidated Statement of Stockholders' Equity

	Common Stock	Capital in Excess of Par Value	Retained Earnings ($ Thousands)	Subtotal	Less Treasury Stock, at Cost	Total
Balances, September 30, 1971 as previously reported	$7,489	64,698	52,427	124,514	(3,402)	121,212
Prior period adjustment relating to settlement with tax authorities			(2,300)	(2,300)		(2,300)
Balances, September 30, 1971 as restated	**7,489**	**64,698**	**50,127**	**122,314**	**(3,402)**	**118,912**
Net earnings for year ended September 30, 1972			3,790	3,790		3,790
Proceeds of shares issued under employee stock purchase plan	270	3,501		3,771		3,771
Purchase of treasury stock					(5,905)	(5,905)
Balances, September 30, 1972	**7,759**	**68,199**	**53,917**	**129,875**	**(9,307)**	**120,568**
Net earnings for year ended September 30, 1973			6,788	6,788		6,788
Proceeds from issuance of treasury shares under employee stock purchase and stock option plans		(169)		(169)	2,966	2,797
Dividends declared ($.05 per share)			(331)	(331)		(331)
Purchase of treasury stock					(10,183)	(10,183)
Balances, September 30, 1973	**$7,759**	**68,030**	**60,374**	**136,163**	**(16,524)**	**119,639**

Notes to Consolidated Financial Statements

Taxes on Earnings—The detail of taxes on earnings is as follows:

	1973	1972
	(Dollars in Thousands)	
Taxes on earnings, currently payable	$3,550	2,612
Deferred taxes on earnings	2,634	(759)
Net change in deferred investment tax credit	76	(20)
Tax recovery related to extraordinary items	—	917
Total taxes on earnings	**$6,260**	**2,750**

Federal income tax returns for the years 1962 through 1971 have been examined by the Internal Revenue Service. Agreement has been reached on substantially all of the issues related to this ten-year period. In June 1973, the Company recorded a prior period adjustment to retained earnings in the amount of $2,300,000 as a result of this examination. The effect of this prior period adjustment was as follows:

	Reduction in Prior Periods	
	Net Earnings (Dollars in Thousands)	Earnings Per Share
1963 and prior	$ 17	$ —
1964	14	—
1965	49	.01
1966	150	.02
1967	295	.05
1968	333	.05
1969	377	.06
1970	482	.07
1971	583	.08
Total adjustment	**$2,300**	

Although the income tax returns for fiscal years 1972 and 1973 have not been examined, it is believed the reserves for income taxes payable are adequate for these years.

Lifo Discontinued

THE KROGER CO. (DEC)

Consolidated Statement of Accumulated Earnings

	1973	1972
Accumulated earnings—Beginning of the year	$301,334,665	$273,635,341
Inventory valuation adjustment (for the years 1950 through 1971).		24,732,940
As restated	**$301,334,665**	**$298,368,281**
Net earnings for the year (1972 restated)	29,916,386	20,372,938
Treasury stock transactions	(410,687)	
	$330,840,364	**$318,741,219**
Dividends on common stock — $1.30 per share	17,460,862	17,406,554
Accumulated earnings — End of the year	**$313,379,502**	**$301,334,665**

Notes to Consolidated Financial Statements

Accounting Change–Inventory– For the years 1950 through 1972 the LIFO (last-in, first-out) method of inventory valuation had been used for a portion of the consolidated inventory. During 1973 the FIFO (first-in, first-out) method was adopted for inventories previously valued using the LIFO method. This change results in greater comparability of the financial statements of the Company to those of other major companies in the supermarket industry, the great majority of which use the FIFO method of valuing inventories.

As a result of adopting FIFO for 1973, consolidated net earnings are higher than they would have been on a LIFO basis by approximately $10,508,000 or 78c per share. As required by generally accepted accounting principles, the Company has retroactively adjusted its financial statements of prior years for this change. Accordingly, the 1972 financial statements have been restated resulting in an increase in net earnings of $1,947,712 or 14c per share and accumulated earnings at January 2, 1972 has been increased $24,732,940. Inventories and deferred federal income taxes at December 30, 1972 have been increased by $51,308,947 and $25,066,224, respectively. For federal income tax purposes, the adjustment to inventory amounts will be taken into taxable income ratably over 20 years commencing with the year ended December 29, 1973.

THE RATH PACKING COMPANY (SEP)

Statement of Operations and Retained Earnings

	1973	1972
Retained earnings (deficit):		
Beginning of year, as previously reported	$(2,299,000)	$2,317,000
Adjustment for the cumulative effect on prior years of applying retroactively a change in basis of pricing certain inventories (Note 3)	4,544,000	2,843,000
Beginning of year, as restated	2,245,000	5,160,000
End of year	$2,436,000	$2,245,000

Notes to Financial Statements

Note 1 (in part): Accounting Policies:
A summary of major accounting policies follows:

Inventories–Meat and other products are priced at approximate current market, less allowance for selling and distribution expenses. Materials and supplies are priced at the lower of first-in, first-out cost or market.

Effective with the beginning of the 1973 tax year (December 31, 1972), the basis of pricing pork product inventories was changed from the last-in, first-out (Lifo) cost to approximate current market, less allowance for selling and distribution expenses, and the revised basis of pricing has been reflected retroactively in the accompanying financial statements. Approval for this change in accounting principle has been received from the Internal Revenue Service. The change was made to reduce the effect on earnings of cyclical fluctuations in supply and purchase cost of hogs, which effect had been significantly magnified by the use of the Lifo accounting method. In addition, the revised basis of pricing will make the Company's financial statements more comparable with those of other companies in the industry, most of whom no longer use the Lifo accounting method. The effects of the change are reported in Note 3.

Note 3—Inventories: A summary of the composition of inventories follows:

	Sept. 29, 1973	Sept. 30, 1972 (Restated)
Pork products	$12,352,000	$ 8,517,000
Products other than pork	4,173,000	3,584,000
Materials and supplies	2,949,000	2,657,000
	$19,747,000	**$14,758,000**

As described in Note 1, the basis of pricing pork product inventories was changed during the 1973 fiscal year from last-in, first-out (Lifo) cost to approximate current market, less allowance for selling and distribution expenses. The retroactive effect of this change in accounting principle is reflected in the financial statements by increases of $4,544,000 in inventories and retained earnings at September 30, 1972 and by an increase of $2,843,000 in retained earnings at the beginning of the 1972 fiscal year. This change also had the effect of increasing net earnings for the 1973 fiscal year by $2,862,000, or $2.40 per share, and of reducing net loss for the 1972 fiscal year by $1,701,000, or $1.43 per share.

Other

GREAT WESTERN UNITED CORPORATION (MAY)

Consolidated Statement of Retained Earnings

	1973	1972	1971
	(thousands of dollars)		
Retained earnings			
Balance, beginning of year:			
As previously reported	$68,316	$65,989	$72,491
Effect of retroactive restatement in accordance with Industry Accounting Guide (Note 2)	(28,552)	(23,574)	(26,183)
Effect of settlement with California Attorney General (Note 2)	(1,200)	(1,000)	(700)
As restated	**38,564**	**41,415**	**45,608**
Net income (loss)	(1,387)	740	2,321
Dividends:			
$1.88 cumulative preferred stock		(1,428)	(2,856)
$3.00 convertible serial preferred stock		(887)	(1,792)
Common stock		(468)	(1,866)
Excess of cost over market value of shares issued or issuable in connection with:			
Employee incentive compensation program		(2)	
Employee stock purchase plan	(28)	(761)	
Acquisition of pizza parlor		(45)	
Balance, end of year	**$37,149**	**$38,564**	**$41,415**

Note 2: Restatements of Realty Accounts

Change in Accounting Method for Land Sales—Great Western Cities has implemented the installment method of accounting for land sales in accordance with provisions of the industry accounting guide, "Accounting for Retail Land Sales", issued by the American Institute of Certified Public Accountants in 1973 (see Note 1 for the description of the installment accounting method). Under the accounting method used prior to such change, income from land sales was recognized substantially on the accrual basis. The financial statements for years prior to fiscal 1973 have been restated for comparative purposes on the basis of the installment method.

Settlement of Attorney General Matter—In March 1973 the Attorney General of the State of California, the California Real Estate Commissioner, and Great Western Cities reached an agreement resolving claims by the Attorney General alleging misrepresentations made in connection with certain sales at the California City project. Under the terms of the agreement, which has been incorporated into a consent order filed in the Los Angeles Superior Court on March 8, 1973, Great Western Cities and the Attorney General have identified certain purchasers of land who will, if they so elect, receive refunds of principal payments estimated to be $2,500,000. In addition, Great Western Cities has agreed to provide $1,000,000 for full or partial refunds of principal payments to another class of purchasers. The refunds will be made by initial cash payments of approximately $800,000 and by issuance of 7% promissory notes, payable over five years. The financial statements for years prior to fiscal 1973 have been restated for the estimated net effect of this agreement which is included in other realty liabilities. Income previously recognized and related to principal collections on those sales for which refunds are to be made has been eliminated from the years in which recorded.

The effects on revenues and net income of the change in accounting method and settlement of the California Attorney General matter were as follows:

	Reduction in Revenues		
	Accounting Change	Attorney General	Total
	(thousands of dollars)		
1969	$19,925	$200	$20,125
1970	16,562	600	17,162
1971	9,115	700	9,815
1972	13,971	400	14,371

	Addition (Reduction) in Net Income			
	Accounting Change	Attorney General	Total	Per Common Share
	(thousands of dollars except per share figures)			
1968 and prior	$(12,703)	$ (300)	$(13,003)	$ (6.21)
1969	(5,904)	(100)	(6,004)	(2.87)
1970	(7,576)	(300)	(7,876)	(3.80)
1971	2,609*	(300)	2,309*	1.12*
1972	(4,978)	(200)	(5,178)	(2.49)
Total	$(28,552)	$(1,200)	$(29,752)	$(14.25)

*Includes effect of cumulative charge of $10,157,000 in 1971 for a prior land sales recognition change. Without this charge net income would have been reduced by $7,548,000.

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 net loss, net income, dividends and stock splits—are summarized in Table 4-6. Examples of such charges and credits follow.

TABLE 4-6: OTHER CHANGES IN RETAINED EARNINGS

	1973	1972	1971	1970
Charges				
Capital stock transactions	87	67	58	82
Poolings of interests adjustments	19	17	23	20
Cash payments in lieu of fractional shares	11	12	N/C	N/C
Other transactions—described	8	14	11	11
Unidentified charges	3	2	1	2
Total charges	**128**	**112**	**93**	**115**
Credits				
Capital stock transactions	6	4	5	6
Poolings of interests	26	21	26	30
Other transactions—described	4	11	10	9
Unidentified credits	2	3	1	3
Total credits	**38**	**39**	**42**	**48**
Total presentations	**166**	**151**	**135**	**163**
Number of Companies				
Presenting other changes in retained earnings	131	133	108	127
Only changes are income, dividends, splits and changes to opening balance	469	467	492	473
Total	**600**	**600**	**600**	**600**

N/C—Not Compiled.

Capital Stock Transactions

THE ANACONDA COMPANY (DEC)

Statement of Consolidated Income and Retained Earnings

	1973	1972
	($ Thousands)	
Net Income	$ 88,053	$133,037
Retained Earnings		
At beginning of year	414,861	284,560
Dividends paid ($.05 and $.125 per common share)	(11,031)	(2,736)
Excess of cost of treasury stock over proceeds from sales under employee stock option plan	(265)	
Adjustment resulting from capital transactions of an affiliated company accounted for on the equity basis	(590)	
Retained Earnings at end of year	**$491,028**	**$414,861**

Financial Review

Foreign Investments—The company has significant investments in foreign companies and a mining joint venture, which are located principally in Mexico, Brazil and Australia. At the end of 1973 the carrying value of these investments was $51,8 million (1972-$42.3 million). Anaconda's equity in the net income of these operations amounted to $9.0 million in 1973 and $5.5 million in 1972.

The company also has a $23.2 million equity investment, through a subsidiary, in a Jamaican alumina cost partnership. The amount of this investment reflects changes in the company's proportionate share of the partnership including a change which became effective as of January 1, 1974.

During 1973, the company sold its direct interest in Cobre de Mexico, S.A., a Mexican copper refining company, to Mexican nationals for a net after-tax gain of $.8 million. In addition, during the year Nacional de Cobre, S.A. sold additional shares, the effect of which was to reduce the company's percentage of ownership from 49% to 40%. The adjustment of $590 thousand required to reflect the impact of this transaction has been made to "Retained earnings.

CANNON MILLS COMPANY

Statement of Consolidated Income and Retained Earnings

	1973	1972
Net Income	$ 10,578,184	$ 16,350,142
Retained Earnings, January 1	207,605,620	198,987,841
Total	**218,183,804**	**215,337,983**
Deduct:		
Excess of cost over par or stated value of treasury stock retired (Note 2)	8,864,981	
Cash dividends declared (per share: 1973 — $.86, 1972 — $.83) (Note 2)	8,029,769	7,732,363
Total	**16,894,750**	**7,732,363**
Retained earnings, December 31	**$201,289,054**	**$207,605,620**

Note 2: Recapitalization—Effective May 25, 1973, the Company amended its Certificate of Incorporation to (1) change the value of the no par value (stated value of $25 per share) common voting stock (1,037,189-85/100 shares issued at December 31, 1972) to $5 par value common voting stock, (2) convert the previously authorized $25 par value Class B, common non-voting stock (1,037,009 shares issued at December 31, 1972) to $5 par value common voting stock, and (3) change the number of authorized shares from 1,100,000 shares of no par value common voting stock and

3,300,000 shares of $25 par value Class B, common non-voting stock to 11,000,000 shares of $5 par value common voting stock. The Company then effected a 5 for 1 stock split for each share of the no par value common voting stock and the $25 par value Class B, common non-voting stock outstanding at the close of business on May 25, 1973.

As part of the recapitalization plan, the Company retired 45,559-25/100 shares of the no par value common voting stock and 169,846 shares of the $25 par value Class B, common non-voting stock held in its treasury at December 31, 1972 at a cost of $15,426,955. The excess ($10,042,765) of the cost of the treasury stock over its stated value or par value and the cost of fractional shares, acquired in connection with the recapitalization, has been deducted from Additional Capital ($1,177,784) and Retained Earnings ($8,864,981).

All references to common shares and amounts per common share in the accompanying financial statements have been adjusted to give effect to the recapitalization.

CROWN CORK & SEAL COMPANY, INC. (DEC)

Consolidated Statement of Retained Earnings

	1973	1972
Retained Earnings at beginning of year	$133,312,000	$112,122,000
Net income	34,288,000	31,193,000
Excess of cost over par value of Common Stock purchased and retired (1973 — 839,200 shares; 1972 — 534,047 shares)	(16,542,000)	(10,003,000)
Retained earnings at end of year	**$151,058,000**	**$133,312,000**

THE MEAD CORPORATION (DEC)

Statement of Retained Earnings

	1973	1972
	($ Thousands)	
Retained earnings:		
Balance—beginning of year	$240,730	$243,000
Net earnings for the year	49,461	17,644
	290,191	**260,644**
Less:		
Cash dividends paid:		
Preferred—$4.25 a share	104	104
Preferred—$5.00 a share	145	157
Preferred—$6.00 a share	60	91
Voting cumulative preferred — $2.80 a share	8,015	8,015
Common—$.65 a share in 1973; $.60 a share in 1972	10,083	9,841
Excess price of common shares repurchased over stated value (average purchase price per share $14.82 in 1973 and $14.36 in 1972)	5,491	1,706
	23,898	**19,914**
Balance—end of year	**$266,293**	**$240,730**

U.S. INDUSTRIES, INC. (DEC)

	1973	1972
	($ Thousands)	
Retained earnings		
Balance at beginning of year	$360,548	$303,483
Add (deduct):		
Net income for the year	66,851	80,739
Excess of cost over par value of, or fair value attributed to, treasury stock issued principally pursuant to contingent payment agreements	(17,923)	(869)
Cash dividends declared:		
Special Preference Stock	(4,526)	(4,614)
Common Stock (1973 — $.818 per share (a); 1972 — $.624 per share)	(23,935)	(18,191)
Balance at end of year — Notes A and D	**$381,015**	**$360,548**

(a) Includes declaration of first quarter 1974 dividend of $.169 per share, or $4,786,000.

SMC INDUSTRIES, INC. (AUG)

Consolidated Statement of Retained Earnings

	1973	1972
Balance at beginning of year	$3,791,263	$3,196,697
Add consolidated net income for the year	760,336	763,104
	4,551,599	**3,959,801**
Deduct:		
Cash dividends paid — $0.24 per share in 1973 and $0.19 per share in 1972	193,056	168,538
Portion of excess of cost over par value of treasury stock cancelled	291,404	—
	484,460	**168,538**
Balance at end of year	**$4,067,139**	**$3,791,263**

Pooling of Interests Adjustment

NABISCO, INC. (DEC)

	1973	1972
Net income	$ 43,967,000	$ 58,502,000
Retained earnings, beginning of year, as previously reported	—	243,969,000
Retained earnings of Associated Products, Inc. accounted for as a pooling of interests	—	21,199,000
Retained earnings, beginning of year, as restated	**289,647,000**	**265,168,000**
Common dividends declared, $2.30 per share in 1973; $2.225 per share in 1972	(35,176,000)	(33,534,000)
Dividends of Associated Products, Inc. before acquisition	(610,000)	(489,000)
Adjustment to conform Associated Products, Inc. reporting period to that of Nabisco	(1,645,000)	—
Retained earnings, end of year	**$296,183,000**	**$289,647,000**

Notes to Financial Statements

Acquisitions (in part)—In October, 1973, Nabisco, Inc. acquired Associated for 867,230 shares of its common stock. The transaction has been accounted for as a pooling of interests. Associated's results of operations for its fiscal year ended May 31, 1973, which reflects net sales and net income of $66,285,000 and $4,137,000, respectively, have been combined with Nabisco's results of operations for 1972. After the acquisition by Nabisco, Associated changed to the calendar year basis for reporting. The consolidated results of operations for 1973 include Associated's net sales and net income of $71,651,000 and $3,835,000, respectively, for the year ended December 31, 1973. As a result of this presentation, Associated's net income of $1,645,000 for the five months ended May 31, 1973, which has been included in both years, has been deducted from retained earnings. For the nine months ended September 30, 1973, prior to its acquisition, Associated had net sales and net income of $54,267,000 and $2,594,000, respectively.

Restoration of Subsidiary's Retained Earnings

FOOTE MINERAL COMPANY (DEC)

Consolidated Statements of Stockholders Equity

	Preferred stock	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total stockholders' equity
Balance, December 31, 1971	$1,263,264	2,140,867	49,768,864	31,078,784	(3,368,610)	80,883,169
Net earnings (loss)	—	—	—	(6,492,538)	—	(6,492,538)
Balance, December 31, 1972	**1,263,264**	**2,140,867**	**49,768,864**	**24,586,246**	**(3,368,610)**	**74,390,631**
Preferred shares purchased and cancelled (note 5)	(803,349)	—	(17,569,634)	—	—	(18,372,983)
Restoration of retained earnings of Rhodesian Vanadium Corporation at date of deconsolidation, January 1, 1968 (note 1)	—	—	—	863,457	—	863,457
Net earnings	—	—	—	2,811,847	—	2,811,847
Preferred dividends declared	—	—	—	(1,011,813)	—	(1,011,813)
Balance, December 31, 1973	**$ 459,915**	**2,140,867**	**32,199,230**	**27,249,737**	**(3,368,610)**	**58,681,139**

Note 1: Investments in Foreign Countries—From January 1, 1968 to December 31, 1972 the Company carried its investment in Rhodesian Vanadium Corporation, a wholly-owned subsidiary incorporated in Delaware, at cost inasmuch as the Company was prohibited from exercising effective control over this subsidiary's operations. Prior to 1968, this subsidiary was consolidated and its accounts were included in the Company's consolidated financial statements.

During 1973 Rhodesian Vanadium Corporation sold substantial assets and the proceeds and remaining assets were transferred to the Company through liquidation. Net equity of Rhodesian Vanadium Corporation at the time of liquidation amounted to $2,577,518 which exceeded the Company's cost of its investment by $1,841,253. Of this excess, $863,457 has been restored to retained earnings since such amount was previously included in consolidated operations; the remaining $977,796 has been recognized as a gain in 1973. The accounts of Rhodesian Vanadium Corporation were translated into United States dollars at the exchange rate prevailing at the liquidation date.

In August, 1973 the Company sold its 50% interest in Foote Allevard France, S.A. to Forges d'Allevard for $114,124 resulting in a loss of $99,501. In the latter part of 1973 an advance to a foreign company, previously included in other assets, was written down in the amount of $515,472.

During 1973 the Company subscribed to a 33-1/3% interest in Silicon Smelters (PTY) Limited. A 10% initial payment of $78,155 was made and reflected in the accounts. Future payments of this subscription are wholly contingent on future sales by Silicon Smelters (PTY) Limited. In addition, the Company loaned Silicon Smelters (PTY) Limited $88,300 with interest at 5%.

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.

One hundred and six survey companies presented separate statements for either additional capital, or additional capital and capital stock, or capital stock. All such statements were covered by the Accountants' Opinion.

Table 4-7 summarized the management in which the survey companies presented changes in additional capital.

TABLE 4-7: PRESENTATION OF ADDITIONAL CAPITAL TRANSACTIONS

	1973	1972	1971	1970
Statement of stockholders' equity (*322, 344, 374)	158	148	116	110
Statement of additional capital (*389, 474, 502)	108	123	128	125
Schedule in notes (*441, 523, 667)	66	77	95	94
No statement or schedule but changes disclosed	93	91	93	97
Balance unchanged during year	98	86	90	89
Subtotal	**523**	**525**	**522**	**515**
Additional capital account not presented	77	75	78	85
Total Companies	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

TABLE 4-8: STOCK SPLITS

	1973	1972	1971	1970
Ratio				
Less than three-for-two	4	—	2	—
Three-for-two (50%) to two-for-one	10	13	7	10
Two-for-one (100%)	20	23	19	18
Greater than two-for-one	6	9	—	5
Total	**40**	**45**	**28**	**33**
Account Charged				
Additional capital	16	16	15	13
Retained earnings	8	14	4	9
No charge	16	15	9	11
Total	**40**	**45**	**28**	**33**

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 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

AMERICAN GREETINGS CORPORATION (FEB)

Statements of Consolidated Shareholders' Equity

	Common Shares Par Value $1 Class A	Class B	Capital in Excess of Par Value	Retained Income	Total Shareholders' Equity
			($ Thousands)		
Balance March 1, 1971	**$ 5,186**	**$ 827**	**$42,969**	**$26,970**	**$75,952**
Net income — restated				12,129	12,129
Cash dividends — $.23 a share				(3,160)	(3,160)
Exchange of 11,758 Class B for Class A Shares	12	(12)			
Proceeds from 10,898 Class A Shares sold under option plan	11		276		287
Issuance of 2,603,681 Class A and 407,597 Class B Shares to effect a three-for-two stock split	2,604	407	(3,011)		
Balance February 29, 1972	**7,813**	**1,222**	**40,234**	**35,939**	**85,208**
Net income				14,654	14,654
Cash dividends — $.24 a share.				(3,276)	(3,276)
Exchange of 42,076 Class B for Class A Shares	42	(42)			
Proceeds from 27,663 Class A Shares sold under option plans	28		561		589
Issuance of 3,941,061 Class A and 590,159 Class B Shares to effect a three-for-two stock split	3,941	590	(4,531)		
Balance February 28, 1973	**$11,824**	**$1,770**	**$36,264**	**$47,317**	**$97,175**

Notes to Consolidated Financial Statements

Note D (in part): Common Shares and Stock Options—At February 29, 1972, Common Shares authorized consisted of 12,300,000 Class A and 1,226,163 Class B shares. On February 19, 1973, the shareholders approved increases in the authorized number of Class A and Class B Common Shares to 18,450,000 shares and 1,771,865 shares, respectively, and a three-for-two stock split. Outstanding at February 28, 1973 and February 29, 1972 were 11,823,241 and 7,812,441 Class A and 1,770,474 and 1,222,391 Class B Shares, respectively. Class A Shares have one vote per share and Class B Shares have ten votes per share. Class B Shares are convertible at the option of the holders thereof, on a share for share basis, into Class A Shares and, upon conversion, cannot be reissued.

CHAMPION SPARK PLUG COMPANY (DEC)

Financial Review

Shares and Stockholders—At the close of 1973 there were 37,590,936 shares of the Company's common stock outstanding in the hands of 13,423 stockholders. Stockholders approved a three-for-one stock split at the annual meeting on April 23, 1973. They also approved an amendment of the Company's Certificate of Incorporation increasing the number of authorized shares from 20,000,000 to 40,000,000 and a change in the par value of each share from 83 1/3c to 30c. The stock split and reduction in par value required a transfer from Capital in Excess of Par Value account to the Common Stock account in the amount of $834,650.

Issued shares and per share figures for 1972 have been restated to reflect the stock split.

HON INDUSTRIES INC. (DEC)

Consolidated Statements of Additional Paid-in Capital and Retained Earnings

	1973	1972
ADDITIONAL PAID-IN CAPITAL		
Balance, beginning	$ 2,559,996	$ 2,529,837
Net increase (decrease) resulting from:		
2-for-1 stock split (Note 4)	(1,729,566)	—
Other capital stock transactions during the period	442	30,159
Balance, ending	**$ 830,872**	**$ 2,559,996**
RETAINED EARNINGS		
Balance, beginning	$10,034,672	$ 7,564,291
Add net income	4,645,351	3,034,996
	$14,680,023	**$10,599,287**
Deduct cash dividends:		
Preferred stock	$ 19,063	$ 19,307
Common stock	739,074	545,308
	$ 758,137	$ 564,615
Balance, ending	**$13,921,886**	**$10,034,672**

Note 4 (in part): Capital Stock—Change in capital stock structure: During 1973, the Company increased its authorized $1 par value common stock from 2,000,000 to 5,000,000 shares and issued a 2-for-1 stock split effected in the form of a dividend chargeable to additional paid-in capital. Earnings per common share were computed on the weighted average number of shares outstanding during each period after giving effect to this 2-for-1 stock split.

K-TEL INTERNATIONAL, INC. (JUN)

Consolidated Statement of Shareholders' Investment

	Common Stock Shares	Amount	Contributed Capital	Reinvested Earnings
	(Amounts in Thousands)			
Balance, June 30, 1971	3,000	$300	$1,868	$1,864
Net income, per accompanying statement...	—	—	—	2,312
Exercise of employee stock options (Note 6)	2	—	30	—
Cash contribution by certain principal shareholders, pursuant to indemnity agreement, for costs of litigation settlement in 1972 in excess of $250,000 (net of related tax benefit)....	—	—	168	—
Balance, June 30, 1972.	**3,002**	**$300**	**$2,066**	**$4,176**
Net income, per accompanying statement...	—	—	—	3,301
Four-for-three common stock split-up effected in the form of a stock dividend, including cash paid for fractional shares of $3,147 (Note 5).....	1,000	100	(103)	—
Exercise of employee stock options (Note 6)	—	—	4	—
Balance, June 30, 1973.	**4,003**	**$400**	**$1,967**	**$7,477**

Note 5: Common Stock Split-Up—In November, 1972, the Board of Directors approved a four-for-three common stock split-up which was effected in the form of a stock dividend payable on December 22, 1972, to the shareholders of record on December 6, 1972. This stock split-up resulted in the issuance of 1,000,549 additional common shares and the transfer of $100,055 (representing the par amount of shares issued) from contributed capital to common stock. Further, cash of $3,147 was paid for fractional shares as a result of this stock split-up.

ST. REGIS PAPER COMPANY (DEC)

Notes to Financial Statements

Stock split—On October 24, 1973, the Board of Directors authorized a three-for-two stock split of St. Regis common stock to holders of record November 5, 1973. On December 12, 1973, 7,034,947 additional shares were issued, resulting in the transfer of $35,175,000 from the capital surplus account to the common stock account. Such transfer was at $5.00 par value for each share issued. Net earnings and dividends per share, as well as all shares of common stock contingently issuable, shares subject to option, shares reserved for conversion, and the related conversion prices where appropriate have been adjusted to reflect the stock split.

WINNEBAGO INDUSTRIES, INC. (FEB)

Consolidated Statements of Stockholders' Equity

	Common Shares Number	Amount	Additional Paid-In Capital	Reinvested Earnings
	(Amounts in Thousands)			
Balance, February 24, 1968..................	1,387	$ 1,387	—	$ 1,493
A 2-for-1 stock split-up in connection with a change in par value from $1.00 to $.50.	1,387	—	—	—
Proceeds from the sale of 250,000 shares of common stock less issue expenses of $81,994.............	250	125	9,793	—
Net Income	—	—	—	2,429
Balance, February 22, 1969	**3,024**	**$ 1,512**	**$ 9,793**	**$ 3,922**
A 2-for-1 stock split-up effected as a 100% stock dividend	3,024	1,512	(1,512)	—
Net Income	—	—	—	3,206
Balance, February 28, 1970	**6,048**	**$ 3,024**	**$ 8,281**	**$ 7,128**
Net Income	—	—	—	4,615
Balance, February 27, 1971..................	6,048	$ 3,024	$ 8,281	$11,743
A 2-for-1 stock split-up effected as a 100% stock dividend........	6,048	3,024	(3,024)	—
Proceeds from the sale of 500,000 shares of common stock less issue expenses of $88,726.............	500	250	22,773	—
Net Income	—	—	—	13,597
Balance, February 26, 1972	**12,596**	**$ 6,298**	**$28,030**	**$25,340**
A 2-for-1 stock split-up effected as a 100% stock dividend........	12,600	6,300	(6,300)	—
Proceeds from the sale of common stock to employees and the exercise of the officer stock options (Note 6)	10	5	20	—
Net Income	—	—	—	17,298
Balance, February 24, 1973	**25,206**	**$12,603**	**$22,150**	**$42,638**

WINN-DIXIE STORES, INC. (JUN)

Statement of Consolidated Stockholders' Equity

	1973	1972
CAPITAL STOCK (notes 4, 6 and 7):		
Common Stock:		
Beginning of year	$ 8,610,216	8,583,017
Add—Par value of shares issued in exchange for Class B common stock	45,473	27,199
Par value of common shares issued in connection with 3 for 2 stock split	4,299,451	—
End of year	**12,955,140**	**8,610,216**
Class B Common Stock:		
Beginning of year	4,270,856	4,294,920
Add—Par value of Class B common shares issued in connection with 3 for 2 stock split	2,135,236	—
	6,406,092	4,294,920
Deduct—Par value of shares exchanged for shares of common stock	38,551	24,064
End of year	**6,367,541**	**4,270,856**
CAPITAL IN EXCESS OF PAR VALUE OF CAPITAL STOCK:		
Beginning of year	6,363,858	4,072,579
Add—Excess of net proceeds over cost of reacquired stock sold under stock plans	—	2,294,414
	6,363,858	6,366,993
Deduct—Excess of cost of reacquired common stock over net proceeds of sales under stock plans	7,416	—
Excess of par value of common shares issued upon conversion of 100 shares (24,064 in 1972) of Class B common stock	14	3,135
Par value of common and Class B shares issued in connection with 3 for 2 stock split	6,356,428	—
End of year	—	**6,363,858**
RETAINED EARNINGS:		
Beginning of year	180,311,552	155,790,949
Net earnings	42,720,357	39,163,903
	223,031,909	194,954,852
Deduct—Cash dividends on common stock $1.20 per share ($1.16 per share in 1972)	15,255,944	14,643,300
Excess of cost of reacquired common stock over net proceeds of sales under stock plans	337,213	—
Excess of par value of common shares issued upon conversion of 38,451 shares of Class B common stock	6,908	—
Par value of common and Class B shares issued in connection with 3 for 2 stock split	78,259	—
Fractional shares and other costs in connection with 3 for 2 stock split	285,185	—
	15,963,509	14,643,300
End of year	**207,068,400**	**180,311,552**
COST OF COMMON STOCK REACQUIRED:		
Beginning of year 86,659 shares (382,012 shares in 1972)	933,031	6,825,625
Add—Cost of 167,874 shares reacquired during year (44,242 shares in 1972)	5,426,886	1,206,320
	6,359,917	8,031,945
Deduct—Cost of 93,336 shares issued under stock plans (339,595 shares in 1972)	3,102,614	7,098,914
End of year 161,197 shares (86,659 shares in 1972)	**3,257,303**	**933,031**
Total Stockholders' Equity	**$223,133,778**	**198,623,451**

Charge to Retained Earnings

BUCYRUS-ERIE COMPANY (DEC)

Notes to Financial Statements

Stock Transactions (in part)—The Board of Directors on October 30, 1973, voted a four-for-three split in the form of a 33⅓% stock dividend. In connection with the stock split, $11,105,310, the par value of the 2,221,062 shares issued, was credited to common stock by transfers from additional paid-in capital ($1,351,965) and from earnings retained in the business ($9,753,345). The stock option and per share amounts in the financial statements have been restated to give effect to the stock split.

KELLOGG COMPANY (DEC)

Consolidated Statements of Stockholders' Equity

	Preferred Stock	Common Stock	Capital in Excess of Par Value	Retained Earnings
	($ Thousands)			
Balance, January 1, 1972	$2,464	$18,187	$11,502	$235,710
Net earnings for the year 1972				60,512
Dividends declared:				
Preferred Stock—$3.50 a share				(85)
Common Stock— $.52 a share				(37,861)
Stock options exercised		29	1,101	
Preferred stock purchased for treasury	(33)		11	
Balance, December 31, 1972	**$2,431**	**$18,216**	**$12,614**	**$258,276**
Net earnings for the year 1973				65,047
Dividends declared:				
Preferred Stock—$3.50 a share				(84)
Common Stock— $.54 a share				(39,424)
Stock options exercised		96	2,293	
Preferred stock purchased for treasury	(33)		11	
Par value of 36,480,681 common shares issued as a 100% stock distribution		18,240		(18,240)
Balance, December 31, 1973	**$2,398**	**$36,552**	**$14,918**	**$265,573**

MULTI-AMP CORPORATION (APR)

Consolidated Statement of Stockholders' Equity

	Common Stock Number of Shares	Common Stock Amount	Capital in excess of par value	Retained Earnings
		($ Thousands)		
For the year ended April 30, 1973				
Balance—April 30, 1972.	606,278	$60	$3,187	$1,119
Additional shares issued for exercised stock option	400		4	
Stock distribution (Note 2)	303,083	30		(30)
Cash in lieu of fractional shares				(4)
Cash dividends				(150)
Net income				760
Balance—April 30, 1973.	**909,761**	**$90**	**$3,191**	**$1,695**
For the year ended April 30, 1972				
Balance—April 30, 1971.	606,278	$60	$3,187	$ 658
Cash dividends				(139)
Net income				600
Balance—April 30, 1972.	**606,278**	**$60**	**$3,187**	**$1,119**

Note 2: Changes in Capital—On February 21, 1973, the board of directors declared a 3 for 2 stock split effected in the form of a stock dividend on April 6, 1973. Net income per share and stock options have been adjusted to reflect the stock distribution.

A. C. NIELSEN (AUG)

Consolidated Balance Sheet

	1973	1972
	($ Thousands)	
STOCKHOLDERS' EQUITY:		
Capital stock (Note 3):		
Class A Common, $1 par value, authorized, 10,000,000 shares; issued and outstanding, 6,957,440 shares at August 31, 1973	$ 6,957	$ 3,479
Class B Common, $1 par value, authorized, 5,000,000 shares; issued and outstanding, 3,640,600 shares at August 31, 1973	3,641	1,820
Class C Special, $0.02 par value, authorized, 3,600,000 shares; issued and outstanding, 2,880,000 shares at August 31, 1973	58	29
	10,656	5,328
Capital in excess of par value (Note 3)		1,360
Retained earnings, per accompanying statement	59,119	53,942
Total stockholders' equity	**$69,775**	**$60,630**

Note 3: Capital Stock—Class A and Class B Common Stock have equal rights, except that the Class B Common Stock has voting rights and the Class A Common Stock has no voting rights other than as required by laws of the State of Delaware.

Class C Special Stock is also entitled to voting rights and these shares are generally voted with the Class B Common Stock as a single voting class. Further, Class C Special Stock has preemptive and other rights that allow the holders of such stock to maintain their proportionate voting power in the Company. On liquidation, Class C Special Stock is entitled to not more than one cent per share ($28,800) and the Common Stock is entitled to the remaining assets. The maximum annual dividend allowable on Class C Special Stock is one-half mill per share and, at the option of the Board of Directors and with the affirmative vote of 80% of the outstanding shares of Class B Common Stock, such Class C shares are redeemable at one cent per share.

On February 12, 1973, the stockholders voted to amend the Restated Certificate of Incorporation to increase the number of authorized shares of Class A Common Stock from 4,000,000 to 10,000,000, the number of authorized shares of Class B Common Stock from 2,000,000 to 5,000,000, and the number of authorized shares of Class C Special Stock from 1,440,000 to 3,600,000.

In February 1973, the Board of Directors declared a 100% distribution on shares of Class A and Class B Common and Class C Special Stock, which was paid on March 1, 1973. The distribution increased the outstanding shares of Class A and Class B Common and Class C Special Stock by 3,478,720, 1,820,300 and 1,440,000 shares, respectively, and was recorded by transferring $1,360,000 from capital in excess of par value and $3,967,000 from retained earnings to the capital stock accounts on the basis of the par value of the additional shares issued.

Dividends of $.27 and $.245 per share (adjusted to reflect the March 1973 stock distribution) were paid on Class A and Class B Common Stock in 1973 and 1972, respectively. Dividends of one-half mill per share (adjusted for the March 1973 distribution) were paid on Class C Special Stock in both 1973 and 1972.

No Change in Capital Accounts

AMP INCORPORATED AND PAMCOR, INC. (DEC)

Notes to Combined Financial Statements

Note 7: 3-for-1 Stock Split—At the April 26, 1973 annual meeting, shareholders increased the number of authorized shares to 50,000,000 and approved a 3-for-1 stock split effective on a May 7, 1973 record date. The stated value of the no par stock was changed from $1.00 per share to 33⅓c per share. All per-share earnings and dividends and references to AMP common stock have been retroactively restated to reflect the increased number of AMP common shares outstanding.

THE EASTERN COMPANY (DEC)

Notes to Consolidated Financial Statements

Note E: Authorized Common Stock and Stock Split—At the annual meeting of stockholders on April 25, 1973, the stockholders amended the Certificate of Incorporation to increase the number of authorized shares of Common Stock from 1,500,000 shares to 1,875,000 shares and reduced the par value of the Company's Common Stock from $12.50 per share to $10.00 per share. In addition, a stock split was effected in which each four shares of Common Stock were split into five shares which were distributed on May 25, 1973, including 4,407 shares added to Common Stock in treasury. An additional 126 shares were acquired for the treasury representing purchase of fractional shares issued in connection with the split. All per share information shown herein for both 1973 and 1972 and all stock option data are based on the adjusted number of shares of Common 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

THE RUCKER COMPANY (DEC)

Notes to Financial Statements

Note 9: Stockholders' Equity—Serial Preferred Stock, without par value, authorized 2,000,000 shares:

Changes in the outstanding 50,000 shares of $5 cumulative convertible preferred stock are summarized as follows:

	1973	1972
Balance, January 1	$ 5,000,000	$5,000,000
Converted to common stock	(5,000,000)	—
Balance, December 31	**$ —**	**$5,000,000**

The cumulative convertible preferred stock was converted during the year at the rate of ten shares of common stock for each share of preferred stock; 496,000 additional shares of common were issued and 4,000 shares of treasury stock were used in the conversion.

Common Stock, without par value, stated value $1.00 per share, authorized 10,000,000 shares:

Changes in common shares issued (including 35,796 shares in 1973 and 39,796 shares in 1972, in treasury) are summarized as follows:

	1973	1972
Balance, January 1	$3,203,878	$3,203,878
Issued for conversion of preferred stock	496,000	—
Balance, December 31	**$3,699,878**	**$3,203,878**

TABLE 4-9: CREDITS TO CAPITAL ACCOUNTS

	Common Stock	Preferred Stock	Additional Capital
Sale or issuance of stock:			
Conversion of preferred........	98	1	55
Conversion of debt	67	2	62
Business combinations..........	87	4	54
Stock option or purchase plan.	333	20	279
Other employee benefits	67	2	52
Warrants and rights	11	1	18
Other sales and issuances	87	4	54
Purchase or retirement of stock..	—	—	53
Other—identified	6	—	39
Unidentified	16	5	16
Total Credits...............................	**772**	**39**	**682**

TABLE 4-10: CHARGES TO CAPITAL ACCOUNTS

	Common Stock	Preferred Stock	Additional Capital
Conversion of preferred stock......	—	104	14
Purchase or retirement of stock....	200	97	71
Business combinations.............	—	—	51
Treasury stock issued for less than cost	8	—	45
Other—described	19	3	30
Unidentified	13	6	24
Total Charges	**240**	**210**	**235**

The Company has reserved 264,000 shares of common stock for employees' qualified stock options and 324,535 shares for conversion of subordinated debt. In January, 1974 the Company reserved an additional 150,000 shares of common stock for unqualified stock options (see Note 10).

Changes in capital in excess of stated value of common stock are summarized as follows:

	1973	1972
Balance, January 1	$ 7,754,496	$7,730,819
Add:		
Recovery of previously incurred costs incident to acquisition of pooled companies................	—	23,677
Excess of stated value of preferred stock over the stated value of common stock issued on conversion........................	4,464,000	—
	12,218,496	7,754,496
Deduct:		
Excess of cost of treasury stock over stated value of preferred stock exchanged on conversion	7,799	—
Balance, December 31	**$12,210,697**	**$7,754,496**

WEYERHAEUSER COMPANY (DEC)

Consolidated Other Capital

	1973	1972
	($ Thousands)	
Balance at beginning of year	$ 395	$ 23
Stated value of $2.75 second preferred shares in excess of cost of treasury common shares and par value of new common shares issued upon conversion (Note 7)	63,850	—
Cost to redeem in excess of stated value of $2.75 second preferred shares (Note 8)	(67)	—
Proceeds in excess of cost of treasury common shares and par value of new common shares issued upon exercise of stock options............................	1,158	370
Other transactions—net.............	150	2
Balance at end of year..................	**$65,486**	**$395**

Note 7 (in part): Common shares—A summary of 1973 common shares transactions follows (amounts in thousands):

	Issued		Treasury	
	Shares	Amount	Shares	Amount
Beginning of year....	125,929	$236,117	601	$ 6,925
Purchases	—	—	800	23,155
Stock options.........	26	48	(140)	(1,487)
Preferred shares conversion	2,112	3,960	(1,273)	(28,741)
Other—net	—	—	12	148
End of year	**128,067**	**$240,125**	—	—

Purchase Acquisition

BLUE BELL, INC. (SEP)

Notes to Financial Statements

Note 4: Capital Stock and Additional Paid-In Capital—The number of authorized shares of common stock is 15,000,000. Changes in the common stock account during the years ended September 30, 1973 and 1972 were as follows:

	Number of Shares Issued	Par Value ($3.33⅓ per share)
Balance, October 1, 1971	6,011,858	$20,039,527
Exercise of stock options	1,150	3,833
Balance, September 30, 1972	**6,013,008**	**20,043,360**
Issued in acquisitions accounted for as purchases	60,928	203,091
Exercise of stock options	2,000	6,667
Balance, September 30, 1973	**6,075,936**	**$20,253,118**

The Company is authorized to issue in series 300,000 shares of $100 par value preferred stock.

Additional paid-in capital increased $1,783,790 during the year ended September 30, 1973 and $24,626 during the preceding year. The increase in 1973 principally represents the excess ($1,763,687) of market value over par value of shares issued in acquisitions accounted for as purchases.

FRUEHAUF CORPORATION (DEC)

Consolidated Statement of Additional Paid-In Capital

	1973	1972
Balance at beginning of the year	$132,713,701	$132,324,087
Excess of fair value (market price) over par value of 3,681,715 shares of Common Stock issued in exchange for Common Stock of Kelsey-Hayes Company (Note A)	88,361,160	
Excess of principal amount of Convertible Subordinated Debentures over the par value of Common Stock issued upon conversion (1973—1,787 shares; 1972—12,869 shares)	45,158	324,917
Excess of par value over cost of 4% Preferred Stock purchased (1973—772 shares; 1972 —1,892 shares)	33,064	64,697
Balance at end of the year	**$221,153,083**	**$132,713,701**

Note A (in part): Kelsey-Hayes Acquisition—Effective October 31, 1973, Kelsey-Hayes Company, a manufacturer of wheel and brake components principally for automobile original equipment manufacturers, was acquired through a merger whereby all the outstanding shares of Kelsey-Hayes Company were exchanged for 3,681,715 shares of Fruehauf Common Stock, at a fair value of $25.00 ($92,042,875), and the subsequent purchase through tender by Fruehauf from the former Kelsey shareholders of 550,000 of the Fruehauf Common shares so issued at $25.00 a share. The Kelsey-Hayes acquisition has been accounted for as a purchase and the results of Kelsey-Hayes' operations for the two months ended December 31, 1973, are included in the consolidated statement of net earnings. Under the purchase method of accounting, the total cost was assigned to the net tangible assets acquired on the basis of their estimated value.

Stock Issued in Connection With Employee Plans

AMF INCORPORATED (DEC)

Consolidated Statements of Capital in Excess of Par Value

	1973	1972
	($ Thousands)	
Balance at beginning of year (Note 1)	$63,358	$62,322
Excess of proceeds over par value of common stock issued upon exercise of stock options (Note 7)	382	5,328
Cost of treasury stock in excess of proceeds received upon exercise of stock options (Note 7)	(787)	—
Tax benefit related to disposition of stock option plan shares	47	668
Retirement of common stock	(594)	(33)
Other	42	73
Balance at end of year	**$67,448**	**$68,358**

Note 7: Stock Options—At December 31, 1973, 640,021 shares (695,813 at December 31, 1972) of the Company's common stock were reserved under stock option plans for officers, executives and key managerial employees, against which options were outstanding for 277,581 shares at prices ranging from $17.75 to $65.25 per share (except for prices ranging from $13.33 to $36.87 on outstanding options for 3,704 shares issued in exchange for options of an acquired company), the fair market value on the date of grant. The options expire at various dates to December 1983. At December 31, 1973, options were exercisable with respect to 121,846 shares (77,202 shares were exercisable at December 31, 1972).

At December 31, 1972, options for 268,313 shares were outstanding. In 1973, options for 88,080 shares were granted; options for 32,490 shares were cancelled; and options were exercised for 46,322 shares at prices ranging from $13.33 to $36.25 per share (options were exercised by employees in 1972 for 215,058 shares at prices ranging from $13.33 to $38.25 per share, and a 1968 option to purchase 30,000 shares for $750,000 was exercised in May 1972).

W. T. GRANT COMPANY (JAN)

Statement of Capital

	Cumulative Preferred Stock	Common Stock	Paid-in Capital	Amounts paid by employees under stock purchase contracts	Earnings retained for use in the business	Treasury Common Stock
Balance at February 1, 1972	$9,053,000	$18,529,243	$83,963,834	$1,231,674	$244,507,739	($31,540,396)
Purchase of 284,140 shares of treasury Common Stock						(11,466,198)
Purchase and cancellation of 4,532 shares of Cumulative Preferred Stock	(453,200)		201,609			
Receipts from employees under stock purchase contracts				3,491,518		
Issuance of 40,525 shares of unissued Common Stock and 62,355 shares of treasury Common Stock under Employees' Stock Purchase Plans		50,656	386,353	(3,294,115)		2,857,106
Conversion of 4% Convertible Subordinated Debentures into 6,279 shares of Common Stock		7,849	166,190			
Net earnings for the year					37,787,066	
Cash dividends:						
3¾% Cumulative Preferred Stock—Four quarterly dividends of 93¾c each per share					(334,709)	
Common Stock—Four quarterly dividends of 37½c each per share					(20,806,653)	
Balance at January 31, 1973	**8,599,800**	**18,587,748**	**84,717,986**	**1,429,077**	**261,153,443**	**(40,149,488)**
Purchase of 4,600 shares of treasury Common Stock						(133,315)
Purchase and cancellation of 11,353 shares of Cumulative Preferred Stock	(1,135,300)		517,513			
Receipts from employees under stock purchase contracts				2,583,998		
Issuance of 73,340 shares of treasury Common Stock under Employees' Stock Purchase Plans			(1,211,874)	(2,374,716)		3,586,590
Conversion of 4% Convertible Subordinated Debentures into 9,356 shares of Common Stock		11,695	247,844			
Net earnings for the year					8,429,473	
Cash dividends:						
3¾% Cumulative Preferred Stock—Four quarterly dividends of 93¾c each per share					(293,054)	
Common Stock—Four quarterly dividends of 37½c each per share					(20,828,989)	
Balance at January 31, 1974	**$7,464,500**	**$18,599,443**	**$84,271,469**	**$1,638,359**	**$248,460,873**	**($36,696,213)**

DRESSER INDUSTRIES, INC. (OCT)

Consolidated Statements of Capital in Excess of Par or Stated Value and of Retained Earnings

	1973	1972
	($ Thousands)	
CAPITAL IN EXCESS OF PAR OR STATED VALUE		
Balance at beginning of year	$ 94,916	$ 94,620
Excess of proceeds over par value of common shares sold under stock option plans	1,131	203
Excess of deferred compensation liability over cost of treasury shares or par value of common shares issued	456	93
Excess of stated value of preferred shares converted over par value of common shares issued upon conversion	78	—
Balance at end of year..................	**$ 96,581**	**$ 94,916**
RETAINED EARNINGS		
Balance at beginning of year	$275,897	$261,628
Net earnings	44,196	38,933
	320,093	300,561
Deduct dividends paid:		
On common shares—$1.40 a share	13,770	13,694
On $2.20 Series A preferred shares	7,503	7,539
On $2.00 Series B preferred shares	3,424	3,431
Balance at end of year..................	**$295,396**	**$275,897**

HALLIBURTON COMPANY (DEC)

Changes in Capital Stock and Paid-In Capital

	Common Stock Shares	Common Stock Amount	Paid-in Capital in Excess of Par Value
		($ Thousands)	
Balance, December 31, 1971	17,568,352	$43,921	$ 21,016
Exercise of employees' stock options	4,975	12	100
Sale of restricted stock to employees (Note 7)	65,416	164	—
Amortization of market value in excess of proceeds received on sale of restricted stock (Note 7)	—	—	947
Balance, December 31, 1972.......	**17,638,743**	**44,097**	**22,063**
Conversion of 4% and 4.5% convertible subordinated debentures (Note 5).................	531,290	1,328	67,471
Sale of stock by public offering ..	1,000,000	2,500	168,666
Sale of restricted stock to employees (Note 7)..............	4,524	11	—
Amortization of market value in excess of proceeds received on sale of restricted stock (Note 7)	—	—	1,294
Balance, December 31, 1973.......	**19,174,557**	**$47,936**	**$259,494**

Note 5 (in part): Long-Term Debt—In August 1973, the Company called for redemption all of its outstanding 4% convertible subordinated debentures due September 15, 1997. As a result of the call, $69,625,000 principal amount of the debentures were converted into 531,237 shares of the Company's common stock. The remaining $375,000 principal amount of such debentures were redeemed. The 4.5% debentures (a Eurodollar obligation) are convertible into Halliburton Company common stock at $132 per share. During 1973, $7,000 principal amount of such debentures were converted into 53 shares of the Company's common stock.

Note 7 (in part): Capital Stock—Under the terms of the Company's career executive incentive stock plan, adopted in 1969, 500,000 shares of the Company's common stock were reserved for sale to officers and key employees at a purchase price not to exceed par value of $2.50 per share. Shares sold under this plan are restricted as to sale or disposition by the employee with such restrictions lapsing periodically over an extended period of time. In addition to the plan, individual agreements were entered into with similar restrictions. At December 31, 1973, 314,590 previously unissued shares (net of 7,710 shares forfeited) and 8,000 treasury shares (net of 1,000 shares forfeited) have been issued under the career executive incentive stock plan and the individual agreements described above. The fair market value of the stock, on date of issuance, in excess of sales price is being amortized and charged to income (with similar credits to paid-in capital in excess of par value) generally over a fifteen year period. At December 31, 1973 the unamortized excess amounted to $15,655,723 and there were 190,410 shares available for future sales under the plan.

McGRAW-EDISON COMPANY (DEC)

Consolidated Statement of Additional Paid-in Capital

	1973	1972
Balance at Beginning of Year, as Previously Reported	$51,772,000	$61,841,000
Excess of par value of shares issued over par value of stock and capital surplus of predecessor companies, combined on a "pooling-of-interests" basis	(100,000)	(100,000)
Combined Balance at Beginning of Year	**51,672,000**	**61,741,000**
Excess of quoted market value over par value of 519,999 shares issued for companies acquired on a purchase basis	9,787,000	—
Proceeds in excess of par value of 5,460 shares of stock in 1973 and 13,592 shares in 1972 sold under stock option plans	138,000	326,000
Excess of quoted market value over par value of 244,030 Treasury shares contributed to the Company's Profit Sharing Trust in partial satisfaction of the Company's profit sharing liability	5,857,000	—
Cost in excess of par value of 250,959 Treasury shares acquired	—	(10,395,000)
Other	126,000	—
Balance at End of Year	**$67,580,000**	**$51,672,000**

TEXAS INSTRUMENTS INCORPORATED (DEC)

Notes to Financial Statements

Shareowners' Equity—In April 1973 the shareowners approved an increase in the authorized common stock of the company from 12,500,000 shares to 30,000,000 shares and a two-for-one common stock split.

	Shares 1973	Shares 1972	Thousands of Dollars 1973	Thousands of Dollars 1972
Cumulative preferred stock, $25 par value; authorized 750,000 shares			$ —	$ —
Common stock; $1 par value:				
Authorized	30,000,000	12,500,000		
Issued	22,852,392	11,113,333	22,852	11,113
Additional paid-in capital			94,302	75,478
Retained earnings			352,183	283,036
			$469,337	**$369,627**

Shares issued include 85,510 in 1973 and 49,036 (adjusted for two-for-one stock split) in 1972 purchased for awards under the company's incentive compensation plan; the cost of such shares, $5,696,000 and $2,000,000 in 1973 and 1972, respectively, is included in other assets and deferred charges.

	Thousands of Dollars 1973	Thousands of Dollars 1972
Paid-in capital at beginning of year	$75,478	$73,314
Excess over par on stock issued on exercise of stock options (625,726 shares in 1973; 65,978 shares in 1972, adjusted for two-for-one stock split)	23,951	2,010
Tax benefit resulting from disqualifying disposition by employees of stock purchased under stock option plans and from the distribution of stock to employees under the incentive compensation plan	5,704	154
Difference between market and cost of treasury shares estimated to be awarded in January 1974 as a part of incentive compensation accrued in 1973	631	—
Transfer of par value of common stock issued as a result of two-for-one split (11,389,918 shares)	(11,390)	—
Expenses associated with two-for-one split	(72)	—
Paid-in capital at end of year	**$94,302**	**$75,478**

Income Tax Benefit from Issuance of Stock to Employees

FAIRCHILD CAMERA AND INSTRUMENT CORPORATION (DEC)

Consolidated Statement of Shareholders' Equity

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings
		($ Thousands)		
Balance, January 2, 1972	4,387,620	$4,388	$47,888	$ 5,522
Net income—1972	—	—	—	11,026
Public offering of common stock, less related expenses of $173,000	500,000	500	15,378	—
Sales of common stock under employee stock option plan	91,856	91	1,887	—
Other	—	—	11	—
Balance, December 31, 1972	**4,979,476**	**4,979**	**65,164**	**16,548**
Net income—1973	—	—	—	41,159
Sales of common stock under employee stock option plan	77,287	78	1,829	—
Conversion of convertible subordinated notes	49,424	49	3,824	—
Tax benefit related to employees' premature disposition of option shares and exercise of non-qualified stock options (Note 3)	—	—	2,094	—
Cash dividends—$.30 per share	—	—	—	(1,517)
Balance, December 30, 1973	**5,106,187**	**$5,106**	**$72,911**	**$56,190**

Note 3 (in part): Provision for Income Taxes and Extraordinary Credit—At December 31, 1972 the Company had an unused net operating loss carryforward for Federal income tax purposes of approximately $24 million from losses sustained in 1970 and 1971 and which included approximately $4,700,000 of tax deductions in excess of financial statement expenses. In addition, the Company had unused foreign tax credit and investment tax credit carryforwards of approximately $2,100,000 and $400,000, respectively. During 1972 and 1973 the Company used all of the carryforwards available and the income tax reductions resulting therefrom have been included as an extraordinary credit in the consolidated statement of income.

The $4,700,000 of deductions in excess of financial statement expenses resulted principally from employee exercises of non-qualified stock options and use of accelerated depreciation methods for income tax purposes. The tax effect of the deductions applicable to employee exercises of non-qualified stock options of approximately $829,000 was credited to additional paid-in capital. The remaining net tax effect of differences between financial and tax reporting of approximately $1,513,000 was credited to deferred taxes in the balance sheet.

During 1973, there were differences between financial and taxable income similar to those described in the previous paragraph as well as differences resulting from financial statement provisions which are not currently tax deductible. The tax effect of the deductions applicable to employee exercises of non-qualified stock options and employees' premature disposition of option shares resulted in tax benefits of approximately $1,265,000 which was credited to additional paid-in capital. The remaining tax effects of differences between financial and taxable income have been charged or credited to accumulated income tax prepayments or deferred taxes in the balance sheet.

JOHN H. HARLAND COMPANY (DEC)

Notes to Financial Statements

Note 2: Shareholders' Equity—In December 1973, the Company called and retired the cumulative 5% preferred stock. The call premium of $3,222 was charged to retained earnings.

There are 500,000 authorized shares of series preferred stock (par value $1.00), but none have been issued.

Changes in additional paid-in capital were as follows:

	1973	1972
Balance at beginning of year	$ 355,426	$ Nil
Income tax benefit resulting from stock distribution (See Note 5)	500,357	
Sale of common stock to employees (See Note 4)	314,019	322,558
Portion of excess of fair value of restricted stocks sold to employees in 1969 over issuance price	20,644	20,644
Income tax benefit from early disposition by employees of stock issued under Stock Purchase Plan	11,170	12,224
Balance at end of year	**$1,201,616**	**$355,426**

Note 5: Stock Distribution—The Company realized an income tax benefit of $500,357 from the distribution of 38,623 shares of common stock to 774 employees from an irrevocable trust formed by the founder of the Company. The distribution was made in commemoration of the Company's fiftieth anniversary. No conditions were attached to the delivery of the shares, and no employee received more than 200 shares. The income tax benefit resulting therefrom is included in additional paid-in capital and an equivalent income charge is included in income tax expense.

LA MAUR INC. (DEC)

Notes to Consolidated Financial Statements

Note G: Additional Paid-in Capital—Changes in this account are summarized below:

	1973	1972
Balance at beginning of year	$2,347,356	$2,302,509
Tax benefit resulting from executive stock sale plan (Note F).........	29,005	31,407
Excess of proceeds over par value of shares issued pursuant to options exercised..................	—	13,440
Balance at end of year..................	**$2,376,361**	**$2,347,356**

Note E (in part): Executive Stock Sale Plan—Under current income tax regulations, the Company is entitled to a tax deduction for the difference between the employee's purchase price and the lesser of the market prices on the date of the employee's purchase or the date the restrictions on the stock lapse. An amount equivalent to the tax benefit thus derived has been charged to income as part of the provision for income taxes and has been credited to additional paid-in capital as additional consideration received by the Company for the stock sold under the plan.

Conversion of Debt

BURROUGHS CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 3: Common Stock and Paid-In Capital—The Company has 30,000,000 shares of authorized common stock. Changes in issued common stock and paid-in capital are summarized as follows:

	Common Stock		Paid-in
	Shares	Amount	Capital
Balance at December 31, 1971..................	18,518,463	$92,592,315	$232,179,620
Sale of stock under the stock option and purchase plans.......	169,103	845,515	17,067,836
Conversion of convertible debt..................	10,493	52,465	1,446,207
Balance at December 31, 1972........................	**18,698,059**	**$93,490,295**	**$250,693,663**
Sale of stock under the stock option and purchase plans.......	117,166	585,830	19,733,877
Conversion of convertible debt..................	678,673	3,393,365	102,154,933
Balance at December 31, 1973........................	**19,493,898**	**$97,469,490**	**$372,582,473**

Treasury stock consists of 23,340 shares valued at cost. At December 31, 1973, 1,238,740 shares of unissued common stock of the Company were reserved for conversion of convertible debt, and the stock option and purchase plans.

WARNER-LAMBERT COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 12: Capital in Excess of Par Value of Common Stock:

	Year Ended December 31,	
	1973	1972
	(in Thousands)	
Balance at beginning of year	$128,435	$120,860
Value ascribed to shares for 100% Common Stock distribution (38,874,807 shares)............	(38,875)	—
Excess of proceeds over the par value of common shares issued under stock option plans (67,580 shares in 1973; 139,246 in 1972)..............	1,736	3,315
Excess of principal amount of convertible debentures over par value of common shares issued upon conversion (83,397 shares in 1973; 109,874 in 1972)....	2,144	2,873
Excess of market over par value of common shares issued under the Alternate Stock Plan (13,377 shares in 1973; 24,956 in 1972)............................	667	1,130
Excess of carrying value of equity securities of pooled companies not requiring restatement over par value of common shares issued (56,658 shares in 1973; 421,136 in 1972)..............	21	146
Value ascribed to 28,512 additional shares of Common Stock issued in connection with acquisition of Elizabeth Bio-Chemical Laboratory in 1969 per acquisition agreement........................	(29)	—
Other	48	111
Balance at end of year..................	**$ 94,147**	**$128,435**

FILTER DYNAMICS INTERNATIONAL, INC. (NOV)

Consolidated Statement of Capital in Excess of Par Value

	1973	1972
Balance—At beginning of period...	$15,473,183	$ 5,918,823
Excess of market value over par value of 23,241 and 19,997 preferred shares issued as a 5% stock dividend for 1973 and 1972 respectively	511,302	499,925
Excess of exercise price of warrants over par value of preferred stock issued thereon	49,000	—
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	—	30,238
Excess of market value over par value of 16,897 and 87,307 additional shares issued in 1973 and 1972 respectively which were earned by acquired companies upon attainment of specified earnings levels........	236,558	2,139,021
Excess of conversion price of 7% convertible subordinated debentures over par value of stock issued upon conversion	1,080,000	—
Excess of market value over par value of shares received pursuant to indemnification agreements with former officer and former owners of an acquired subsidiary	(48,170)	—
Balance—At end of period	**$17,301,873**	**$15,473,183**

( ) Denotes deduction

Notes to Financial Statements

Note 6 (in part): Capital Stock—Changes in capital stock outstanding were as follows:

	Preferred Shares (Net of Escrow Shares)	Common Shares (Net of Escrow Shares)
Outstanding at November 30, 1971	401,590	1,246,851
Contingent shares issued subsequent to acquisition pursuant to earning levels:		
Torite Enterprises, inc............	—	44,000
E. E. Lohn Company, Inc.........	—	43,307
Conversion of preferred to common shares	(19,648)	19,648
Sale of shares in a public offering .	—	300,000
Issued per employment contract....	—	3,024
Preferred stock dividend............	19,997	—
Outstanding at November 30, 1972	**401,939**	**1,656,830**
Conversion of 7% convertible subordinated notes	60,000	60,000
Exercise of warrants associated with 7% convertible subordinated notes......................	3,500	—
Contingent shares issued subsequent to acquisition pursuant to earnings level of California Tube Products, Inc....................	—	16,897
Conversion of preferred to common shares	(20,095)	20,095
Preferred stock dividend............	23,241	—
Shares received pursuant to indemnification agreement with former officer and with former owners of an acquired subsidiary	—	(4,961)
Outstanding at November 30, 1973	**468,585**	**1,748,861**

( ) denotes deduction

Purchase or Redemption of Capital Stock

HYGRADE FOOD PRODUCTS CORPORATION (OCT)

Statement of Consolidated Other Capital

	1973	1972
Balance at beginning of year	$13,128,388	$13,921,803
Excess of proceeds over par value of common shares issued under restricted stock option agreements	—	38,500
Excess of market value of 5% common stock dividend over par value of 50,512 shares issued (48,220 in 1972)	953,414	1,416,462
Excess of par value over cost of preferred stock, Series A, purchased and retired (208 and 132 shares in 1973 and 1972, respectively)	11,491	7,260
	14,093,293	**15,384,025**
Preference stock conversions, including cash inducements	—	2,170,491
Preference stock redemptions (Note 6):		
Excess of cost over par value of 4,010 shares purchased (15,040 in 1972)	178,139	718,746
Reversal of 1971 provision for redemption requirements	—	(633,600)
Excess of cost over par value of 57,700 common shares purchased	931,069	—
	1,109,208	**2,255,637**
Balance at end of year..................	**$12,984,085**	**$13,128,388**

Note 6: Capital Stock—Preference stock may be redeemed by the Company at $52.25 up to June 30, 1974 with annual reductions thereafter to a minimum price of $49 per share at any time after June 30, 1986. The involuntary liquidation price of such preference stock is $49 per share, which aggregated $1,757,140 at November 3, 1973. After deducting the equity of preference and preferred stockholders at the involuntary liquidation price and par value, respectively, the net equity attributable to common stockholders as of November 3, 1973 was $30,207,027, or $29.81 per share.

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 $36.28 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.

During the year the Company purchased on the open market 4,010 shares of preference stock.

Because current conversions and redemptions have exceeded sinking fund 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.

The preferred stock is callable at par at the discretion of the Board of Directors except that 830 shares of the Series B preferred stock are required to be redeemed annually at par on each December 1 through 1974, and 1,244 shares annually thereafter until retired. All required redemptions to date have been made. In addition, during the year the Company purchased 208 shares of Series A preferred stock.

No dividend may be paid or distribution of assets in liquidation or otherwise may be made in respect of common stock unless dividends and other amounts payable with respect to the preference stock have first been paid in full. Likewise, no dividends may be paid or distribution of assets in liquidation or otherwise may be made in respect of such preference stock unless dividends and other amounts payable in respect of the preferred stock have first been paid in full.

During the year the Company purchased on the open market 57,700 shares of its common stock at a cost of $1,219,569, which are held in the treasury.

OWENS-ILLINOIS, INC. (DEC)

Consolidated Capital in Excess of Stated Value

	1973	1972
	($ Thousands)	
Balance at beginning of year	$70,859	$69,520
Credits arising from:		
Retirement of 8,523 preferred shares (7,732 shares in 1972) purchased for cash	205	189
Issuance of 38,378 common shares under stock option plans	—	1,586
Conversions of:		
3,455 preference shares into 5,159 common shares	53	—
$3,107,000 principal amount of 4½% convertible subordinated debentures into 52,655 common shares	2,942	—
$25,000 principal amount of 5% guaranteed convertible debentures into 397 common shares	24	—
Applicable portion of acquisition cost of common treasury shares:		
79,300 shares purchased (220,700 shares in 1972)	(157)	(436)
1,333,333 shares received in exchange for Owens-Corning Fiberglas Corporation common stock	(2,637)	—
Balance at end of year..................	**71,289**	**70,859**
Unpaid installments on common stock subscriptions under option plan	(35)	(59)
Balance at end of year after deduction of subscriptions	**$71,254**	**$70,800**

Recapitalization

ASG INDUSTRIES INC. (DEC)

Statement of Shareholders' Equity

	5% Cumulative Preferred		Common		Paid-in	Retained
	Shares	Amount	Shares	Amount	Capital	Earnings
Balance, December 31, 1971	142,907	$3,572,675	2,361,781	$2,361,781	$12,545,619	$2,347,272
Exercise of stock options (Note 7)	—	—	213,550	213,550	865,425	—
Income tax effect of losses and tax credits arising prior to the 1970 quasi-reorganization (Note 5)	—	—	—	—	626,000	—
Net earnings for the year	—	—	—	—	—	3,461,961
Balance, December 31, 1972	**142,907**	**3,572,675**	**2,575,331**	**2,575,331**	**14,037,044**	**5,809,233**
Reclassification of 142,907 shares of 5% Cumulative Preferred Stock, $25 par value, and dividend arrearages thereon ($2,098,947) into 428,721 shares of Common Stock, $1 par value (Note 9)	(142,907)	(3,572,675)	428,721	428,721	5,242,901	(2,098,947)
Exchange of promissory note for conversion privileges of 6% First Mortgage Convertible Bonds (Note 4)	—	—	—	—	(4,000,000)	—
Exercise of stock options (Note 7)	—	—	2,000	2,000	6,250	—
Income tax effect of losses arising prior to the 1970 quasi-reorganization (Note 5)	—	—	—	—	521,000	—
Net earnings for the year	—	—	—	—	—	2,926,095
Balance, December 31, 1973	—	$ —	**3,006,052**	**$3,006,052**	**$15,807,195**	**$6,636,381**

Note 4 (in part): Long-Term Debt—Long-term debt consisted of:

	December 31, 1973	December 31, 1972
6% First Mortgage Bonds due April 1, 1982	$20,790,000	$20,790,000
6% First Mortgage Bonds due April 1, 1982 (Formerly Convertible)	7,260,000	7,260,000
9¼% Promissory Note due April 1, 1993	7,000,000	—
6⅛% Subordinated Promissory Note due April 1, 1993	4,000,000	4,000,000
9% Subordinated Promissory Note due June 1, 1982	4,000,000	—
5½% Subordinated Debentures due April 1, 1983	3,055,800	3,055,800
Other Long-Term Debt and Obligations	1,934,231	2,184,231
	48,040,031	**37,290,031**
Less payments due within one year included in current liabilities	2,535,660	250,000
	$45,504,371	**$37,040,031**

(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.

In 1973, the Company issued a 9%—$4,000,000 Subordinated Promissory note for the conversion privileges of the 6% First Mortgage Convertible Bonds.

Note 5: Income Taxes—Taxes on income consisted of:

	1973	1972
Amount currently payable	$ 915,000	$3,272,000
Provision in lieu of income taxes	521,000	626,000
Deferred income taxes	208,000	(133,000)
	1,644,000	**3,765,000**
Less investment tax credits:		
Applied against current liability	(442,000)	(606,000)
Carry-back portion	(806,000)	—
	$ 396,000	**$3,159,000**

The provision in lieu of income taxes represents the tax benefits of pre-1971 investment credits, and certain charges against current taxable income that had been recognized for financial reporting purposes prior to 1971. This provision represents no actual tax payment, and has been credited to paid-in capital since the cumulative losses of the Company prior to 1971 were charged to paid-in capital as a result of a quasi-recorganization at December 31, 1970. Deferred income taxes result from timing differences in the recognition of expense for tax and financial statement purposes, principally depreciation and pensions.

Certain charges against income during 1970 (approximately $7,000,000) will be used in the future to reduce income tax payments when such charges are deductible for income taxes. The tax benefits of these charges when realized will be credited to paid-in capital.

Note 9: Preferred Stock—In January 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 thereon) by reclassifying each share of Preferred Stock into three shares of Common Stock.

At the annual meeting of shareholders in April 1973, an amendment to the Certificate of Incorporation was approved to eliminate the 30,000 shares of 6% Cumulative Preference Stock from the Company's authorized capital. None was issued or outstanding in either 1973 or 1972.

Purchase—Additional Stock Payments

KOPPERS COMPANY, INC. (DEC)

	Cumulative Preferred Stock	Common Stock	Capital In Excess of Par Value	Treasury Stock, at Cost	Earnings Retained in the Business	Total Preferred and Common Shareholders' Equity
Balance at January 1, 1972	$15,000,000	$27,547,250	$59,508,338	$ —	$134,025,389	$236,080,977
Increase resulting from adopting equity method of accounting for investments	—	—	—	—	952,221	952,221
Net income for the year 1972	—	—	—	—	23,144,694	23,144,694
Cash dividends paid:						
On preferred stock, $4.00 per share	—	—	—	—	(600,000)	(600,000)
On common stock, $1.66 per share	—	—	—	—	(9,246,525)	(9,246,525)
Common stock issued during 1972:						
115,500 shares for companies acquired accounted for as poolings of interests (Note 2)	—	577,500	(73,406)	—	2,232,683	2,736,777
3,195 shares as additional consideration for companies acquired in prior year accounted for as purchases	—	15,975	(5,957)	—	—	10,018
Balance at December 31, 1972	**15,000,000**	**28,140,725**	**59,428,975**	—	**150,508,462**	**253,078,162**
Net income for the year 1973	$ —	$ —	$ —	$ —	$ 29,535,344	$ 29,535,344
Cash dividends paid:						
On preferred stock, $4.00 per share	—	—	—	—	(600,000)	(600,000)
On common stock, $1.80 per share	—	—	—	—	(10,130,640)	(10,130,640)
Common stock issued during 1973:						
59,793 shares as additional consideration for company acquired in 1970 accounted for as a purchase (Note 2)	—	298,855	1,860,058	870	—	2,159,783
Common stock reacquired during 1973:						
22 shares returned from escrow account established in connection with company acquired in prior year accounted for as a purchase	—	—	—	(870)	—	(870)
Balance at December 31, 1973	**$15,000,000**	**$28,439,580**	**$61,289,033**	**$ —**	**$169,313,166**	**$274,041,779**

Notes to Financial Statements

Note 2: Acquisitions—As a result of the Company's common stock not attaining a price level stipulated in a 1970 merger agreement with General Crushed Stone Company, 59,793 shares of common stock were issued as additional consideration to the former shareholders of the acquired company. The fair market value of the shares issued has been charged to depreciable assets. In the original accounting for the acquisition, the excess of the book value at date of acquisition over the market value of the stock issued and the maximum value of additional shares which might be issued is being amortized over the average remaining life of the depreciable assets.

Public Offering of Stock

THE QUAKER OATS COMPANY (JUN)

Notes to Financial Statements

Shareholders' Equity (in part): Changes in Capital Accounts—Changes in Common stock, Additional paid-in capital and Treasury common stock during 1972 and 1973 are summarized as follows:

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Treasury Common Stock Shares	Treasury Common Stock Amount
	Amounts in Thousands of Dollars (deduct)				
Balance, June 30, 1971	12,878,007	$ 64,390	$ 1,710	216,825	$ 7,323
Needlecraft Corporation of America pooling of interests	424,813	2,124	(1,643)	—	—
Restated June 30, 1971	**13,302,820**	**66,514**	**67**	**216,825**	**7,323**
Stock options exercised and conversions of preferred	118,202	591	3,191	(16,408)	(555)
Sale of common stock to trustee of profit sharing plan	—	—	92	(12,500)	(422)
Balance, June 30, 1972	**13,421,022**	**67,105**	**3,350**	**187,917**	**6,346**
Stock options exercised and conversions of preferred	146,646	733	3,093	(804)	(23)
3-for-2 Stock split September 22, 1972	6,725,190	33,626	(3,968)	89,648	—
Additional stock issuance November 1, 1972	600,000	3,000	19,622	—	—
Sale of common stock to trustee of profit sharing plan	—	—	262	(8,200)	(277)
Balance, June 30, 1973	**20,892,858**	**$104,464**	**$22,359**	**268,561**	**$6,046**

Warrants

UNITED FOODS, INC. (FEB)

Consolidated Statement of Additional Paid-In Capital and Retained Earnings

	1973	1972
ADDITIONAL PAID-IN CAPITAL:		
Amount at beginning of year	$7,734,573	$5,960,346
Additional cost of rights offering	(16,815)	—
Excess of proceeds over par value from exercise of common stock purchase warrants for 619,909 and 535,006 shares	929,959	802,509
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
Amount at end of year	**$8,647,717**	**$7,734,573**
RETAINED EARNINGS:		
Amount at beginning of year as previously reported	$3,738,455	$ (341,147)
Prior period adjustment	(165,340)	(165,340)
As restated	3,573,115	(506,487)
Net income for year	1,879,913	4,354,722
Adjustment required to effect pooling	—	(275,120)
Excess of amount paid over market value of 254,636 common shares acquired in treasury	(604,760)	—
Amount at end of year	**$4,848,268**	**$3,573,115**

Cash Dividends on Preferred Stock

STRUTHERS WELLS CORPORATION (NOV)

Consolidated Statement of Additional Paid-in Capital

	1973	1972
Balance—Beginning of year	$10,702,778	$10,457,137
Cash distribution paid on $1.25 cumulative preferred stock	(103,160)	(103,160)
Excess of fair value over par value of 1,153 shares issued under employment agreement	4,808	
Fair value of warrants issued in connection with 8% subordinated notes	222,240	
Increase due to public sale of stock by 27½% owned company		348,801
Balance—End of year	**$10,826,666**	**$10,702,778**

Notes to the Financial Statements

Note 10 (in part): Shareholders' Equity

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. Such distributions are payable before any distributions are made on common stock and are cumulative. As of November 30, 1973, there were no arrears, but should they occur in the future, they would be payable without interest. These distributions accrue from day to day, beginning with each quarterly dividend period, regardless of the availability of surplus for the payment thereof. Payment of these distributions to preferred shareholders are specifically permitted by both the note and bank agreements. Preferred shareholders are entitled to nine votes for each share held. However, should four quarterly distributions on the preferred stock be unpaid, the preferred shareholders are entitled to the exclusive voting right to elect a majority of the Board of Directors.

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* 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

	1973	1972	1971	1970
Statement Referred to in Auditors' Report:				
Final statement (*48, 437, 632)...	442	443	466	424
Between income statement and balance sheet (*159, 364, 730)..	51	46	54	45
First statement (*19, 308, 684)...	13	20	22	31
Other (*115, 204, 582)...........	89	86	51	40
Statement separated from other financial statements (*118, 419)	5	5	3	19
Subtotal	**600**	**600**	**596**	**559**
Statement not Referred to in Auditors' Report:				
Statement included with other financial statements..............	—	—	1	8
Statement separated from other financial statements..............	—	—	—	6
Subtotal	—	—	1	14
Companies Presenting Statement ...	**600**	**600**	**597**	**573**

*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 1973 599 of the aforementioned statements were presented on a comparative basis as compared to 600, 596, and 538 in 1972, 1971, and 1970, 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

	1973	1972	1971	1970
Statement of changes in financial position..........	590	580	526	—
Source and application/use/ disposition of funds/working capital ...	7	13	52	472
Changes in working capital or working capital changes............	2	2	12	50
Funds statement or statement of funds..........	—	2	4	29
Miscellaneous other titles...........	1	3	3	22
Companies Presenting Statement....	**600**	**600**	**597**	**573**

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

	1973	1972	1971	1970
Changes in Working Capital:				
Sources equal uses (*6, 232, 521)	87	101	117	178
Increase (decrease) in working capital (*340, 431, 675)	404	390	346	197
Ending working capital (*108, 257, 756)	77	80	95	154
Subtotal	**568**	**571**	**558**	**529**
Changes in Cash:				
Sources equal uses (*367, 502)	9	5	9	9
Increase (decrease) in cash or cash and cash equivalent (*176, 316, 637)	13	11	16	16
Ending cash or cash and cash equivalent (*35, 356, 539)	10	13	12	14
Miscellaneous other forms	—	—	2	5
Subtotal	**32**	**29**	**39**	**44**
Total Companies	**600**	**600**	**597**	**573**

*Refer to Company Appendix Section.

Sources Equal Uses

CENTRAL SOYA COMPANY, INC. (AUG)

Consolidated Statement of Changes in Financial Position

	1973	1972
	($ Thousands)	
FINANCIAL RESOURCES PROVIDED:		
Operations—		
Net earnings	$26,002	$16,154
Charges to net earnings not requiring use of working capital during the period:		
Depreciation	11,282	8,709
Amortization	399	346
Deferred income taxes	2,765	197
Minority interests in net earnings of subsidiaries	336	311
Working capital provided by operations	**40,784**	**25,717**
Issuance of long-term debt—		
7½% sinking fund debentures less bond discount and expense of $478		29,522
Other, including in 1972 contract payable of $6,117 relating to purchased companies	3,793	13,132
Long-term debt of purchased companies at date of acquisition		6,995
Disposition of property	2,070	1,910
Other net changes	1,001	614
	$47,648	**$77,890**
FINANCIAL RESOURCES USED:		
Acquisition of property, plant and equipment	$13,666	$19,814
Property, plant and equipment ($12,771) and net noncurrent assets of purchased companies at date of acquisition		14,155
Payment of cash dividends	7,692	7,317
Reduction of long-term debt	11,042	7,527
Acquisition of companies		1,131
Purchase of 50,000 capital shares for treasury	1,408	
Increase in working capital	13,840	27,946
	$47,648	**$77,890**

SQUARE D COMPANY (DEC)

Consolidated Statement of Changes in Financial Position

	1973	1972
	($ Thousands)	
SOURCES OF FUNDS:		
Operations:		
Net earnings	$33,702	$35,641
Depreciation	6,216	5,148
Deferred income taxes	927	855
Total from operations	**40,845**	**41,644**
Long-term debt incurred	20,000	11,225
Decrease in cash and marketable securities	4,259	15,198
Increase in accounts payable and accrued expenses	1,035	(258)
Disposal of property, plant and equipment	789	630
Exercise of stock options	349	972
Increase in income taxes payable	41	(1,440)
Miscellaneous	635	1,021
	$67,953	**$68,992**
USE OF FUNDS:		
Dividends to shareholders	$23,743	$23,422
Additions to property, plant and equipment	16,191	22,160
Increase in inventories	10,666	14,313
Increase in receivables	10,073	7,540
Payments on long-term debt	4,542	1,288
Decrease in notes payable	2,000	(10,915)
Increase in dividend liability	738	901
Purchase of minority interest	—	10,283
	$67,953	**$68,992**

STOKELY-VAN CAMP, INC. (MAY)

Consolidated Statement of Changes in Financial Position

	1973	1972
	($ Thousands)	
FUNDS PROVIDED BY:		
Net earnings	$ 8,220	$ 7,162
Add (deduct) items not affecting working capital:		
Depreciation charged to costs and expenses	5,553	5,422
Income taxes deferred to future years	980	120
Other, net	(45)	(137)
Working capital provided by operations	**14,708**	**12,568**
Disposals of property, plant and equipment	541	3,687
Additional long-term debt	20,000	7,500
Conversion of debentures	—	37
	$35,249	**$23,792**
FUNDS USED FOR:		
Increase in working capital	$11,705	1,531
Purchase of property, plant and equipment	10,928	7,081
Purchase of treasury stock	729	667
Cash dividends	4,061	4,113
Current maturities and prepayments of long-term debt	7,563	8,592
Other, net	263	1,808
	$35,249	**$23,792**

Increase (Decrease) in Working Capital or Cash

ANCHOR HOCKING CORPORATION (DEC)

Statement of Consolidated Changes in Financial Position

	1973	1972
	($ Thousands)	
WORKING CAPITAL PROVIDED:		
Net income	$18,726	$20,740
Charges to income not requiring a current cash outlay:		
Depreciation and amortization	12,045	10,754
Deferred income taxes, non-current	1,151	1,175
Working capital provided by operations	**31,922**	**32,669**
Common stock issued under stock option plans	12	930
Sales and retirements of property, plant and equipment	293	444
Increase in long-term debt and liabilities	2,139	780
Total working capital provided	**34,366**	**34,823**
WORKING CAPITAL USED:		
Dividends paid	7,612	7,057
Property, plant and equipment, including acquired companies	19,874	19,362
Reduction in long-term debt	1,571	1,051
Purchase of preferred stock	67	62
Purchase of common stock	2,392	
Other	626	754
Total working capital used	**32,142**	**28,286**
Increase in working capital	**$ 2,224**	**$ 6,537**

GREAT WESTERN UNITED CORPORATION (MAY)

Consolidated Statement of Changes in Financial Position

	1973			1972		
	Real Estate Operations	Other Operations	Total ($ thousands)	Real Estate Operations	Other Operations	Total
SOURCES OF WORKING CAPITAL:						
From operations:						
Income (loss) before extraordinary loss	$(5,696)	$ 4,309	$ (1,387)	$(3,106)	$ 4,550	$ 1,444
Add (deduct):						
Provision for depreciation and amortization	1,349	5,555	6,904	1,177	5,691	6,868
Provision (credit) for deferred income taxes	(3,361)	18	(3,343)	1,133	(43)	1,090
Loss on disposal and valuation of properties (Note 9)	6,932		6,932			
Reductions (additions) in realty contracts receivable, less deferred gross profit	3,169		3,169	1,836		1,836
Additions (reductions) to estimated real estate improvement costs	774		774	(211)		(211)
Funds provided by (used in) operations exclusive of extraordinary loss	**3,167**	**9,882**	**13,049**	**829**	**10,189**	**11,027**
Effect of extraordinary loss (1)					2,412	2,412
Reductions (additions) in other realty assets	2,804		2,804	1,560		1,560
Property disposals		2,396	2,396		1,355	1,355
Additions to long-term debt		189	189		1,059	1,059
Additions to realty notes and loans payable	265		265	5,491		5,491
Reductions (additions) of realty inventories	6		6	(2,489)		(2,489)
Total sources	**6,242**	**12,467**	**18,709**	**5,391**	**15,024**	**20,415**
USES OF WORKING CAPITAL:						
Capital expenditures		6,372	6,372		5,725	5,725
Reduction in realty notes and loans payable	4,957		4,957	8,540		8,540
Reduction of long-term debt		4,220	4,220		5,749	5,749
Reductions (additions) in other realty liabilities	1,269		1,269	(1,361)		(1,361)
Other		1,508	1,508		1,583	1,583
Sinking fund provision for redemption of $1.88 cumulative preferred stock (Note 8)		(58)	(58)		1,750	1,750
Cash dividends (2)					2,783	2,783
Total uses	**6,226**	**12,042**	**18,268**	**7,179**	**17,590**	**24,769**
Increase (decrease) in Working Capital	**$ 16**	**$ 425**	**$ 441**	**$(1,788)**	**$(2,566)**	**$ (4,354)**

ESB INCORPORATED (MAR)

Consolidated Statements of Changes in Financial Position

	1973	1972
	($ Thousands)	
SOURCE OF WORKING CAPITAL:		
Net income	$15,387	$11,570
Items not requiring (providing) working capital:		
Provision for depreciation	7,536	6,489
Deferred income taxes	297	624
Equity in net income of partially-owned companies, net of dividends received	(2,256)	(1,328)
Working capital provided by operations	**20,964**	**17,355**
Increase in long-term debt	—	14,500
Changes in industrial revenue bond funds held by trustee	2,916	(3,707)
Proceeds from exercise of stock options	995	1,438
Minority interests	108	526
Working capital provided	**24,983**	**30,112**
USE OF WORKING CAPITAL:		
Cash dividends paid	6,980	6,572
Expenditures for property, plant and equipment	12,393	11,562
Other property, plant and equipment transactions	(608)	599
Purchase of treasury stock	2,210	—
Other increase (decrease) in investments in partially-owned companies	911	(2,296)
Current maturities of long-term debt	233	222
Increase (decrease) in long-term receivables and other assets	1,318	(1,041)
Working capital used	**23,437**	**15,618**
Increase in Working Capitol, as below	**$ 1,546**	**$14,494**

LOWE'S COMPANIES, INC. (JUL)

Consolidated Statement of Changes in Financial Position

	1973		1972	
	($ Thousands)			
	Amount	%	Amount	%
SOURCE OF FUNDS:				
Net Earnings	$12,728	48.2	$ 9,121	50.7
Depreciation and Amortization	2,791	10.6	2,295	12.7
Total Funds from Operations	**$15,519**	**58.8**	**$11,416**	**63.4**
Sale of Common Stock Under Option Plan	473	1.8	532	3.0
Disposals of Property and Equipment	152	.6	302	1.7
Additions to Long-Term Debt	9,907	37.5	5,714	31.7
Tax Benefit from Optionee Stock Dispositions	344	1.3		
Other			42	.2
Total	**$26,395**	**100.0**	**$18,006**	**100.0**
USE OF FUNDS:				
Retirement of Preferred Stock	$		$ 45	.2
Dividends Paid	1,017	3.9	946	5.3
Reduction of Long-Term Debt	1,683	6.4	2,996	16.6
Additions to Property and Equipment	12,851	48.6	7,840	43.5
Other	40	.2		
Total	**$15,591**	**59.1**	**$11,827**	**65.6**
Increase in Working Capital	**$10,804**	**40.9**	**$ 6,179**	**34.4**

MARCOR INC. (JAN)

Statement of Changes in Financial Position

	1974	1973
	($ Thousands)	
SOURCE OF FUNDS:		
Operations		
Net earnings	$ 96,652	$ 72,672
Depreciation, amortization and cost of timber harvested	75,911	71,462
Deferred federal taxes on income	49,056	35,632
Earnings of unconsolidated subsidiaries and affiliates net of dividends received	(31,544)	(15,989)
Total provided from operations	**$190,075**	**$163,777**
Other		
Proceeds from stock options exercised	3,062	5,311
Long-term financing	35,934	27,659
Sale of property (principally sale-leasebacks)	64,625	85,669
Increase (decrease) in notes payable to affiliates	14,908	(7,000)
Increase in short-term loans and current portion of long-term debt	16,000	2,961
Increase in accounts payable and accrued expenses	160,868	72,293
Increase in taxes on income currently payable	4,630	410
Decrease (increase) in treasury common stock	8,820	(8,171)
Other, net	7,528	3,917
Total sources of funds	**$506,450**	**$346,826**
DISPOSITION OF FUNDS:		
Property additions and improvements	$202,589	$150,595
Reduction of long-term debt	30,842	18,187
Cash dividends	36,799	34,370
Increase in inventories	140,996	79,211
Increase in receivables	58,921	43,805
Increase (decrease) in prepaid expense	1,660	(12,176)
Increase in investments and other assets	35,943	42,688
Total disposition of funds	**$507,750**	**$356,680**
Decrease in cash and marketable securities	**$ 1,300**	**$ 9,854**

OSCAR MAYER & CO. INC. (OCT)

Consolidated Statement of Changes in Financial Position

	1973	1972
	($ Thousands)	
RESOURCES WERE PROVIDED BY:		
Net income	$17,382	$15,975
Depreciation	9,995	8,440
Deferred investment credit and income taxes	2,543	813
Equity in income of affiliated companies	(1,907)	(765)
Working capital provided by operations	**28,013**	**24,463**
Dividends from affiliated companies	950	1,300
Proceeds from long term borrowings	4,160	6,000
Sales of properties	568	927
Stock options exercised	566	895
All others	25	146
	34,382	**33,731**
RESOURCES WERE USED FOR:		
Additions to properties	22,742	20,632
Investments in foreign affiliates	—	11,395
Dividends to stockholders	6,147	5,875
Reduction in long term debt	6,000	—
	34,889	**37,902**
(Decrease) in working capital	**$ (607)**	**$ (4,171)**

End of Year Working Capital or Cash

ALAN WOOD STEEL COMPANY (DEC)

Consolidated Statement of Changes in Financial Position

	1973	1972
	($ Thousands)	
SOURCE OF WORKING CAPITAL:		
Operations:		
Income before extraordinary items	$ 2,545	$ 1,235
Items not affecting working capital in the current period:		
Depreciation (Note 1)	7,427	6,850
Reserves and deferred income taxes	431	(21)
Amortization of deferred charges and other assets	240	275
Working capital provided from operations exclusive of extraordinary items	**10,644**	**8,340**
Proceeds from extraordinary items, net of related income taxes (Note 7)	—	2,464
Working capital provided from operations	**10,644**	**10,804**
Proceeds from long-term debt	2,252	6,296
	12,896	**17,101**
APPLICATION OF WORKING CAPITAL:		
Expenditures for property, plant and equipment	6,098	9,039
Reduction of long-term debt	6,712	3,941
Insurance claims receivable	(2,797)	2,797
Dividends	158	490
Redemption of Preferred Stock shares (1973 — 714; 1972 — 4,919)	37	316
	10,209	**16,585**
Increase in working capital	**2,687**	**515**
Working capital at beginning of year	9,515	9,000
Working capital at end of year	**$12,203**	**$ 9,515**

CHOCK FULL O'NUTS CORPORATION (JUL)

Statement of Consolidated Changes in Financial Position

	1973	1972
	($ Thousands)	
SOURCES OF WORKING CAPITAL:		
Net income	$ 2,314	$ 1,283
Add (deduct) items not requiring (providing) working capital:		
Depreciation and amortization	899	868
Deferred income taxes	325	(734)
Amortization of deferred charges	53	275
Write-off of unamortized 1971 deferred charges (Note 2)	—	1,197
Other	33	202
Working capital provided from operations	**3,624**	**3,091**
Increase in long-term debt (Note 3)	10,125	—
Proceeds received from exercise of stock options	—	16
Sale of property and equipment	29	169
Value of 5,181 shares of treasury stock issued under incentive bonus plan (Note 4)	28	—
Total sources of working capital	**13,806**	**3,276**
USES OF WORKING CAPITAL:		
Cash dividends paid to stockholders	863	880
Reduction of long-term debt	311	119
Purchase of marketable securities—amount invested with proceeds from long-term notes (Note 3)	10,000	—
Purchase of treasury stock (1973 — 11,102 shares; 1972 — 20,800 shares)	86	179
Additions to property and equipment	1,159	775
Increase in deferred charges and other assets	—	167
Total uses of working capital	**12,419**	**2,120**
Increase in Working Capital	**1,387**	**1,156**
Working Capitol at beginning of period	13,608	12,452
Working capital at end of period	**$14,995**	**$13,608**

THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC. (FEB)

Statement of Changes in Consolidated Financial Position

	1973	1972
	($ Thousands)	
SOURCE OF FUNDS:		
From operations:		
Net income (loss)	$ (51,277)	$ 14,619
Expenses (income) not requiring (providing) working capital:		
Depreciation and amortization	48,870	48,536
Deferred income taxes (non-current portion)	593	3,511
Deferred investment tax credit	(1,544)	(418)
Working capital provided from (used in) operations	**(3,358)**	**66,248**
Sale of property, equipment and fixtures	15,629	2,091
Proceeds from borrowings	55,000	—
Other	866	1,050
Total	**68,137**	**69,389**
DISPOSITION OF FUNDS:		
Expenditures for property, equipment and fixtures	48,458	61,987
Cash dividends	14,925	29,229
Total	**63,383**	**91,216**
Increase (decrease) in working capital	4,754	(21,827)
Working capital—Beginning of year	324,683	346,510
Working capital—End of year	**$329,437**	**$324,683**

MWA COMPANY (JUN)

Consolidated Statement of Changes in Financial Position

	1973	1972
	($ Thousands)	
SOURCE OF WORKING CAPITAL:		
Net income	$ 509	$ 72
Expenses not requiring current outlay of working capital:		
Depreciation and amortization	257	283
Total from operations	**766**	**355**
Disposals of property, plant and equipment — Net	40	162
Realization of cash surrender value of officers' life insurance	—	49
Exercise of employee stock options	1	—
Decrease in other assets	—	29
	807	**595**
APPLICATION OF WORKING CAPITAL:		
Dividends paid	206	—
Additions to property, plant and equipment	511	330
Reduction in long-term debt	17	90
Increase in other assets	29	—
	763	**420**
Increase in working capital	**44**	**175**
Working capital at beginning of year	4,878	4,704
Working capital at end of year	**$4,922**	**$4,879**

HUDSON PULP & PAPER CORP. (DEC)

Consolidated Statements of Changes in Financial Position

	1973	1972
	($ Thousands)	
FUNDS PROVIDED BY:		
Income before extraordinary items	$ 5,568	$ 2,005
Charges/(credit) to income not affecting funds:		
Depreciation and depletion	6,051	5,683
Deferred Federal income taxes	159	(142)
Total from operations exclusive of extraordinary items	**11,778**	**7,546**
Extraordinary item (credit) net of tax	6,294	—
Construction costs for water pollution treatment facility, reimbursed by trustee	153	1,325
Decrease in inventories	—	468
Decrease in other current assets	233	107
Increase in accounts payable and accrued expenses	2,433	476
Increase in current portion of long-term debt	—	2
Increase in Federal income taxes	4,023	315
Increase in dividends payable	294	—
Sales of fixed assets	695	61
Other items—net	341	223
Total funds provided	**26,244**	**10,523**
FUNDS USED FOR:		
Portion of extraordinary item (charge) requiring outlay of funds	—	71
Additions to plant assets and timber resources	7,640	5,014
Dividends	588	511
Capital stock acquired	929	877
Decrease in long-term debt	2,046	2,064
Decrease in current portion of long-term debt	18	—
Increase in receivables	929	933
Increase in inventories	1,385	—
Total funds used	**13,535**	**9,470**
Increase in cosh and short-term investments	**12,709**	**1,053**
Cash and short-term investments at beginning of year	10,339	9,285
Cash and short-term investments at end of year	**$23,048**	**$10,338**

WINNEBAGO INDUSTRIES INC. (FEB)

Consolidated Statements of Changes in Financial Position

	1969	1970	1971	1972	1973
FINANCIAL RESOURCES PROVIDED BY—					
Operations:					
Income before extraordinary item	$ 2,429,713	$ 3,206,142	$ 4,614,625	$13,596,832	$19,371,316
Items which did not require outlay of working capital during the year:					
Depreciation and amortization	193,094	454,940	855,370	1,322,798	2,692,165
Other	—	75,000	165,500	179,802	373,011
Working capital provided by operations before extraordinary item	**$ 2,622,807**	**$ 3,736,082**	**$ 5,635,495**	**$15,099,432**	**$22,436,492**
Extraordinary item, net of related deferred income tax effect of $1,926,323	—	—	—	—	(2,073,677)
Total working capital provided by operations	**$ 2,622,807**	**$ 3,736,082**	**$ 5,635,495**	**$15,099,432**	**$20,362,815**
Equity financing, net procedures from the sale of common stock	9,918,006	—	—	23,023,774	424,540
Other	50,141	32,755	34,252	90,547	181,641
Total	**$12,590,954**	**$ 3,768,837**	**$ 5,669,747**	**$38,213,753**	**$20,968,996**
FINANCIAL RESOURCES APPLIED TO—					
Acquisition of long-term assets:					
Purchase of property and equipment	$ 2,471,214	$ 4,739,067	$ 2,408,195	$ 6,686,581	$24,233,942
Investment in Winnebago Acceptance Corporation	—	—	—	1,500,000	—
Advances to Winnebago Acceptance Corporation	—	—	—	—	5,767,101
Purchase of other assets	29,821	1,360,068	119,676	1,529,231	942,915
Long-term debt transferred to current liabilities	12,863	13,805	15,293	—	—
Advance payment of long-term debt	244,954	—	—	335,044	—
Other	49,800	—	—	—	—
Total	**$ 2,808,652**	**$ 6,112,940**	**$ 2,543,164**	**$10,050,856**	**$30,943,958**
Increase (decrease) in working capital	$9,782,302	$(2,344,103)	$ 3,126,583	$28,162,897	$(9,974,962)
Working capital at beginning of year	1,747,277	11,529,579	9,185,476	12,312,059	40,474,956
Working capital at end of year	**$11,529,579**	**$ 9,185,476**	**$12,312,059**	**$40,474,956**	**$30,499,994**

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.

Four hundred fifty-eight (388 in 1972 and 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 twenty-one (187 in 1972 and 171 in 1971) companies presented income or loss before extraordinary items as the first amount. Five hundred ninety-seven (581 in 1972 and 573 in 1971) reported a subtotal for working capital or cash provided from (or used in) operations.

TABLE 5-4: WORKING CAPITAL OR CASH PROVIDED FROM OPERATIONS-COMPONENTS

	1973	1972	1971
Net Income or Loss			
Net income or loss (no extraordinary items)	467	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)	122	139	118
Income or loss before extraordinary items (effect of extraordinary item not presented immediately after subtotal for operations)	11	66	83
Companies Presenting Statement	**600**	**600**	**597**
Other Frequent Components			
Depreciation and/or amortization and/or depletion	599	599	592
Deferred taxes and/or deferred investment credit	456	439	404
Equity in earnings or losses of investees	170	158	130
Minority interest	65	62	57

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

	1973	1972
	($ Thousands)	
SOURCE OF FUNDS:		
From operations:		
Earnings before extraordinary income	$28,757	$ 17,698
Items not requiring funds:		
Depreciation	17,608	17,126
Replacement items consumed in production	10,104	8,874
Increase in other long-term liabilities	7,101	6,112
Deferred income taxes (1972 — $7,950 less current deferred portion of $4,175)	3,151	3,775
Equity in net earnings of affiliated companies, exclusive of extraordinary income of $2,424 in 1973 not affecting funds	(2,644)	(1,029)
Funds provided from operations	**64,077**	**52,556**
From borrowings	3,484	52,665
Other net,	2,425	4,323
	69,986	**109,544**
USE OF FUNDS:		
Capital expenditures	20,731	27,679
Replacement items purchased	11,099	9,394
Dividends	11,507	10,795
Reduction of long-term debt	5,802	5,301
Reduction of other long-term liabilities	6,537	6,235
Increase in investments in affiliated companies	—	29,336
	55,676	**88,740**
Increase in working capital	**$14,310**	**$ 20,804**

APECO CORPORATION (NOV)

Statements of Consolidated Changes in Financial Position

	1973	1972
	($ Thousands)	
SOURCE:		
Income from continuing operations before extraordinary loss	$ 422	$ 3,852
Expenses not requiring outlay of working capital in the current period—		
Depreciation and amortization	3,326	2,236
Deferred income taxes	(12)	(112)
Working capital provided by continuing operations	**$ 3,736**	**$ 5,976**
Discontinued operations—		
Losses applicable to discontinued operations	$(6,354)	$ (214)
Expenses not requiring outlay of working capital in the current period—		
Depreciation and amortization	286	85
Write-off of cost in excess of book value of company acquired and write down of equipment to estimated realizable value	4,387	—
Working capital absorbed by discontinued operations	**$ (1,681)**	**$ (129)**
Net working capital provided by continuing and discontinued operations	**$ 2,055**	**$ 5,847**
Extraordinary loss	—	(405)
Proceeds from stock options exercised	—	98
Proceeds from new long-term debt and refinanced short-term debt	1,406	13,331
Working capital of company purchased	324	—
Financing for purchase of business—		
Market value of common shares issued	—	2,831
Long-term debt assumed	—	712
Total Source	**$ 3,785**	**$22,414**

APPLICATION:		
Cash and notes paid for companies acquired	$ 807	$ 230
Additions to property, plant and equipment (including equipment in customers' possession), net of retirements of $365,000 in 1973 and $423,000 in 1972	4,641	3,578
Loan to Van Dyk Research Corporation	5,000	—
Loans to Cascade Data, Inc. in 1971 which were eliminated in consolidation in 1972 upon acquisition of Cascade	—	(1,000)
Cash dividends paid	1,246	1,605
Noncurrent assets of company acquired	—	5,041
Current maturities of long-term debt	95	100
Other	130	(11)
Total Application	**$11,919**	**$ 9,543**
Increase (decrease) in working capital	**$ (8,134)**	**$12,871**

THE BOHACK CORPORATION (JAN)

Statement of Consolidated Changes in Financial Position

	1973	1972
	($ Thousands)	
WORKING CAPITAL PROVIDED:		
From operations:		
Earnings from continuing operations	$ 465	650
Charges against earnings not requiring outlay of working capital:		
Depreciation and amortization	4,603	3,640
Deferred income taxes and deferred credits	686	142
Debenture interest paid in common stock	221	222
Working capital from operations before discontinued operations	**5,975**	**4,654**
Discontinued operations	(406)	(349)
Charges against discontinued operations not requiring outlay of working capital:		
Depreciation and amortization	21	55
Working capital used by discontinued operations	**(385)**	**(294)**
Total working capital provided from operations	**5,590**	**4,360**
From other sources:		
Proceeds from sale of property, plant and equipment	3,153	161
Proceeds from exercise of stock options	—	60
Increase in long-term debt	2,312	12,699
Acquisition of subsidiary's debt	952	—
Increase in deferred taxes and deferred credits to income	546	312
Decrease in working capital	1,176	979
	$13,729	**18,571**
WORKING CAPITAL USED:		
Dividends paid (5½% cumulative preferred stock)	4	5
Additions to property, plant and equipment	9,025	17,188
Acquisition of subsidiary's property, plant and equipment	1,569	—
Additions (deductions) to deferred charges and other assets	(295)	423
Reduction of long-term debt	3,417	948
Purchase and retirement of 5½% cumulative preferred stock	9	7
	$13,729	**18,571**

CURTISS-WRIGHT CORPORATION (DEC)

Consolidated Statements of Changes in Financial Position

	1973	1972
	($ Thousands)	
SOURCES OF WORKING CAPITAL:		
Earnings before extraordinary items	$ 8,883	$ 4,787
Items which reduced (increased) earnings but did not affect working capital:		
Depreciation and amortization	8,414	10,092
Deferred income taxes	(283)	(1,272)
Minority interest	1,364	1,247
Write down of property held for sale	3,630	1,218
Equity in net (earnings) loss of affiliate	(71)	491
Working capital provided from operations	**21,937**	**16,563**
Extraordinary items, increased by items which did not affect working capital: ($757,000 in 1972)		1,503
Decrease in minority interest due to redemption by subsidiary of its capital shares		(259)
Book value of long-term investment sold	4,197	
Proceeds from exercise of qualified stock options		1,914
Tax benefit from sale by officers and employees of stock obtained under various company stock plans	309	500
Increase of long-term debt, net	248	
Book value of property, plant and equipment sold or retired	6,226	7,523
Decrease in other assets and other changes, net	1,315	751
Total sources of working capital	**34,232**	**28,495**
USES OF WORKING CAPITAL:		
Additions to property, plant and equipment	6,543	3,878
Payment of long-term debt, net		9,788
Total uses of working capital	**6,543**	**13,666**
Increase in working capital	**$27,689**	**$14,829**

ELTRA CORPORATION (SEP)

Consolidated Statement of Changes in Financial Position

	1973	1972
FINANCIAL RESOURCES PROVIDED BY:		
Net income	$32,448	$25,570
Income charges (credits) not affecting working capital:		
Depreciation	11,367	10,935
Minority interests	1,255	712
Amortization of deferred credit	(609)	(921)
Deferred income taxes	8,579	3,125
Equity in earnings of equipment leasing and finance companies	(1,614)	(1,589)
Working capital provided by operations	**51,428**	**37,832**
Proceeds of term loan borrowing	34,000	—
Increase (decrease) in other long-term debt (including assumption of $5,540,977 of debt on Converse acquisition in 1972)	(5,696)	11,782
Proceeds from exercise of stock options	220	619
Disposals of property, plant and equipment	6,526	4,411
Other	(514)	253
	85,964	**54,897**
FINANCIAL RESOURCES USED FOR:		
Additions to property, plant and equipment (including $5,500,000 relating to Converse acquisition in 1972)	23,306	21,671
Increases in investments in and advances to nonconsolidated subsidiaries and in other noncurrent assets	1,252	3,524
Purchase of treasury shares	4,347	919
Cash dividends	10,181	9,393
Dividends paid by subsidiaries to minority shareholders	593	712
	39,679	**36,219**
Increase in working capital	**$46,285**	**$18,678**

LIBBY, McNEIL & LIBBY (JUN)

Consolidated Statement of Changes in Financial Position

	1973	1972
	($ Thousands)	
WORKING CAPITAL PROVIDED BY:		
Operations:		
Earnings (loss) before extraordinary credits	$ 4,588	$ (1,634)
Charges (credits) to earnings not affecting working capital:		
Depreciation	5,168	5,037
Deferred income taxes	954	654
Undistributed earnings of affiliates	(717)	(534)
Minority interest	58	152
Working capital from operations, exclusive of extraordinary credits	**10,051**	**3,675**
Extraordinary Credits:		
Total extraordinary credits	4,328	1,102
Charges (credits) to earnings not affecting working capital:		
Long-term income taxes	(3,400)	—
Reserves for estimated losses and costs on disposal of certain facilities	(595)	(1,965)
Working capital from extraordinary credits	**333**	**(863)**
Disposal of property, plant, and equipment	1,545	2,015
Proceeds from long-term borrowings	44,176	1,226
Other—net	439	620
Total working capital provided	**56,544**	**6,673**
WORKING CAPITAL APPLIED TO:		
Additions to property, plant, and equipment	5,897	9,584
Reduction of long-term debt	6,782	392
Preferred stock—retirement and dividends	550	589
Excess of cost over net assets of businesses acquired	—	1,287
Total working capital applied	**13,229**	**11,852**
Increase (decrease) in working capital	**43,315**	**(5,179)**
Working capital, beginning of year	82,830	88,009
Working capital, end of year	**$126,145**	**$82,830**

J. B. LIPPINCOTT COMPANY (DEC)

Consolidated Statement of Changes in Financial Position

	1973	1972
	($ Thousands)	
SOURCE OF WORKING CAPITAL:		
Operations		
Net income	$ 713	$ 747
Add (deduct) items not requiring (providing) working capital		
Amortization of printing plates	1,746	1,510
Depreciation	101	97
Royalty advances earned and write offs	666	501
Provision for unfunded pension liability	119	121
Deferred income taxes	(66)	(67)
Journal subscriptions earned	(2,436)	(2,111)
Total from operations	**843**	**798**
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	440	2,038
Journal subscriptions received	2,481	2,315
Total working capital provided	**3,764**	**9,525**
USE OF WORKING CAPITAL:		
Purchase of printing plates	2,063	2,137
Purchase of property and equipment	158	58
Increase in cash surrender value, life insurance	46	39
Royalty advances to authors	982	600
Increase in deferred charges	178	2
Paid cash dividends	236	191
Redemption of preferred stock	—	210
Total working capital used	**3,664**	**3,237**
Net increase in working capital	**$ 100**	**$6,288**

MILTON ROY COMPANY (DEC)

Consolidated Statement of Changes in Financial Position

	1973	1972
	($ Thousands)	
RESOURCES PROVIDED:		
Net income	$2,252	$1,911
Add—(Deduct) income or expense items not causing an inflow or outlay of current period working capital:		
Depreciation	631	525
Amortization	15	21
Write-off of unamortized intangible asset relating to discontinued operations	198	—
Value of stock received for the formation of a joint venture	(162)	—
Increase in equity in undistributed earnings of joint ventures	(330)	(183)
Working capital provided by operations	**2,604**	**2,274**
Proceeds received from common stock issued under employee stock option plan	53	10
Sale of property, plant and equipment, net	152	20
Increase in notes payable, due after one year	—	85
Other (net)	31	(160)
Total Resources Provided	**$2,840**	**$2,229**
RESOURCES APPLIED:		
Reduction in notes payable, due after one year	$ 201	$ 200
Additions to property, plant and equipment	838	1,526
Cash investment in joint ventures	49	1,440
Dividends paid	258	—
Increase (decrease) in working capital	1,494	(937)
Total Resources Applied	**$2,840**	**$2,229**

REPUBLIC STEEL CORPORATION (DEC)

Statement of Consolidated Changes in Financial Position

	1973	1972
	($ Thousands)	
SOURCE OF FUNDS:		
Net income	$ 86,744	$ 43,060
Items not affecting funds:		
Depreciation and depletion	79,439	77,490
Amortization of blast furnace linings	12,504	11,619
Noncurrent portion of deferred income taxes	6,268	15,371
Equity in net income of associated companies less dividends received	(2,434)	(3,197)
Funds provided from operations	**$182,521**	**$144,343**
Issuance of long-term debt	10,702	23,037
Increase in other liabilities and reserves	2,271	2,752
Decrease in other assets	3,030	—
Increase in working capital resulting from consolidation of certain subsidiaries formerly carried at equity	11,201	—
Other—net	8,237	7,869
	$217,962	**$178,001**
USE OF FUNDS:		
Dividends paid	$ 34,778	$ 20,220
Capital expenditures:		
For properties, plants and equipment (including advances to associated companies therefor)	$ 79,207	$ 34,523
For blast furnace linings	29,148	13,565
Reduction of long-term debt	84,498	33,590
	$227,631	**$101,898**
(Decrease) increase in working capital	**$ (9,669)**	**$ 76,103**

RICHARDSON-MERRELL INC. (JUN)

Statement of Changes in Consolidated Financial Position

	1973	1972*
	($ Thousands)	
FINANCIAL RESOURCES WERE PROVIDED BY:		
Earnings for the year	$41,400	$36,740
Add—Expenses not requiring outlay of working capital in current year:		
Provision for depreciation	9,940	8,938
Charge for minority interest	147	669
Charge for foreign operations	—	700
Credit to reserve applicable to foreign operations	3,047	323
Amortization of goodwill	660	—
Other non-cash charges	164	—
Working capital provided from operations for the year	**55,358**	**47,370**
Increase in long-term debt	3,306	1,859
Book value of fixed assets sold and retired	1,562	3,510
Decrease in intangible assets	173	1,503
Proceeds and tax benefits from issuance of treasury stock	1,321	2,063
Increase in long-term liabilities and reserves	2,527	614
	64,247	**59,919**
FINANCIAL RESOURCES WERE USED FOR:		
Cash dividends	12,277	11,890
Prior year adjustment to earnings reinvested in the business	381	1,209
Additions to property, plant and equipment	21,369	22,987
Increase in intangible assets	2,586	830
Decrease in long-term debt	7,587	6,326
Decrease in minority interest	2,833	746
Other changes, net including acquired fixed assets in 1973	295	1,188
	47,328	**45,176**
Increase in working capital	**$16,919**	**$11,743**

*Reclassified

USM CORPORATION (FEB)

Consolidated Statement of Changes in Financial Position

	1973	1972
	($ Thousands)	
RESOURCES PROVIDED:		
Earnings from continuing operations before extraordinary items	$10,791	$ 3,949
Depreciation and amortization	20,970	20,599
Deferred income taxes	2,422	1,764
Other expense or income not affecting working capital	1,442	1,324
Working capital provided from continuing operations	**35,625**	**27,636**
Loss from discontinued operations		(1,306)
Depreciation and amortization — discontinued operations		179
Working capital provided from continuing and discontinued operations	**35,625**	**26,509**
Working capital provided (used) by extraordinary items	728	(2,189)
Working capital provided from operations and extraordinary items	**36,353**	**24,320**
Extraordinary items not affecting working capital		(8,876)
Revaluation gains credited to reserve for international operations	3,675	3,696
Assets of subsidiary sold, net of working capital		2,829
Decrease in intangibles	142	5,146
Long-term borrowing	3,548	15,605
Fixed assets sold or retired — net	5,212	6,093
Stock issued for minority interest	438	408
Other	4,771	4,127
	$54,139	**$53,348**
RESOURCES APPLIED:		
Net assets of purchased companies, other than working capital	$ 22	$ 135
Minority interests purchased	665	1,582
Excess of cost over equity in net assets acquired	422	3,293
Excess of equity in net assets acquired over cost		(470)
Additions to property, plant and equipment	14,602	14,971
Additions to machinery for leasing	8,688	13,570
Dividends paid	3,468	5,293
Purchase of treasury and optioned shares	3	537
Payment of long-term debt	8,928	7,365
Long-term debt falling due within one year	113	19,039
Increase (decrease) in working capital	13,162	(12,141)
Other	4,066	174
	$54,139	**$53,348**

XEROX CORPORATION (DEC)

Consolidated Statements of Changes in Financial Position

	1973	1972
	($ Thousands)	
WORKING CAPITAL PROVIDED BY		
Operations		
Net income	$300,484	$249,507
Charges (credits) not affecting working capital		
Depreciation of rental equipment	339,384	312,031
Depreciation of buildings and equipment	64,055	50,783
Amortization of goodwill, patents and licenses	5,408	7,918
Outside shareholders' interests in income	66,153	52,707
United Kingdom corporation tax.	8,752	12,382
Noncurrent deferred income taxes	171	(20,324)
Amortization of investment tax credits	(7,502)	(6,220)
Other	14,669	20,894
Working capital provided by operations	**791,574**	**679,678**
New long-term debt	141,050	177,126
Common stock issued upon exercise of stock options	14,703	15,330
Investment tax credits received	13,532	13,964
Working capital provided	**960,859**	**886,098**
WORKING CAPITAL USED FOR		
Additions to rental equipment and related inventories	597,570	439,361
Additions to land, buildings and equipment	192,834	125,109
Payments made or due within one year on long-term debt	18,706	155,113
Dividends declared — Xerox Corporation shareholders	71,156	66,278
Dividends declared — outside shareholders	21,317	49,353
United Kingdom corporation tax currently payable	12,382	22,072
Deferred pre-production expenditures	7,931	7,534
Other	9,503	(2,306)
Working capital used	**931,399**	**862,514**
Working Capital Increased	**$ 29,460**	**$ 23,584**

Calculation Includes Net Loss

APCO OIL CORPORATION (DEC)

Consolidated Changes in Financial Position

	1973	1972
	($ Thousands)	
SOURCE OF WORKING CAPITAL:		
Earnings (loss) before extraordinary item	$ (5,717)	6,186
Items which do not use (provide) working capital:		
Depreciation, depletion and amortization	11,057	7,849
Reduction in carrying value of foreign properties	10,982	—
Retirements	2,575	914
Deferred income taxes	(1,198)	1,074
Other	(368)	610
	17,331	16,633
Extraordinary item	—	948
Working capital derived from operations	**17,331**	**17,581**
Long-term debt issued	2,112	4,337
Proceeds from sale of property, plant and equipment	1,032	1,931
Other, net	140	926
Decrease in working capital	80	4,195
	$20,695	**28,970**
APPLICATION OF WORKING CAPITAL:		
Capital expenditures	16,873	16,060
Additions to investments and advances	750	9,901
Reduction of long-term debt	3,072	3,009
	$20,695	**28,970**

ARDEN-MAYFAIR, INC. (DEC)

Statements of Changes in Financial Position

	1973	1972
	($ Thousands)	
SOURCE OF WORKING CAPITAL:		
Net loss	$(17,970)	$(1,040)
Items not requiring (providing) working capital:		
Undistributed earnings of unconsolidated subsidiary	(298)	(128)
Gain on disposal of security investments		(604)
Depreciation	5,455	5,257
Deferred income taxes	3,376	127
Accrued interest on income debentures	1,085	
Increase in reserve for future lease costs and loss on planned disposals	4,791	626
Total working capital provided from (used in) operations	**(3,561)**	**4,238**

Decrease in advances to unconsolidated subsidiary	705	700
Decrease in noncurrent receivables	1,421	700
Transfer property for resale to current assets	1,079	
Proceeds from sale of investments		854
Retirement or sale of property, plant and equipment	2,619	1,080
Decrease in licenses, buying deposits and other	1,440	131
Increase in other long-term liabilities	891	
Other transactions, net	135	137
Decrease in working capital	2,897	
	$ 7,626	**$7,840**
USE OF WORKING CAPITAL:		
Investment in property, plant and equipment	$ 4,470	$4,088
Decrease in long-term debt	2,228	2,212
Decrease in reserves for future lease costs	658	829
Repurchase of Preferred stock	50	35
Cash dividends	220	446
Increase in working capital		230
	$ 7,626	**$7,840**

RICHFORD INDUSTRIES, INC. (DEC)

Consolidated Statement of Changes in Financial Position

	1973	1972
	($ Thousands)	
SOURCES OF WORKING CAPITAL:		
Provided by operations:		
Loss before extraordinary item	($ 77)	($ 294)
Add expenses not requiring outlay of working capital:		
Depreciation	1,132	1,082
Deferred federal income taxes	132	131
Amortization of deferred costs	175	159
	1,362	**1,078**
Extraordinary item	396	—
Total from operations	**1,758**	**1,078**
Long-term debt incurred	518	120
Unamortized costs of property assets sold	603	174
Proceeds from sale of common stock	—	77
Total sources	**2,879**	**1,449**
APPLICATIONS OF WORKING CAPITAL:		
Additions to property assets	973	1,839
Repayments and current maturities of long-term debt	1,084	182
Purchase of patents	494	—
Other	242	4
Total applications	**2,793**	**2,025**
Increase (decrease) in working capital	**86**	**(576)**
Working capital at beginning of year	**10,203**	**10,779**
Working capital at end of year	**10,289**	**$10,203**

MARHOEFER PACKING COMPANY, INC. (OCT)

Consolidated Statement of Changes in Financial Position

	1973	1972
	($ Thousands)	
WORKING CAPITAL WAS PROVIDED BY		
Earnings or (loss) from continuing operations	$(197)	$(1,294)
(Loss) from discontinued operations	—	(336)
Earnings or (loss) before extraordinary item	(197)	(1,630)
Add (deduct) items not involving working capital:		
Depreciation	544	634
Pension provisions not currently payable	76	327
Other	17	93
Working capital provided from (used in) operations exclusive of extraordinary item	440	(576)
Extraordinary item — fixed assets abandoned on discontinued operations	—	(341)
Working capital provided from (used in) operations for the period	**440**	**(917)**
Disposal of fixed assets	7	346
Disposal of abandoned assets	90	—
Proceeds from life insurance policies — net	—	160
Term loan with finance company	—	2,400
Total	**537**	**1,989**
WORKING CAPITAL WAS USED FOR		
Acquisition of fixed assets	220	231
First mortgage 6% serial bonds — retired	—	2,000
Total	**220**	**2,231**
Increase (decrease) in working capital	**$317**	**$ (242)**

VIEWLEX, INC. (MAY)

Consolidated Statement of Changes in Financial Position

	1973	1972
	($ Thousands)	
APPLICATIONS OF WORKING CAPITAL:		
Loss before extraordinary items ...	$14,939	
Items not involving working capital in the current period:		
Depreciation and amortization...	(1,834)	
Deferred taxes..................	671	
Working capital consumed by operatins, exclusive of extraordinary items..................	13,776	
Working capital (provided) by extraordinary items	(227)	
Working capital consumed by operations and extraordinary items — net.................	**13,549**	
Purchases of property, plant and equipment	1,059	$1,108
Unrecovered cost of assets destroyed by fire..................	360	
Reduction of long-term debt........	7,390	7,192
Increase in deferred charges, patents and other assets		670
	22,358	**8,970**
SOURCES OF WORKING CAPITAL:		
Income from continuing operations.		454
(Loss) from discontinued operations		(124)
Income before extraordinary items		330
Items not involving working capital in the current period:		
Depreciation and amortization...		1,356
Increase in deferred taxes.......		24
Working capital provided by operations, exclusive of extraordinary items..................		1,712
Working capital (consumed) by extraordinary items		(648)
Working capital provided by operations and extraordinary items — net		1,064
Proceeds from long-term financing.	17,391	8,300
Adjustment of purchase price of equipment purchased in a prior year..................	900	
Recoverable net book amount of property, plant and equipment destroyed by fire	821	
Decrease in deferred charges, patents and other assets	434	
Other..................	11	
	19,557	**9,364**
Decrease/(Increase) in Working Capital.................	**$ 2,801**	**($ 394)**

WHITTAKER CORPORATION (OCT)

Consolidated Statements of Changes in Financial Position

	1973	1972
	($ Thousands)	
WORKING CAPITAL PROVIDED BY		
Operations		
Income (loss) before extraordinary items..................	$ (2,983)	$ 8,674
Items not affecting working capital—		
Depreciation and amortization...	14,977	14,906
Write-off of non-current assets related to operations disposed of and to be disposed of......	3,750	—
Deferred taxes..................	(2,044)	—
Other..................	1,673	(515)
Working capital provided from operations exclusive of extraordinary items	**15,373**	**23,065**
Extraordinary items, net of income taxes..................	(2,711)	(1,634)
Items not affecting working capital—		
Reserves for losses (net of applications thereto) and write-off of goodwill and other non-current assets related to operations disposed of and to be disposed of	6,547	(905)
Gain on early extinguishment of debt..................	(1,994)	—
Deferred taxes..................	(1,627)	362
	215	(2,177)
Working capital provided by operations and extraordinary items...	**15,588**	**20,888**
Sales of property	16,856	18,115
Issuance of debt	122,869	82,051
Proceeds from issuance of capital stock..................	—	5
	155,313	**121,059**
WORKING CAPITAL APPLIED TO		
Property additions		
Purchased businesses	736	173
Capital expenditures.............	25,563	20,425
Patent additions..................	519	4,571
Reduction of long-term debt........	137,987	31,464
Cash dividends on preferred stock.	1,007	1,014
Increase (decrease) in goodwill	(1,709)	1,055
Cost of treasury stock and warrants acquired	188	2,367
Decrease in minority interest.......	1,199	651
Other items, net	2,271	12,984
	167,761	**74,704**
Increase (Decrease) in Working Capital.................	**$ (12,448)**	**$ 46,355**

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.

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 5-5: SOURCES OF WORKING CAPITAL OR CASH

	Number of Presentations		
	1973	1972	1971
Sale, disposal, or retirement of property:			
No further description	403	297	226
"Proceeds" of disposition	62	51	74
"Book Value" or "Carrying Value"	44	44	44
Issuance of Capital Stock for:			
Stock option or stock purchase plan	227	267	280
Conversion of senior securities	57	68	65
Acquisition of assets	55	61	55
Long-term Debt:			
"Additions to" or "increase in"	157	156	224
Issuance of	61	65	201
Other Noncurrent Liabilities	83	119	103
Investments	85	86	86
Noncurrent Receivables	45	43	46

TABLE 5-6: USES OF WORKING CAPITAL OR CASH

	Number of Presentations		
	1973	1972	1971
Property:			
"Additions" or "purchases"	405	390	423
"Expenditures"	134	145	131
"Property"	28	24	25
Gross additions less proceeds of disposition—both amounts disclosed	6	11	17
Purchase, redemption, or retirement of capital stock	288	211	211
Long-term Debt:			
"Reduction" or "decrease"	375	370	331
Repayment, redemption, or retirement	135	139	181
Transfer to current liabilities	33	58	57
Conversion to capital stock	19	27	22
Other noncurrent liabilities	60	91	94
Dividends	524	518	526
Investments	187	145	183
Intangibles	46	48	56
Noncurrent receivables	32	33	48

Property

AMSTED INDUSTRIES INCORPORATED (SEP)

Consolidated Statement of Changes in Financial Position

	1973	1972
	($ Thousands)	
FINANCIAL RESOURCES WERE PROVIDED BY		
Net income for the year	$15,100	$12,200
Depreciation provision	9,266	8,293
Deferred income tax	215	166
Total from operations	**24,581**	**20,659**
Sales and salvage of plant and equipment	1,520	795
Issuance of stock under the stock option incentive plan	6	—
Long-term debt incurred (reduction)	4,000	(2,158)
Decrease in investments and miscellaneous securities	504	231
Total	**30,611**	**19,527**
FINANCIAL RESOURCES WERE APPLIED TO		
Plant additions	11,249	8,813
Cash dividends	6,869	5,249
Acquisition of treasury stock	3,229	—
Total	**21,347**	**14,062**
Increase in net current assets	**$ 9,264**	**$ 5,465**

BLISS AND LAUGHLIN INDUSTRIES INCORPORATED (DEC)

Consolidated Statement of Changes in Financial Position

	1973	1972
	($ Thousands)	
SOURCES OF WORKING CAPITAL:		
Income before extraordinary item	$ 8,206	$ 6,560
Add items not requiring outlay of working capital:		
Depreciation and amortization	4,118	4,089
Increase in deferred Federal income taxes	600	1,400
Working capitol provided from operations before extraordinary item	**12,924**	**12,049**
Extraordinary item—costs of refinancing long-term debt, net of applicable income taxes of $445,000	—	(482)
Sales and retirements of plant and equipment	984	957
Increase in long-term notes payable	4,143	11,255
Total provided	**18,051**	**23,779**
USES OF WORKING CAPITAL:		
Realty:		
Additions to land and related costs	2,670	3,308
Cost of real estate sold	(4,044)	(1,791)
Decrease in mortgage loans, net	2,078	227
Increase in receivables and other realty, net	1,562	981
	2,266	2,275
Additions to plant and equipment	3,654	4,088
Payments of long-term notes payable	3,318	6,929
Cash dividends	3,055	2,853
Other, net	433	152
Total used	**12,726**	**16,747**
Increase in working capital	**$ 5,325**	**$ 7,032**

ERB LUMBER CO. (DEC)

Consolidated Statement of Changes in Financial Position

	1973	1972
	($ Thousands)	
RESOURCES PROVIDED		
Income from operations	$1,111	$1,226
Depreciation and amortization	650	473
Net gain on sale of long-term assets (shown gross below)	(45)	(67)
Deferred income taxes — noncurrent portion	215	175
Equity in net income of unconsolidated entities	(174)	(246)
From Operations	**1,757**	**1,561**
Proceeds from sale of long-term assets:		
Rental properties	—	53
Property, plant and equipment	249	40
Additions to long-term indebtedness, excluding indebtedness incurred in acquisition of real estate and equipment	764	1
Portion of land held for future development transferred to current status upon commencement of development activity, net of indebtedness similarly reclassified	—	265
Proceeds from issuance of common stock	—	5,025
Total Resources Provided	**2,770**	**6,944**
RESOURCES APPLIED		
Acquisition of real estate and equipment:		
Land held for future development	224	88
Rental land and buildings, including apartment facilities under construction	1,035	1,159
Operating land and buildings	827	713
Equipment	929	594
Total Acquisition of Real Estate and Equipment	**3,015**	**2,554**

Less long-term indebtedness incurred in acquisitions	1,355	1,751
Net Application for Acquisitions	**1,660**	**803**
Portion of land transferred from inventory to status of held for future development upon revision in plans for utilization of the property	20	526
Reduction of long-term indebtedness, excluding reclassification in connection with commencement of land development activities	658	429
Additional investment in and advances to unconsolidated entities (decrease)	(263)	503
Purchase of common stock by disbursement of cash	675	—
Other resources applied (provided) — net	(455)	473
Total Resources Applied	**2,295**	**2,734**
Net Increase in Working Capital	**$ 475**	**$4,210**

ELECTRIC HOSE & RUBBER COMPANY (AUG)

Consolidated Statements of Changes in Financial Position

	1973	1972
	($ thousands)	
WORKING CAPITAL PROVIDED BY		
Operations		
Net income	$1,378	$ 377
Expenses (income) not requiring current outlay of working capital		
Depreciation and amortization	1,174	1,117
Deferred taxes on income	359	145
Gain on sale of property, net of tax	(196)	
Working capital provided from operations	**2,715**	**1,639**
Cash received on sale of property, net of tax	378	
Additions to long-term debt	2,153	
Utilization of industrial revenue bond funds in escrow	1,457	742
Transfer of plant and property to pension trust		962
	6,703	**3,343**
WORKING CAPITAL USED FOR		
Property additions	2,989	1,263
Cash dividends paid	437	
Reduction of long-term debt	862	689
Industrial revenue bond funds in escrow	1,962	
Deferred plant start-up costs	382	
Other	119	88
	6,751	**2,040**
Increase (decrease) in working capital, as below	**(48)**	**1,303**
Working capital		
At beginning of year	9,768	8,465
At end of year	**$9,720**	**$9,768**

GENERAL AMERICAN TRANSPORTATION CORPORATION (DEC)

Statement of Consolidated Changes in Financial Position

	1973	1972
	($ thousands)	
FUNDS PROVIDED		
From operations:		
Income before extraordinary charge	$ 54,552	$39,792
Add (deduct) income-statement items not requiring or providing funds:		
Provision for depreciation	32,891	31,133
Deferred income taxes	8,832	8,934
Provision for Stock Equivalent Plan benefits	2,177	416
Equity in undistributed net income of unconsolidated subsidiaries	(14,890)	(11,579)
Other	(500)	(84)
From operations, excluding extraordinary change	83,062	68,612
Income tax reduction relating to extraordinary charge	1,854	—
Total from operations	**84,916**	**68,612**
Disposals of property, plant and equipment, including rolling stock	11,013	4,806
Proceeds from sale of common stock of Bank, less gain included in operations	3,550	—
Proceeds of notes payable	3,801	2,500
Stock options exercised	623	936
Deferred investment tax credit	—	1,845
Sundry (net funds applied)	2,525	(671)
Total funds provided	**106,428**	**78,028**

FUNDS APPLIED		
Additions to rolling stock less related financing — Note:		
Cost of new cars and improvements	52,328	39,426
Net increase* — decrease in reimbursable cost of new rolling stock	15,164	35,267*
Principal amount of equipment trust certificates sold (deduction)	(60,000)	—
Nonreimbursable cost of additions to rolling stock	7,492	4,159
Additions to property, plant and equipment, other than rolling stock	24,274	15,407
Additions to capital construction fund, less withdrawals of $7,296,000 in 1973	7,121	5,500
Investments in and advances to unconsolidated subsidiaries and other companies	17,263	3,237
Acquisition of American Steamship Company, less net current assets acquired of $9,941,000:		
Great Lakes vessels	60,155	—
Other assets including capital construction fund of $3,349,000	11,601	—
Long-term debt assumed (deduction)	(38,700)	—
	33,056	—
Less $7,997,000 of treasury stock delivered and $4,584,000 (long-term portion) of the $26,000,000 of notes issued at acquisition	12,581	—
	20,475	—
Reduction of long-term debt, including purchases of equipment trust certificates for treasury	32,409	27,241
Purchases of Preferred and Common Stock for treasury	10,054	2,394
Cash dividends	22,025	20,851
Total funds applied	**141,113**	**78,789**
Change in funds for the year (decreased)	**$ (34,685)**	**$ (761)**

Note—The Corporation follows the practice of periodically selling equipment trust certificates to reimburse its treasury for approximately 90% of the cost of new cars added to its fleet of rolling stock. Accordingly, the reimbursable cost of new cars not yet so financed represents an additional pool of funds which has been added to working capital, in the conventional sense, in this statement. The total cost of such cars is included in the balance sheet amount for rolling stock.

OCCIDENTAL PETROLEUM CORPORATION (DEC)

Consolidated Statements of Changes in Financial Position

	1973	1972
	($ thousands)	
SOURCE OF FUNDS:		
Net income before extraordinary items	$ 79,763	$ 19,675
Add (deduct) — items not requiring an outlay of working capital—		
Depreciation, depletion and amortization	165,874	122,096
Utilization of reserve for loss on emergency fleet position (Note 7)	(18,912)	(29,318)
Losses of unconsolidated subsidiaries and minority interest	4,243	2,656
Other items, net	9,142	5,202
Working capital provided from operations exclusive of extraordinary items	**240,110**	**120,311**
Extraordinary items	—	(9,256)
Add—Extraordinary items not requiring an outlay of working capital	—	8,500
	240,110	119,555
Proceeds from—		
Libyan nationalization (Note 4)	136,128	—
Long-term borrowings	173,765	182,655
Sale of future production	13,742	8,185
Prepaid revenues	8,964	3,940
Disposals of assets	10,871	12,081
Collection of notes receivable	13,339	16,417
	596,919	**342,833**
USE OF FUNDS:		
Additions to property, plant and equipment	199,400	181,502
Payment of cash dividends	19,319	19,184
Reduction in long-term borrowings	235,469	85,555
Liquidation of production payments	23,407	3,706
Investments and advances	3,744	12,724
Additions to notes receivable	7,108	6,635
Additions to other assets	44,909	15,975
Other, net	2,880	2,229
	536,236	**327,510**
Increase in working capital	**$ 60,683**	**$ 15,323**

Note 4 (in part): Propery, plant and equipment—On August 11, 1973, the government of Libya, by decree, nationalized 51 per cent of the assets of the company's wholly-owned subsidiary, Occidental of Libya, Inc. (Oxylibya). The company acquiesced to the nationalization by signing an agreement with the Libyan government which formed a joint venture that is owned 51 per cent by the Libyan national oil company and 49 per cent by Oxylibya.

As compensation for the assets acquired by the Libyan national oil company, Occidental received approximately $136 million which was estimated to equal 51 per cent of the book value of the assets as determined for Libyan tax purposes. This amount is subject to adjustment after audit by the

Libyan government. The $136 million, which was used to reduce the carrying value of the assets, did not compensate the company for approximately $60 million of costs allocated to 51 per cent of the Libyan properties in excess of the amounts shown in the Libyan tax purpose records. Such costs include pre-acquisition costs, deferred start-up costs and capitalization construction period interest.

Among the key points in the agreement were that Oxylibya continues as operator of the two concessions under a supervisory board, the majority of which is appointed by the Libyan government and Oxylibya was granted long-term rights to purchase Libya's 51 per cent share of the oil production, at prices to be mutually agreed on. The company is currently purchasing Libya's share of the crude oil and gas liquids produced and has been able to market all of the production from the jointly-owned concessions, passing on the increased taxes and buy-back prices to its customers under long-term sales contracts. While no prediction can be made as to the future, it is expected that the company will be able to continue to handle the production from the concessions profitably on a similar basis. The costs for which the company was not compensated are being amortized based on estimated total production during the anticipated life of the sales contracts under which a substantial portion of the Libyan oil is marketed, because it is anticipated that these costs will be recovered primarily under these contracts. Amortization in 1973 was approximately $3 million and it is expected to approximate $9,500,000 per year through 1979, assuming production levels are stable.

A. E. STALEY MANUFACTURING COMPANY (SEP)

Statement of Changes in Consolidated Financial Position

	1973	1972
	($ thousands)	
SOURCES OF FUNDS		
From operations		
Net earnings	$ 7,896	$ 6,441
Depreciation	9,848	8,397
Increase in deferred items	5,332	2,533
Minority interests in earnings	1,698	729
Total from operations	**24,774**	**18,100**
Sales and retirement of property and equipment	322	851
Decreases in investments in and advances to affiliated companies	—	3,068
Total sources of funds	**$25,096**	**$22,019**
APPLICATIONS OF FUNDS		
Expenditures for property and equipment	$ 9,056	$14,007
Cash dividends	3,742	3,748
Increases in investments in and advances to affiliated companies	1,134	—
Decrease in long-term debt	716	1,057
Changes in other accounts — net	279	644
Increase in working capital	10,169	2,563
Total applications of funds	**$25,096**	**$22,019**

UNITED REFINING COMPANY (DEC)

Statement of Changes in Consolidated Financial Position

	1973	1972
	($ thousands)	
SOURCE OF FUNDS:		
From operations:		
Net income	$ 6,126	$ 3,724
Noncash charges to income:		
Depreciation, depletion and amortization	3,666	3,603
Deferred income taxes	820	343
Total funds provided from operations	**10,612**	**7,670**
Long-term debt	3,150	9,518
Issuance of common stock in acquisition	683	—
Property dispositions:		
Service stations	1,123	1,235
Other	108	147
Exercise of stock options	83	52
	15,759	**18,622**
USE OF FUNDS:		
Capital expenditures:		
Refining	2,773	4,452
Marketing	3,757	3,613
Transportation	38	435
Exploration and production	1,461	424
Other	85	180
	8,114	**9,104**
Acquisition of companies, less working capital acquired; 1973, $1,641,415; 1972, $364,458:		
Property, plant and equipment	5,783	878
Treasury stock (3,000 shares)	55	—
Excess cost	—	113
Other assets	136	42
Long,term liabilities assumed	(1,316)	(62)
	4,658	**971**
Payments on long-term debt	4,679	8,625
Cash dividends paid	602	268
Other, net	115	(32)
	18,168	18,936
Decrease in working capital	**$ (2,409)**	**$ (314)**

Investments

BUCYRUS-ERIE COMPANY (DEC)

Consolidated Statement of Changes in Financial Position

	1973	1972
SOURCE OF WORKING CAPITAL		
From operations:		
Net earnings	$16,432	$14,547
Noncash charges (credits) to earnings:		
Depreciation	3,010	3,053
Increase (decrease) in deferred liabilities	(32)	340
Equity in net earnings of Ruston-Bucyrus, Limited	(2,272)	(2,074)
Total working capital provided from operations	**17,138**	**15,866**
Dividends received from Ruston-Bucyrus, Limited	2,281	580
Increase in long-term debt	9,865	840
Stock options exercised	1,047	949
	$30,331	**$18,235**
APPLICATION OF WORKING CAPITAL		
Additions to property, plant and equipment	$ 3,294	$ 2,163
Cash dividends paid	7,964	7,904
Increase (decrease) in non-current portion of notes receivable	1,787	(2,208)
Addition to working capital	17,255	11,295
Miscellaneous	31	(919)
	$30,331	**$18,235**

Debt

ACME MARKETS, INC. (MAR)

Statement of Changes in Consolidated Financial Position

	1973	1972
	($ thousands)	
SOURCE:		
Earnings before extraordinary charges	$ 3,601	12,426
Expenses charged against earnings not involving the expenditure of funds:		
Depreciation and amortization	21,882	20,130
Deferred income taxes	617	1,023
Other	80	56
Total funds provided from operations, before extraordinary charges	**26,180**	**33,635**
Extraordinary charges, excluding $1,176,000 not requiring funds	(1,409)	—
Long-term borrowing:		
Notes payable	15,000	—
Mortgage loan on bakery facility	—	4,730
Other	1,375	440
Distribution centers sold or to be sold and leased back	868	9,562
Other disposals of properties	3,648	3,621
Proceeds from sales of common stock pursuant to exercise of options	14	562
Proceeds from sales of 5,234 shares common treasury stock	—	289
Miscellaneous, net	(385)	797
Total source of funds	**45,291**	**53,636**
DISPOSITION:		
Expended for plant and equipment	30,871	39,771
Reduction of long-term debt	3,241	2,890
Cash dividends	5,231	6,831
Investments and deferred charges	1,283	336
Total disposition of funds	**40,626**	**49,828**
Increase in working capital	**$ 4,665**	**3,808**

BRUNSWICK CORPORATION (DEC)

Consolidated Statements of Changes in Financial Position

	1973	1972
	($ thousands)	
SOURCE OF FUNDS:		
From operations—		
Net earnings	$ 39,742	$34,806
Adjustments for non-cash items:		
Equity in undistributed net earnings of Nippon Brunswick Co., Ltd., 50% owned	(6,580)	(8,336)
Minority shareholders' equity in net earnings of Sherwood Medical Industries Inc	1,437	1,282
Depreciation	18,689	16,859
Provision (credit) for deferred income taxes	2,600	(2,650)
Funds provided from operations	**$ 55,888**	**$41,961**
Borrowings (Note 5)—		
Revolving credit	$ 55,000	$ —
Notes payable to banks, due 1982	18,000	12,000
Notes payable to banks, foreign borrowings	8,568	6,368
Mortgages and other secured notes	861	1,171
	$ 82,429	**$19,539**
Other—		
Common stock issued	$ 1,458	$ 1,299
Increase in deferred unrealized gain on translation	2,779	314
Increase in accounts payable, accrued expenses, and income taxes, etc	10,687	13,889
	$ 14,924	**$15,502**
	$153,241	**$77,002**

DISPOSITION OF FUNDS:		
Reduction of debt (Notes)		
5¾% notes payable to banks and insurance companies	$ 15,439	$16,555
Debentures	1,868	4,200
Other	1,478	3,526
	$ 18,785	**$24,281**
Additions to property and equipment, less sales, retirements, etc. of $2,954 in 1973 and $3,354 in 1972—		
Capital expenditures, net	45,390	27,880
Acquired by purchase of companies	4,441	477
Purchase of common stock for treasury	30,698	11,627
Cash dividends paid	4,245	3,009
Acquired goodwill and investments in foreign affiliates	6,423	—
Increase (decrease) in net receivables	3,467	(3,185)
Increase in inventories	38,854	15,391
Increase (decrease) in other assets	1,429	(15)
	$153,732	**$79,465**
Reduction in funds during the year.	**$ (491)**	**$ (2,463)**
Cash and bank time deposits, beginning of year	20,042	22,505
Cash and bank time deposits, end of year	**$ 19,551**	**$20,042**

FUNDS APPLIED		
Additions to property, plant and equipment	25,933	29,022
Reacquisition of $23,200,000 principal amount of 5% convertible notes, less gain of $6,359,000 (Note 3)	16,841	—
Other reductions in long-term debt	19,930	16,161
Cash dividends	9,452	9,231
Acquisition of treasury stock	2,434	668
Other	690	824
Total	**75,280**	**55,906**
Increase in Working Capital	**$ 38,591**	**$ 3,025**
Working Capital, January 1	208,259	205,234
Working Capital, December 31	**$246,850**	**$208,259**

GAF CORPORATION (DEC)

Consolidated Statement of Changes in Financial Position

	1973	1972
	($ Thousands)	
FUNDS PROVIDED		
From operations:		
Net income	$ 28,924	$ 27,706
Charges (credits) not affecting working capital:		
Depreciation	23,200	25,400
Gain on reacquisition of 5% convertible notes	(6,359)	—
Phase-out of Linden dyestuff manufacturing	5,942	—
Deferred income taxes (noncurrent portion)	(1,189)	2,847
Amortization of deferred investment tax credit	(591)	(608)
Amortization of deferred charges and other assets	387	358
Other	3,189	2,189
Funds provided from operations	**53,503**	**57,892**
Issuance of long-term debt	57,530	—
Deferred foreign currency translation gains (Note 1)	2,166	—
Proceeds from exercise of stock options and sale of restricted stock to key employees	672	1,039
Total	**113,871**	**58,931**

MEDUSA CORPORATION (DEC)

Statement of Changes in Financial Position

	1973	1972
	($ Thousands)	
FUNDS PROVIDED FROM:		
Operations:		
Net earnings for the year	$ 8,406	$ 6,906
Items not requiring outlay of current funds:		
Depreciation and depletion	10,628	10,041
Income tax and investment credit deferments	763	458
Other	93	(118)
Total from operations	**19,890**	**17,287**
Increase in long-term debt:		
Issuance of debt securities	12,896	27,989
Less portion representing refinancing	(5,100)	(9,025)
Financing for purchase of businesses:		
Market value of Common shares issued under purchase agreements	986	—
Long-term debt issued ($859,000) and assumed	2,007	—
Conversion of debentures and preferred shares:		
Common shares issued	—	6,221
Debentures and preferred shares converted	—	(6,221)
Sundry sources	565	964
	31,244	**37,215**

FUNDS USED FOR:		
Reduction of long-term debt	3,208	23,702
Cosh dividends	3,369	3,154
Property, plant and equipment expenditures	19,568	9,378
Purchase of businesses (excluding working capital):		
Property, plant and equipment	2,381	—
Cost of businesses over net assets acquired, and other	1,811	—
Purchase of Common shares for treasury	1,508	—
Sundry purposes	353	408
	32,198	**36,642**
Increase (decrease) in working capital	**(954)**	**573**
Working capital at beginning of year	26,434	25,861
Working capital at end of year	**$25,480**	**$26,434**

SIGNODE CORPORATION (DEC)

Consolidated Statements of Changes in Financial Position

	1973	1972
	($ Thousands)	Restated
FINANCIAL RESOURCES PROVIDED:		
Operations—		
Net earnings	$21,785	$18,077
Add—Items not affecting working capital—		
Depreciation charged against earnings—		
Plant and equipment	6,297	5,803
Strapping machines	6,929	6,200
Deferred income taxes and investment credits	2,870	1,936
Total funds provided by operations	**$37,881**	**$32,016**
Increase in long-term debt—		
8½% note (West Germany)	3,702	—
Plant and equipment lease obligation	3,500	—
Other	1,140	—
Issuance of common stock		
Contribution to profit sharing fund	—	1,023
Stock options	258	250
Conversion of 7% subordinated debentures	34	—
Increase in customers' deposits on strapping machines and tools	1,967	864
Plant and equipment and strapping machines and tools retired	1,606	1,712
	$50,088	**$35,865**
FINANCIAL RESOURCES USED:		
Additions to plant and equipment	$13,693	$ 6,869
Additions to strapping machines and tools	13,652	10,178
Decrease in long-term debt	1,523	1,349
Dividends paid	6,313	5,503
Funds on deposit for construction	3,318	—
Increase in other assets	269	1,719
Increase in working capital	11,320	10,247
	$50,088	**$35,865**

STANDARD CONTAINER COMPANY (SEP)

Statement of Changes in Financial Position

	1973	1972
	($ Thousands)	
RESOURCES PROVIDED:		
Net income	$ 430	$ 150
Add expense not requiring on outlay of working capital:		
Depreciation	711	679
Resources provided from operations	**1,141**	**829**
Long-term borrowings:		
Bank	2,000	—
To finance acquisition of land, buildings and machinery	1,057	18
Decrease in other assets	—	12
Total resources provided	**4,198**	**859**
RESOURCES APPLIED:		
Prepayment of long-term borrowings	1,237	—
Purchase of property and equipment—net of $43,061 in 1973, the book value of disposals	1,458	406
Current maturities of long-term debt transferred to current liabilities	371	602
Cash dividends paid on preferred stock	43	43
Increase in other assets	37	—
Total resources applied	**3,146**	**1,051**
Increase (decrease) in working capital	**$1,052**	**$ (192)**

Capital Stock

ETHAN ALLEN, INC. (SEP)

Consolidated Statements of Changes in Financial Position

	1973	1972
	($ Thousands)	
SOURCES OF WORKING CAPITAL		
From operations		
Net income before extraordinary item	$ 6,169	$ 4,923
Add items not consuming working capital		
Depreciation and amortization	1,902	1,490
Deferred items, principally income taxes	31	192
Working capital provided by operations, before extraordinary item	**8,102**	**6,605**
Extraordinary item	(721)	—
Issuance of stock—		
Contribution to group profit sharing and stock bonus plan	334	176
Upon exercise of options	132	220
Upon conversion of 5¼% debentures	868	3,472
For acquisition from shares held in treasury	—	230
Disposition of property, plant and equipment	122	101
Increase in long-term debt—		
4⅞% debentures	20,000	—
Capitalized lease obligations	5,750	—
Other	1,743	38
	36,330	**10,842**
USES OF WORKING CAPITAL		
Additions to property, plant and equipment	23,574	8,627
Decrease in long-term debt—conversion of 5¼% debentures	893	3,573
Current maturities and payment of long-term debt	1,040	843
Funds held by trustees for construction	2,039	—
Dividends	1,604	1,429
Acquisition of treasury stock	590	843
Increase in other assets and deferred charges	953	330
	30,693	**15,645**
Increase (decrease) in working capital	**5,637**	**(4,803)**
Working capital—beginning	39,423	44,225
Working capital—end	**45,060**	**$39,422**

FAIRCHILD CAMERA AND INSTRUMENT CORPORATION (DEC)

Consolidated Statement of Changes in Financial Position

	1973	1972
	($ Thousands)	
FINANCIAL RESOURCES WERE PROVIDED BY:		
Operations:		
Income before extraordinary credit	$26,749	$ 7,726
Charges against (credits to) income not involving the use of working capital in current period:		
Depreciation and amortization	12,039	10,368
Deferred income taxes	2,648	—
Provision for employee benefit and insurance reserves	480	713
(Gain) loss on disposition of property, plant and equipment	(54)	413
	41,862	19,220
Extraordinary credit—income tax reduction from carryforward of prior years' operating losses	14,410	3,300
Financial resources provided by operations	**56,272**	**22,520**
Increase in common stock and additional paid-in capital:		
Public offering	—	15,878
Exercise of stock options	1,907	1,978
Conversion of subordinated notes	3,873	—
Tax benefits relating to stock options	2,094	—
Proceeds from disposition of property, plant and equipment	577	3,887
Total financial resources provided	**64,723**	**44,263**
FINANCIAL RESOURCES WERE APPLIED TO:		
Expenditures for property, plant and equipment	34,558	11,218
Reduction of long-term debt, including $3,899,000 on conversion of subordinated notes into common stock in 1973	5,603	2,579
Investment in and advances to joint venture	255	1,232
Cash dividends—$.30 per share in 1973	1,517	—
Other, net	338	(16)
Total financial resources applied	**42,271**	**15,013**
Increase in working capital	**$22,452**	**$29,250**

W. T. GRANT COMPANY (JAN)

Statement of Changes in Financial Position

	1974	1973
	($ Thousands)	
SOURCE OF FUNDS:		
From operations:		
Net earnings	$ 8,429	$ 37,787
Less increase in the undistributed equity in unconsolidated subsidiaries	3,569	3,403
	4,860	34,384
Plus charges to income not affecting working capital:		
Depreciation and amortization of properties	13,579	12,004
Increase in deferred Federal income taxes	2,723	2,262
Decrease in other liabilities	(499)	(558)
Total from operations	**20,663**	**48,092**
Notes payable to banks	100,000	—
Receipts from employees under stock purchase contracts	2,584	3,491
Common Stock issued upon conversion of 4% Debentures	260	174
Decrease (increase) in other assets	(600)	2,229
Total Funds Provided	**122,907**	**53,986**
APPLICATION OF FUNDS:		
Dividends to stockholders	21,122	21,141
Investment in properties, fixtures and improvements	23,143	26,250
Retirement of long-term debt	6,074	1,584
Investment in GranJewel Jewelers & Distributors, Inc.:		
Convertible Notes	5,700	—
Common Stock	—	2,040
Purchase of Cumulative Preferred Stock, for cancellation	618	252
Purchase of treasury Common Stock	133	11,466
Conversion of 4% Convertible Subordinated Debentures	262	176
Increase (decrease) in sundry accounts—net	41	(79)
Total Funds Applied	**57,093**	**62,830**
Working Capital Increase (Decrease)	**$ 65,814**	**$ (8,844)**

McCORMICK & COMPANY, INCORPORATED (NOV)

Changes in Financial Position

	1973	1972
	($ Thousands)	
SOURCE OF FUNDS		
Net income	$ 7,405	$ 5,753
Charges (credits) not affecting working capital:		
Depreciation and amortization, including intangibles	4,180	3,601
Deferred income taxes	(49)	(86)
Adjustment of litigation claim		465
Share of (income) loss of unconsolidated subsidiaries and 50%-owned companies	(461)	470
Total from operations	**11,075**	**10,203**
Company's capital stocks issued:		
Conversion of 5¼% Convertible Subordinated Debentures		14,631
Stock Option Plans	2,018	455
Property disposals, less accumulated depreciation	95	49
Issuance of Notes due April 30, 1978	12,000	
Increase in other long-term debt		93
Termination of litigation claim	990	
Deferred foreign currency exchange gains	282	
Other	91	352
Total	**26,551**	**25,783**
APPLICATION OF FUNDS		
Property additions	7,841	7,776
Dividends paid in cash	2,055	1,621
Investments	1,430	1,689
Reduction of long-term debt:		
Conversion of 5¼% Convertible Subordinated Debentures		14,987
Other	531	543
Company's capital stocks reacquired:		
In termination of litigation claim	524	
Other	46	16
Total	**12,427**	**26,632**
Increase (decrease) in working capital	**14,124**	**(849)**
Working capital, beginning of year	21,031	21,880
Working capital, end of year	**$35,155**	**$21,031**

Dividends

AMERICAN BRANDS, INC. (DEC)

Consolidated Statement of Changes in Financial Position

	1973	1972
	($ Thousands)	
SOURCE OF WORKING CAPITAL		
Net income	$131,298	$123,300
Charges to income not requiring use of working capital		
Depreciation and amortization	44,035	43,376
Minority interest in earnings of subsidiaries	11,752	14,544
Net provision for noncurrent deferred income taxes	8,725	4,393
Working capital provided from operations	**195,810**	**185,613**
Issuance of additional long-term debt	70,911	26,200
Unrealized loss from translation of foreign currencies (see note on Foreign subsidiaries)	—	(14,101)
Debentures converted and proceeds from stock options exercised	922	4,458
Disposition of property, plant and equipment	15,735	6,229
	283,378	**208,399**
USE OF WORKING CAPITAL		
Additions to property, plant and equipment	67,868	62,396
Acquisition of additional ownership in Gallaher Limited	54,189	—
Investment in subsidiaries not consolidated	52,316	—
Decrease in long-term debt (including transfer to current)	43,152	23,967
Dividends to stockholders	66,098	64,627
Dividends to minority stockholders of a subsidiary	4,708	7,818
Purchases of Common stock for treasury	20,087	20,071
Other, net	(7,527)	2,118
	300,891	**180,997**
Increase (decrease) in working capital	**$(17,513)**	**$ 27,402**

BEECH AIRCRAFT CORPORATION (SEP)

Consolidated Statements of Changes in Financial Position

	1973	1972
	($ Thousands)	
SOURCE OF FUNDS		
From operations:		
Net income for the year	$ 10,023	$ 7,086
Expenses not requiring use of working capital:		
Depreciation	2,365	2,130
Increase in reserves for insurance claims	1,476	1,772
Total from operations	**13,864**	**10,988**
Decrease in working capital		709
Proceeds from long-term debt	270	926
Disposals of property, plant, and equipment	237	544
Sale of Common Stock under stock option plan	149	33
Decrease (increase) in other assets	317	(137)
	14,837	**$13,063**
APPLICATION OF FUNDS		
Increase in working capital	$ 6,456	$
Increase in investments	1,458	5,114
Additions to property, plant, and equipment	2,881	4,657
Reductions of long-term debt	381	321
Cash dividends paid	3,143	2,742
Cash payments in lieu of fractional shares in connection with stock dividends	45	127
Cost of Common Stock purchased for treasury	473	102
	$14,837	**$13,063**

BORDEN, INC. (DEC)

Consolidated Statements of Changes in Financial Position

	1973	1972
	($ Thousands)	
FINANCIAL RESOURCES PROVIDED		
Operations:		
Net income	$ 72,962	$ 67,477
Depreciation, depletion and amortization	46,099	43,899
Deferred income taxes	4,505	3,453*
Total provided from operations	**123,566**	**114,829**
Facilities realignment and relocation programs		2,543
Normal property disposals	7,769	5,281*
Proceeds from debt financing	6,152	33,640
Total resources provided	**137,487**	**156,293**

FINANCIAL RESOURCES APPLIED		
Cash dividends—Common	35,427	34,953
Preferred	865	1,141
Pooled company	161	208
Reduction in long-term debt	21,220	22,952
Capital expenditures	76,488	64,533
Purchases of businesses, net of working capital acquired	27,286	5,092
Common stock reacquired for treasury	3,289	1,245
Other	5,192	7,934
Total resources applied	**169,928**	**138,058**
Increase (decrease) in working capital	**$(32,441)**	**$18,235***

*Excludes changes attributable to the facilities realignment and relocation programs.

WESTVACO CORPORATION (OCT)

Consolidated Statement of Changes in Financial Position

	1973	1972
	($ Thousands)	
FINANCIAL RESOURCES WERE PROVIDED BY:		
Net income	$ 43,490	$13,100
Provision for depreciation and amortization	36,872	31,156
Reduction of deferred income taxes	(3,716)	(1,666)
Portion of provision for facility realignment not affecting working capital	7,347	
Minority interest in net income of U.S. Envelope	890	588
Working capital generated from operations	**84,883**	**43,178**
Charleston bond trustee, for construction	6,156	
Increase in long-term obligations	22,843	14,843
Net book value of assets sold	4,964	594
Common stock issued	8,695	733
Other transactions	1,229	152
	128,770	**59,500**
FINANCIAL RESOURCES WERE USED FOR:		
Additions to plant and timberlands	59,087	45,134
Construction funds deposited with trustee	18,000	
Dividends—Westvaco shareholders	11,506	11,310
Dividends—USE minority shareholders	222	258
Reduction in long-term obligations	26,697	6,084
Additional investment in U.S. Envelope	6,460	
Purchase of Westvaco preferred stock	293	503
	122,265	**63,289**
Increase (decrease) in working capital	**$ 6,505**	**$ (3,789)**

GETTY OIL COMPANY (DEC)

Consolidated Statement of Changes in Financial Position

	1973	1972
	($ Thousands)	
WORKING CAPITAL PROVIDED FROM:		
Income before minority interest and extraordinary items	$149,853	$ 89,617
Depreciation, depletion and amortization of goodwill	134,429	122,302
Dry-hole costs and amortization of undeveloped leases	77,165	59,768
Deferred income taxes	6,438	2,769
Undistributed earnings of unconsolidated affiliates	(6,001)	(1,735)
Working capital provided from consolidated operations, exclusive of extraordinary items	361,884	272,721
Working capital provided from extraordinary items	15,165	30,762
Working capital provided from consolidated operations	**377,049**	**303,483**
Proceeds from long-term borrowing	84,604	16,654
Dispositions of property, plant and equipment	22,108	18,060
Decrease in investments, advances, and long-term receivables	7,653	15,711
	491,414	**353,908**
WORKING CAPITAL USED FOR:		
Capital expenditures, including dry-hole costs	437,041	273,008
Reduction of long-term debt	27,629	9,020
Decrease in deferred credits	5,861	2,330
Purchase of preferred stock and common minority interest	24,226	13,970
Cash dividends		
Preferred stockholders	1,553	1,781
Common stockholders	22,590	21,902
Minority stockholders of consolidated subsidiaries	3,962	4,202
	522,862	**326,213**
Increase (decrease) in working capital	**$(31,448)**	**$ 27,695**

Business Combinations and Dispositions

THE BLACK AND DECKER MANUFACTURING COMPANY (SEP)

Consolidated Statements of Changes in Financial Position

	1973	1972
	($ Thousands)	
SOURCE OF FUNDS:		
Net earnings	$33,279	$26,610
Depreciation	10,456	8,641
Increase in deferred income taxes	2,441	1,802
Total from operations	**46,176**	**37,053**
Issuance of Common Stock:		
Conversion of debentures	775	11,383
Stock option and purchase plans	2,429	2,287
Acquisition of McCulloch Corporation	42,405	
	45,609	13,670
Long-term debt	535	2,686
Other		140
	92,320	**53,549**
FUNDS APPLIED:		
Cash dividends	13,062	12,000
Property, plant and equipment	29,160	20,052
Long-term debt	1,228	12,012
Other	2,661	
Net non-current assets of McCulloch Corporation:		
Property, plant and equipment	23,379	
Other non-current assets	11,119	
Goodwill	19,359	
Long-term debt	(19,270)	
	34,587	
	80,698	**44,064**
Increase in working capital	**$11,622**	**$ 9,485**

INCREASE (DECREASE) IN COMPONENTS OF WORKING CAPITAL:	Acquired from McCulloch	Total Change	
Current assets:			
Cash	$ 2,070	$ 353	$ 3,456
Marketable securities		(9,266)	(2,500)
Trade accounts receivable	12,747	25,307	13,433
Inventories	19,614	55,809	376
Prepaid expenses	721	3,146	1,659
	35,152	**75,349**	**16,424**
Current liabilities:			
Bank loans	10,188	28,694	(3,015)
Trade accounts payable	10,807	16,966	3,756
Taxes on income	725	- 1,038	(1,419)
Cash dividend payable		(3,068)	3,068
Other	5,614	20,097	4,549
	27,334	**63,727**	**6,939**
Net change	**$ 7,818**	**$11,622**	**$ 9,485**

CONAGRA, INC. (JUN)

Changes in Consolidated Financial Position

	1973	1972
	($ Thousands)	
WORKING CAPITAL PROVIDED BY:		
Earnings before extraordinary items	$ 6,063	3,727
Charges (credits) to earnings not requiring (providing) funds:		
Depreciation and amortization	3,822	3,435
Deferred income taxes	(254)	243
Loss (gain) on disposal of assets	157	(87)
Working capital provided, before extraordinary items	9,788	7,318
Extraordinary items (loss)—net of $300,000 not requiring funds	—	(367)
Working capital provided from operations	**9,788**	**6,951**
Proceeds from issuance of long-term debt	1,794	13,468
Proceeds from disposal of assets	487	552
Market value of stock issued in purchase of businesses	—	331
Proceeds from stock issued upon exercise of options	30	—
Total working capital provided	**12,099**	**21,302**
WORKING CAPITAL USED FOR:		
Additions to property, plant and equipment	15,857	6,819
Decrease in long-term debt	2,350	5,274
Cash dividends:		
Common stock	1,445	1,377
Preferred stock	258	257
Acquisition of businesses, less net current assets acquired, 1973, $4,673,409; (1972, $1,699,985):		
Property, plant and equipment	839	1,732
Other assets	77	40
Long-term liabilities assumed	(1,056)	(312)
Other items, net	134	602
Total working capital used	**19,904**	**15,789**
Net increase (decrease) in working capital	**$(7,805)**	**5,513**

DIAMOND SHAMROCK CORPORATION (DEC)

Consolidated Statement of Changes in Financial Position

	1973	1972
	($ Thousands)	
FINANCIAL RESOURCES PROVIDED		
Working capital provided by operations		
Income from continuing operations	$ 48,003	$27,285
Add—Income charges not requiring outlay of current resources, principally depreciation, net	34,617	32,840
Provided by continuing operations	82,620	60,125
Provided by discontinued operations	3,621	5,609
Total provided by operations	**86,241**	**65,734**
Proceeds from sales of operations in 1973 ($68,023,000) less working capital sold ($14,136,000) and unredeemed preferred stock receved ($20,000,000)	33,887	—
Proceeds from sale of other investments and properties	1,035	10,850
Sale of stock to employees	2,276	4,637
Other	(1,231)	5,092
	$122,208	**$86,313**
FINANCIAL RESOURCES USED		
Capital expenditures	$103,106	$60,919
Investments and acquisition of businesses	20,543	1,578
Dividends	23,547	22,514
Reduction of long-term debt	5,283	7,465
Purchase of Common treasury shares	5,037	—
Decrease in working capital	(35,308)	(6,163)
	$122,208	**$86,313**
ANALYSIS OF CHANGES IN WORKING CAPITAL		
Cash and marketable securities	$(28,303)	$ 2,331
Receivables	22,224	(4,639)
Inventories	5,225	(9,436)
Notes payable and long-term debt payable within one year	(27,272)	1,888
Accounts payable	(15,282)	(6,179)
Federal and foreign income taxes	(19,452)	(5,806)
Assets related to operations sold in 1973		
Note receivable	30,000	—
Preferred stock	10,000	—
Working capital	(10,515)	10,515
Other	(1,933)	5,163
Decrease in working capital	**$(35,308)**	**$(6,163)**

RAYTHEON COMPANY (DEC)

Statements of Changes in Financial Position

	1973	1972
RESOURCES PROVIDED:	($ Thousands)	
Income before extraordinary item	$46,162	$41,173
Depreciation and amortization of property, plant and equipment	29,839	28,344
Working capital provided from operations exclusive of extraordinary item	**76,001**	**69,517**
Disposal of property, plant and equipment	2,370	1,992
Decrease in long-term receivables	3,569	283
Decrease in investments	2,908	163
Decrease in deferred charges and other assets	1,725	1,189
Increase (decrease) in long-term debt	1,479	(3,711)
Sale of common stock under option plans	601	2,698
Total resources provided	**88,653**	**72,131**
RESOURCES APPLIED:		
Additions to property, plant and equipment	41,024	32,351
Common shares reacquired	16,439	22,541
Dividends declared	10,200	9,698
Acquired company, at date of acquisition:		
Working capital	1,403	—
Property, plant and equipment	3,585	—
Deferred charges and other assets	2,476	—
Excess cost over net assets acquired	4,502	—
Long-term debt	(629)	—
Conversion of Series A preferred stock:		
Decrease in preferred stock	—	2,322
Increase in common stock	—	(2,322)
Redemption of Series A preferred stock for cash	—	100
Working capital applied to extraordinary item	—	3,275
Total resources applied	**79,000**	**67,965**
INCREASE IN WORKING CAPITAL	$ 9,653	$ 4,166

ROHM AND HAAS COMPANY

Statements of Changes in Consolidated Financial Position

	1973	1972
SOURCE OF FUNDS:	($ Thousands)	
Operations:		
Net earnings	$ 65,720	$ 46,422
Depreciation	55,272	44,902
Amortization of investment credits and grants	(2,765)	(1,825)
Equity in earnings of affiliates (net of dividends received)	(1,887)	(811)
Funds provided from operations	**116,340**	**88,688**

Long-term borrowings	50,501	44,109
Stock options exercised	4,295	7,487
Investment grants received by foreign subsidiary	258	7,151
Other sources, net	3,928	2,821
Total source of funds	**175,322**	**150,256**
APPLICATION OF FUNDS		
Additions to land, buildings and equipment	92,438	72,885
Amounts invested in and advanced to unconsolidated subsidiaries and affiliates	1,646	1,746
Purchase of remaining 50% interest in Futura, S.A. (net of working capital of $6,097,000) consisting of:		
Goodwill	19,516	—
Long-term debt	(19,443)	—
Net land, buildings and equipment	15,898	—
Other, net	918	—
Investment and advances previously carried on equity basis	(7,760)	—
Cash dividends	12,737	10,450
Reduction of long-term borrowings	17,732	53,110
Purchase of treasury shares (1973 — 110, 494; 1972 — 205, 116)	11,344	15,406
Total application of funds	**145,026**	**153,597**
Increase (decrease) in working capital	**$ 30,296**	**$ (3,341)**

U.S. INDUSTRIES, INC. (DEC)

Consolidated Statements of Changes in Financial Position

	1973	1972
	($ Thousands)	
SOURCE OF FUNDS		
From Operations		
Net income	$ 66,851	$ 80,739
Charges and (credits) to income not affecting working capital:		
Depreciation and amortization of properties	27,331	27,523
Deferred federal income taxes —non-current	9,237	6,265
Minority interest	976	930
Undistributed net earnings of unconsolidated subsidiaries (net of dividends received in 1973 of $860,000)	(2,008)	(6,132)
Total from operations	**102,387**	**109,325**
Additional long-term debt, including refundings	11,596	76,943
Value of capital stock issued for purchased businesses (1972), including contingent share issuances for prior years' acquisitions	3,285	18,073
Reduction in investments in and accounts with unconsolidated subsidiaries	—	2,504
Non-current accounts of businesses sold (A)	56,167	6,147
Net book value of property, plant and equipment sold or retired	7,593	4,304
Other—net	6,112	355
Total sources	**187,140**	**217,651**
APPLICATION OF FUNDS		
Non-current accounts of businesses purchased (A)	4,841	1,900
Additional excess of cost over net assets of purchased businesses—net	1,829	25,630
Additions to property, plant and equipment	47,404	52,529
Dividends declared	28,461	22,805
Purchases of capital stock for treasury and retirement	39,562	12,043
Redemption of Special Preference Stock	1,649	—
Reduction in long-term debt, including amounts refunded	44,223	65,049
Additional investments in and accounts with unconsolidated subsidiaries	9,208	—
Total applications	**177,177**	**179,956**
Increase in working capital (B)	9,963	37,695
Balance at beginning of year	272,109	234,414
Balance at end of year	**$ 282,072**	**$ 272,109**
(A) The non-current accounts of businesses sold (net of businesses purchased) are summarized as follows:		
Excess of cost over net assets of purchased businesses	$ 3,957	$ —
Property, plant and equipment — net	55,727	2,421
Investments in and accounts with unconsolidated subsidiaries	3,424	—
Other assets	7,776	(442)
Long-term debt	(14,372)	2,268
Deferred income taxes	(5,186)	—
	$ 51,326	**$ 4,247**
(B) Increase (decrease) in working capitol by major components is as follows:		
Trade receivables, less allowances	$ (12,271)	$ 25,919
Inventories	26,379	32,140
Accounts payable	(163)	(15,555)
Prepaid expenses and sundry receivables	11,849	3,600
Notes payable for borrowed money	(31,544)	4,874
Other—net	15,713	(13,283)
	$ 9,963	**$ 37,695**

Transactions Not Affecting Working Capital

ASG INDUSTRIES, INC. (DEC)

Statement of Changes in Financial Position

	1973	1972
	($ Thousands)	
SOURCE OF FUNDS:		
From Operations:		
Net earnings	$ 2,926	$ 3,462
Expenses not requiring outlay of working capital:		
Depreciation and amortization	4,302	3,859
Provision in lieu of income taxes	521	626
Net increase in pension reserve.	285	96
Deferred income taxes	208	(133)
Total funds provided from operations	**8,242**	**7,910**
Additional long-term debt	11,000	4,334
Provided through Plan of Recapitalization:		
Reclassification of 5% Cumulative Preferred Stock into Common Stock	3,573	—
Elimination of dividend arrearages on 5% Cumulative Preferred Stock	2,099	—
Exercise of stock options	8	1,079
	24,922	**13,323**
APPLICATION OF FUNDS:		
Additions to property, plant and equipment (net)	6,967	14,585
Exchange of promissory note for conversion privileges of 6% First Mortgage Convertible Bonds	4,000	—
Provided through Plan of Recapitalization:		
Reclassification of 5% Cumulative Preferred Stock into Common Stock	3,573	—
Elimination of dividend arrearages on 5% Cumulative Preferred Stock	2,099	—
Decease in long-term debt	2,536	250
Additions to deferred charges and other assets	187	590
	19,362	**15,425**
Net increase (decrease) in working capital	**5,560**	**$ (2,102)**

AERONCA, INC. (DEC)

Consolidated Statement of Changes in Financial Position

	1973	1972
	($ Thousands)	
SOURCE OF FUNDS:		
Operations:		
Earnings (loss) before extraordinary items	$ 271	($1,904)
Add expenses not requiring the outlay of working capital:		
Depreciation and amortization	754	579
Deferral of interest	249	
Loss, net, on disposal of property, plant and equipment	206	
Working capital provided (absorbed) by operations	**1,480**	**(1,325)**
Extraordinary items	250	(281)
Extension of credit agreement to January 31, 1976	21,500	
Exchange of perferred shares and common stock for long-term debt	6,822	
Proceeds from sale of property, plant and equipment	443	32
Other, net, principally decrease in long-term assets (1973) and reclassifications of assets of discontinued operations reported as other assets (1972)	436	(702)
	30,931	**(2,276)**
APPLICATION OF FUNDS:		
Exchange of preferred shares and common stock for long-term debt	6,822	
Current maturities and payments of long-term debt	710	412
Additions to property, plant and equipment	140	432
Net decrease in working capital of discontinued operations reported as other assets		218
	7,672	**1,062**
Increase (Decrease) in working capital	**$23,259**	**($3,338)**

AMERICAN AIR FILTER COMPANY, INC. (OCT)

Consolidated Statement of Changes in Financial Position

	1973	1972
	($ Thousands)	
FUNDS PROVIDED BY:		
Net earnings	$ 4,929	$ 4,219
Depreciation on straight-line method	1,690	1,558
Amortization of deferred charges	1,461	376
Provision for deferred taxes	585	552
Other, net	262	375
Funds derived from operations	**8,927**	**7,080**

Increase in long-term debt	12,851	—
Common stock issued for retirement of convertible debentures and exercise of stock options	264	887
Other	263	679
	22,305	**8,646**
FUNDS USED FOR:		
Additions to property, plant and equipment	5,604	3,079
Retirement of convertible debentures through exchange for common stock	16	510
Payment of dividends	1,715	1,644
Payment of long-term debt	2,650	1,894
Increase in deferred charges	2,332	772
Other	226	325
	12,543	**8,224**
Increase in working capital	**9,762**	**442**
Working capital at beginning of year	44,998	44,576
Working capital at end of year	**54,760**	**44,998**

ROWE FURNITURE CORPORATION (NOV)

Consolidated Comparative Statement of Changes in Financial Position

	1973	1972
WORKING CAPITAL PROVIDED	($ Thousands)	
Operations		
Net earnings before extraordinary item	$2,158	$2,569
Expenses not requiring working capital		
Depreciation and amortization	1,411	1,006
Other—Net of income taxes of $83,315 and $12,750	80	12
Working capital provided from operations exclusive of extraordinary item	**3,649**	**3,587**
Extraordinary item	—	(579)
Sale of fixed assets—net	20	57
Proceeds from long-term liabilities.	2,245	76
Employees' stock options exercised	62	91
Decrease in construction funds on deposit with Missouri trustee	—	84
	5,976	**3,316**
Item not providing working capital Long-term liability issued to purchase fixed assets	510	—
	6,486	**3,316**
WORKING CAPITAL USED		
Fixed asset additions and construction in progress	2,350	6,413
Cash dividends	871	791
Current maturities of long-term liabilities	280	94
Payment of long-term liabilities	103	—
Other	231	226
	3,835	**7,524**
Item not using working capital Fixed asset purchased by issuance of long-term liability	510	—
	4,345	**7,524**
Increase (decrease) in working capital	**2,141**	**(4,208)**

SPARTON CORPORATION (JUN)

Consolidated Statement of Changes in Financial Position

	1973	1972
	($ Thousands)	
SOURCE OF WORKING CAPITAL:		
Operations:		
Net income	$ 2,058	$ 1,837
Charges against (credits to) income not involving working capital in the current period:		
Depreciation and depletion	696	623
Provision for deferred compensation	91	57
Non-current portion of deferred income tax	98	(27)
Other	8	—
Total from operations	**2,951**	**2,490**
Net cost of property retirements	249	401
Proceeds of common shares sold upon exercise of stock options.	14	34
Common stock issued in exchange for oil and gas leaseholds	1,368	—
	4,582	**2,925**
DISPOSITION OF WORKING CAPITAL:		
Additions to property, plant and equipment:		
Non-producing oil and gas leasehold properties	1,616	230
Producing oil and gas properties	293	208
Manufacturing property, plant, and equipment	1,107	645
Increase (decrease) in deferred charges, less patent amortization	15	(51)
Increase (decrease) in investments and other assets, excluding deferred income taxes	250	(39)
Dividends	457	334
Current maturities of long-term lease obligations	16	14
Cost of common stock acquired for treasury	55	1
	3,809	**1,342**
Increase in working capital	**$ 773**	**$ 1,583**

OWENS-ILLINOIS (DEC)

Consolidated Changes in Financial Position

	1973	1972
SOURCE OF FUNDS:	($ Thousands)	
Operations:		
Earnings before extraordinary gains	$ 74,496	$ 64,579
Charges not requiring current outlay of funds:		
Depreciation and depletion	72,400	64,935
Retirements of property, plant and equipment	7,586	2,922
Increase in furnace rebuilding reserve, deferred taxes, etc.	16,819	11,629
Funds from operations before extraordinary gains	**171,301**	**144,065**
Extraordinary gain portion affecting working capital:		
Proceeds from sale of stock, less applicable income tax	—	4,526
Expenses of exchange offer	(1,580)	—
	169,721	**148,591**
Long-term borrowings	19,037	36,662
Proceeds from exercise of stock options	—	1,704
Owens-Corning Fiberglas Corporation common stock exchanged	58,654	—
Other	3,224	—
	250,636	**186,957**
APPLICATION OF FUNDS:		
Cash dividends	25,969	25,222
Additions to property, plant and equipment	134,301	89,025
Increase in foreign investments and advances	1,268	16,362
Increase in other assets	10,344	12,740
Acquisition of common treasury shares:		
Purchased	3,306	9,798
Received in exchange for Owens-Corning Fiberglas Corporation common stock	58,654	—
Reduction of long-term debt	22,402	26,549
Other	6,368	1,874
	262,612	**181,570**
Increase (decrease) in working capital	**$ (11,976)**	**$ 5,387**

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.

Accounting Series Release No. 142, issued in March 1973 by the Securities Exchange Commission, states that a company should avoid presenting per share cash flow data in its annual reports to stockholders and in its SEC filings.

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			
	1973	1972	1971	1970
Location of Reference				
President's letter or financial review	36	56	59	59
Operating summaries or statistics	17	34	37	38
Highlights	10	19	27	38
Chart	11	17	16	28
Statement of Changes in Financial Position	7	1	1	7
Separate statement	—	—	—	1
	*81	**127	***140	****171

*Nine companies referred to cash flow in two locations; one in three; one in five.

**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.

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 the survey companies disclosed details of this information. Of the 43 companies listed as including an analysis of working capital elements as part of the statement of changes in financial position, 33 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

	1973	1972	1971	1970
Analysis included as part of statement of changes in financial position	43	41	46	42
Analysis presented in a tabulation at bottom of statement of changes in financial position	530	525	487	72
Analysis presented in a tabulation apart from statement of changes in financial position	27	30	26	9
Total number of companies presenting analysis	**600**	**596**	**559**	**123**

Analysis Included as Part of Statement

WEST POINT-PEPPERELL, INC. (AUG)

Statement of Changes in Financial Position

	1973	1972
	($ Thousands)	
FUNDS PROVIDED BY:		
Operations:		
Net income	$17,825	$10,195
Depreciation	12,861	12,533
Deferred Federal income tax	2,420	983
Total from operations	**33,106**	**23,711**
Increase in long-term debt	5,784	20,000
Increase in accounts payable and accrued liabilities	9,800	8,503
Increase in Federal income tax payable	3,628	353
Increase (decrease) in current maturity of long-term debt	430	(1,243)
Proceeds from sales of fixed assets and investments	2,932	950
Total funds provided	**55,680**	**52,274**
USES OF FUNDS:		
Capital expenditures	18,629	19,802
Property, plant and equipment of acquired company	4,705	—
Cash dividends paid	5,227	4,750
Increase in accounts receivable	14,573	8,805
Increase in marketable securities	4,669	989
Increase (decrease) in inventories	7,882	(1,557)
Increase (decrease) in prepaid expenses	298	(307)
Decrease in notes payable	—	18,190
Decrease in long-term debt	561	133
Other transactions—net	1,026	422
Total funds used	**57,570**	**51,227**
Increase (decrease) in cash	**$(1,890)**	**$ 1,047**

TABLE 5-9: TITLES IDENTIFYING ANALYSIS OF WORKING CAPITAL ELEMENTS

	1973	1972	1971
Change in working capital	251	228	207
Increase (decrease) in working capital	190	186	146
Analysis of changes in working capital	65	53	48
Summary of changes in working capital	28	29	25
Other titles	23	59	87
Subtotal	**557**	**555**	**513**
Analysis included in statement of changes in financial position	43	41	46
Total Companies	**600**	**596**	**559**

ARMCO STEEL CORPORATION (DEC)

Statement of Changes in Consolidated Financial Position

	1973	1972
	($ Thousands)	
SOURCE OF FUNDS		
Operations		
Net income for the year	$107,454	$ 75,604
Depreciation	82,709	79,202
Lease right amortization	16,238	16,198
Deferred income taxes	35,626	12,308
Equity in net income of unconsolidated subsidiaries	(6,320)	(5,548)
Equity in net income of associated companies	(5,977)	(3,942)
Other-net	8,500	4,358
Total from operations	**238,230**	**178,180**
Increase in accounts payable and accruals	93,265	29,331
Increase (decrease) in current notes payable	10,303	(58,504)
Proceeds from issuance of long-term debt	8,792	32,463
Increase in other liabilities	6,745	14,688
Total	**357,335**	**196,158**
USE OF FUNDS		
Capital expenditures	71,496	74,646
Cash dividends	46,261	37,944
Increase in accounts and notes receivable	50,231	27,066
Increase in inventories	22,420	9,879
Payments on long-term debt	21,472	27,564
Purchases of common and preferred stock	14,437	
Payments on long-term lease obligations	7,305	4,780
Increase in prepaid expenses and deferred charges	6,995	961
Increase in cost of investments	5,557	25,407
Other-net	6,809	4,849
Total	**252,983**	**213,096**
Increase (decrease) in Cash and Marketable Securities for year	**104,352**	**(16,938)**
Cash and Marketable Securities		
Beginning of year	12,429	29,367
End of year	**$116,781**	**$ 12,429**

Analysis Presented in a Tabulation at Bottom of Statement

AMERICAN GREETINGS CORPORATION (FEB)

Statements of Consolidated Changes in Financial Position

	1973	1972 Restated
	($ Thousands)	
SOURCE OF FUNDS		
Net income	$14,654	$12,129
Items not requiring outlay of current funds:		
Depreciation	2,476	2,215
Deferred federal income taxes—noncurrent	363	270
Equity in net losses of unconsolidated foreign subsidiaries	350	518
Funds provided from operations	**17,843**	**15,132**
Disposals of property and equipment	271	398
Proceeds from sale of stock under option plans	589	287
	18,703	**15,817**
USE OF FUNDS		
Expenditures for property, plant and equipment	5,025	3,130
Cash dividends	3,276	3,160
Reduction of long-term debt	1,929	1,329
Investments in and advances to unconsolidated subsidiaries	175	757
Increase in other assets	834	399
	11,239	**8,775**
Increase in working capital	**$ 7,464**	**$ 7,042**
SUMMARY OF CHANGES IN COMPONENTS OF WORKING CAPITAL:		
Asset increase (decrease):		
Cash	$ (309)	$ 543
Marketable securities	4,375	7,504
Trade accounts receivable	6,047	(985)
Inventories	(304)	398
Deferred federal income taxes	342	345
Prepaid expenses	238	—
Liability (increase) decrease:		
Trade accounts payable	(1,193)	874
Payrolls and payroll taxes	(548)	(532)
Employees' retirement profit-sharing contribution	(297)	(337)
State and local taxes	(190)	(501)
Dividends payable	(20)	(31)
United States and Canadian income taxes	(77)	(236)
Current installments of long-term debt	(600)	—
Increase in working capital	**$ 7,464**	**$ 7,042**

AMERICAN BAKERIES COMPANY (DEC)

Consolidated Statements of Changes in Financial Position

	1973	1972
	($ Thousands)	
SOURCES OF WORKING CAPITAL:		
Earnings (loss) before extraordinary items	$(2,019)	$ 172
Add (deduct)—items not requiring outlay of working capital—		
Depreciation and amortization	7,114	6,746
Deferred income taxes, including reclassification	(1,135)	373
Working capital provided from operations, exclusive of extraordinary items	**$ 3,960**	**$ 7,291**
Proceeds from disposal of property, including in 1972, extraordinary gain on sale of four plants	2,023	7,107
Increase in long-term liabilities	2,200	10,098
Other items, net	(518)	(77)
	$ 7,665	**$24,419**
APPLICATIONS OF WORKING CAPITAL:		
Goodwill resulting from acquisition	$ —	$ 343
Reduction of long-term debt	1,411	3,451
Additions to plant and equipment	6,461	9,251
Dividends declared	934	999
Purchase of stock for retirement		
$1.80 cumulative prior preferred	103	65
5% cumulative convertible preferred	451	1,686
Purchase of common stock for the treasury	642	303
Charges incurred relating to closed plants	1,164	2,212
Settlement of antitrust litigation	—	400
	$11,166	**$18,710**
Increase (Decrease) in Working Capital	**(3,501)**	**$ 5,709**
WORKING CAPITAL:		
Beginning of year	20,791	15,081
End of year	**$17,290**	**$20,790**
INCREASE (DECREASE) IN COMPONENTS OF WORKING CAPITAL:		
Cash	$ 753	$ 778
Marketable securities	427	(167)
Notes receivable	(6,200)	6,200
Accounts receivable	(1,223)	4,264
Inventories	2,444	2,126
Claims for refund and future tax benefits	1,028	(981)
Prepaid expenses and deposits	175	120
Notes payable and current maturities of long-term debt	(2,406)	916
Accounts payable	(794)	(5,455)
Accrued liabilities	1,547	(1,487)
Dividends payable	12	32
Income taxes	736	(637)
	$ (3,501)	**$ 5,709**

FIRST NATIONAL STORES INC. (MAR)

Consolidated Statements of Changes in Financial Position

	1973	1972
	($ Thousands)	
FINANCIAL RESOURCES WERE PROVIDED BY:		
Operations:		
Income (loss) before extraordinary items	$ 260	$ (1,566)
Expenses not requiring outlay of working capital in the current period:		
Depreciation and amortization (Note 1)	6,865	7,508
Deferred federal income taxes	360	(1,100)
Other	(562)	832
Working capital provided by operations	**6,923**	**5,674**
Extraordinary items:		
Sale of investment	—	3,764
Sale of assets relating to discontinued operations	(135)	—
Proceeds from:		
Sale and leaseback of certain store properties	3,280	—
Long-term debt	—	10,000
Disposal of fixed assets	2,842	2,267
Exercise of stock options	—	106
	12,910	**21,811**
FINANCIAL RESOURCES WERE USED FOR:		
Additions to fixed assets	4,594	11,897
Reductions of long-term debt	1,334	1,317
Cash dividends declared	—	1,020
Purchases of investments	—	386
Change in other noncurrent assets	145	439
Other	(26)	40
	6,047	**15,099**
Increase in working capital	**6,863**	**6,712**
Working capital at beginning of year	29,582	22,870
Working capital at end of year	**$36,445**	**$29,582**
ANALYSIS OF CHANGES IN ELEMENTS OF WORKING CAPITAL:		
Increase (decrease) in current assets:		
Cash	$ 687	$ (438)
Short-term investments	2,954	14,953
Accounts receivable	(324)	1,688
Inventories	(1,335)	102
Prepaid expenses and other current assets	540	(511)
	2,522	**15,794**
(Increase) decrease in current liabilities:		
Accounts payable	4,790	(7,988)
Accrued expenses	(462)	(1,292)
Current portion of long-term debt	13	(492)
Federal income taxes	—	350
Dividend payable	—	340
	4,341	**(9,082)**
Increase in working capital	**$ 6,863**	**$ 6,712**

NEPTUNE METER COMPANY (DEC)

Consolidated Statements of Changes in Financial Position

	1973	1972
	($ Thousands)	
FUNDS WERE PROVIDED BY:		
Net income	$ 2,442	$ 1,635
Charges (credits) to income not affecting funds:		
Depreciation	1,444	1,394
Amortization	330	82
Deferred income tax	(185)	(401)
Minority interest in subsidiaries.	61	95
Working capital provided from operations	**4,092**	**2,805**
Retirement or sale of property, plant and equipment	2,731	688
Increase in long-term debt	—	2,750
Proceeds from common stock transactions	72	20
Proceeds from sale of other investments, net of gain	235	—
Other sources	—	107
Total funds provided	**7,130**	**6,372**
FUNDS WERE APPLIED TO:		
Acquisition of remaining interest in subsidiary (note 1)	1,338	—
Investment in property, plant, equipment and construction fund	1,924	4,185
Second mortgage note receivable on sale of building	644	—
Purchase of treasury stock	248	—
Cash dividends	996	1,001
Reduction in long-term debt	800	800
Preoperating costs	1,069	660
Patents resulting from acquisitions (note 1)	520	—
Net effect of changes in noncurrent assets and liabilities related to relocation:		
Reduction in income tax benefit.	(453)	(876)
Change in fixed assets and provision for abandonment	832	278
Reduction in relocation reserve .	—	2,387
Net effect related to relocation	**378**	**1,789**
Other	334	133
Total funds applied	**8,255**	**8,568**
Net change in working capital	**(1,125)**	**(2,196)**
Working capital, beginning of year	19,961	22,157
Working capital, end of year	**$18,836**	**$19,961**

SUMMARY OF CHANGES IN WORKING CAPITAL		
Increase (decrease) in current assets:		
Cash	$ (87)	$ 578
Marketable securities	—	(242)
Receivables	4,305	1,200
Unbilled costs and related income on contracts in progress	(103)	(230)
Refund of Federal income taxes.	—	(510)
Current portion of income tax benefit relating to provision for relocation costs	(1,247)	556
Inventories	1,451	(886)
Prepayments and other current assets	575	191
	4,894	**657**
Increase (decrease) in current liabilities:		
Notes payable	2,281	4,499
Current installments of long-term debt	—	150
Accounts payable	2,623	2,070
Billings in excess of costs and related income on contracts in progress	1,229	—
Accrued income taxes	115	502
Other accrued expenses	231	208
Provision for relocation costs	(461)	(4,578)
	6,019	**2,853**
Net change in working capital	**$(1,125)**	**$ (2,196)**

WM. WRIGLEY JR. COMPANY (DEC)

Statement of Consolidated Changes in Working Capital

	1973	1972
	($ Thousands)	
SOURCES OF WORKING CAPITAL:		
Operations—		
Net earnings	$19,848	$18,307
Add expenses not requiring outlay of working capital:		
Depreciation	9,100	7,695
Deferred income taxes	1,470	1,100
Total from operations	**30,418**	**27,102**
Property retirements	602	1,442
	31,020	**28,544**
DISPOSITION OF WORKING CAPITAL:		
Dividends	12,402	10,827
Additions to properties	8,453	14,770
Increase in prepaid expenses and other assets	246	199
	21,101	**25,796**
Increase in working capital	**$ 9,919**	**$ 2,748**

CHANGES IN ELEMENTS OF WORKING CAPITAL CONSIST OF:		
Increase (decrease) in current assets—		
Cash and time deposits	$ (102)	$ 1,643
Marketable securities	1,049	(123)
Accounts receivable	6,030	814
Inventories	(1,103)	(1,361)
	5,874	**973**
Decrease (increase) in current liabilities—		
Notes payable to banks	7,422	4,170
Accounts payable and accrued expenses	(2,105)	(276)
Dividends payable	(591)	
Income taxes and other taxes payable	(681)	(2,119)
	4,045	**1,775**
Increase in working capital	**9,919**	**2,748**
Working capital at the beginning of the year	43,064	40,316
Working capital at the end of the year	**$52,983**	**$43,064**

Analysis Presented in a Tabulation Apart from Statement

LESLIE FAY INC. (APR)

Consolidated Statement of Changes in Financial Position

	1973	1972
	($ Thousands)	
SOURCES OF WORKING CAPITAL:		
Provided by operations:		
Income before extraordinary items	$ 4,528	$ 3,648
Add items not involving working capital:		
Depreciation	1,814	1,522
Deferred federal income taxes—noncurrent	323	244
	6,665	5,414
Extraordinary items	—	332
Add loss on sale of property assets, not involving working capital	—	13
	—	345
Total provided by operations	**6,665**	**5,759**
Proceeds from sale of long-term notes and warrants	—	12,425
Long-term mortgage notes incurred	720	1,700
Increase in capital upon conversion of Debentures into common shares	288	279
Sale of property assets	205	72
Proceeds from exercise of stock options	185	173
Other items—net	107	(39)
Total sources	**8,170**	**20,369**
APPLICATIONS OF WORKING CAPITAL:		
Addition to property assets	4,112	3,596
Reduction of long-term debt:		
Principal amount of Debentures converted (net of related unamortized debt expense)	288	279
Other debt	1,248	2,364
Cash dividends	929	871
Total applications	**6,577**	**7,110**
Increase in working capital—Note 7	**1,593**	**13,259**
Working capital at beginning of year	26,080	12,821
Working capital at end of year	**$27,673**	**$26,080**

Note 7: Changes in Working Capital Components—Increases (decreases) in current assets and current liabilities are tabulated as follows:

	1973	1972
	($ Thousands)	
Current assets:		
Cash	$ 233	$ 246
Accounts receivable	3,895	1,867
Inventories	5,555	3,030
Other	329	306
	10,012	**5,449**
Current liabilities:		
Notes payable—banks	2,937	(6,600)
Current maturities of long-term debt	94	30
Accounts payable	3,818	(1,680)
Other	1,570	440
	8,419	**(7,810)**
Increase in working capital	**$ 1,593**	**$13,259**

WHITE MOTOR CORPORATION (DEC)

Statement of Consolidated Changes in Financial Position

	1973	1972
	($ Thousands)	
SOURCE OF WORKING CAPITAL		
From operations:		
Income before extraordinary items	$21,383	$ 7,069
Items not affecting working capital:		
Depreciation	9,237	8,975
Noncurrent deferred income taxes	1,782	203
Net income of unconsolidated finance subsidiaries	(4,428)	(4,034)
Total from operations before extraordinary items	27,974	12,213
Extraordinary items	2,302	1,541
Total from operations	**30,276**	**13,754**
Sale of Common Stock	515	22,890
Long-term borrowings	—	55,000
Disposal of property, plant and equipment	5,099	5,008
Decrease in other assets	1,580	—
Other—net	602	172
	38,072	**96,824**
USE OF WORKING CAPITAL		
Reduction of long-term debt	7,376	4,402
Additions to property, plant and equipment	22,948	8,283
Dividends on Preferred Stock	1,064	1,064
Purchase of Common Stock for treasury	303	—
Increase in other assets	—	1,393
	31,691	**15,142**
Increase in Working Capital—Note N	**$ 6,381**	**$81,682**

Note N: Working Capital Changes—A summary of changes in components of working capital follows:

	1973	1972
	($ Thousands)	
Increase (decrease) in current assets		
Cash	$ (661)	$ (6,359)
Trade receivables	16,542	14,873
Inventories	37,543	(2,373)
Deferred income taxes	(2,293)	(2,748)
Prepaid expenses	(263)	(153)
(Increase) decrease in current liabilities:		
Notes payable to banks	—	97,000
Trade payables	(44,045)	(9,533)
Current portion of long-term debt	(692)	570
Accrued expenses and other liabilities	(4,917)	4,033
Due finance subsidiaries	2,685	(11,487)
Taxes	2,482	(2,141)
Increase in working capital	**$ 6,381**	**$81,682**

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 Procedures 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 for the most part to Auditors' Reports issued on financial statements for periods ending on or after December 31, 1974. With regard to piecemeal opinions which proposed *SAS No. 2* considers inappropriate in any situation, the effective date will apply to Auditors' Reports issued on financial statements for periods ending on or after January 31, 1975.

LOCATION

Table 6-1 summarized the placement of the Auditors' Report in the 1973 annual reports of the survey companies.

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

TABLE 6-1: LOCATION OF AUDITORS' REPORT IN RELATION TO FINANCIAL STATEMENTS

	1973	1972	1971	1970
Follows all financial statements and notes (*197,251,631)	440	444	432	428
Follows all financial statements, but precedes notes (*8,291,474)	40	46	52	74
Precedes all financial statements and notes (*62,303,485)	55	54	60	47
Intermediate position (*22,126,170)	65	56	56	51
Total Companies	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

statements could possess, or that they represented that the auditor was expressing more than his opinion about the statements. In a letter dated December 21, 1933, the Institute's special committee on cooperation with stock exchanges wrote: "To this end, we think it desirable that the document signed by the accountants should be in the form of a report, as in England, rather than a certificate, and that the works 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

	1973	1972	1971	1970
Auditor Designated as:				
Accountant	311	330	323	323
Auditor	140	129	135	141
Certified public accountant	86	77	74	69
Public accountant	12	9	11	12
No reference, or other	1	1	3	2
Reports with titles	550	546	546	547
Independent added	174	166	165	160
Report Designated as:				
Report	469	434	377	373
Opinion	72	103	156	158
Certificate	5	8	7	11
Other	4	1	6	5
Reports with titles	550	546	546	547
Reports without titles	50	54	54	53
Total	**600**	**600**	**600**	**600**

	1973 References to Report			
	Report	Opinion	Certificate	Other Terms
1973 Reference to Auditor				
Accountant	160	29	3	1
Independent accountant	104	14	—	—
Auditor	122	10	1	2
Independent auditor	4	1	—	—
Certified public accountant	43	4	—	—
Independent certified public accountant	28	9	1	1
Independent public accountant	8	4	—	—
Auditor not referred to	—	1	—	—
Reports with Titles	**469**	**72**	**5**	**4**

TABLE 6-3: ADDRESSEE OF AUDITORS' REPORT

	1973	1972	1971	1970
The Directors (Board of Directors) and Stockholders (Shareowners)	398	402	384	382
The Directors	97	96	106	106
The Stockholders	83	81	84	88
The Company	17	18	21	21
Other, or no addressee	5	3	5	3
Total Companies	**600**	**600**	**600**	**600**

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.

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 1973 annual reports of the survey companies. The standard short-form auditors' report was included in the annual reports of 518 companies and the modified short-form auditors' report in 82 annual reports. Of the 518 standard short-form reports, 185 contained additional sentences or paragraphs. Table 6-5 lists some of the minor wording variations appearing in the auditors' report.

TABLE 6-4: FORMAT OF AUDITORS' REPORT

	1973	1972	1971	1970
Standard Short-form Report				
Standard form (including only slight variations)	333	324	296	244
Extra middle sentence in scope paragraph	7	8	14	5
Additional last sentence in scope paragraph referring to:				
Prior year examination	92	101	120	142
Examination by other accountants	67	69	76	84
Matter to which exception is taken	5	2	6	12
Other	10	17	8	20
Middle paragraph between scope and opinion referring to:				
Examination by other accountants	2	4	3	5
Matter to which exception is taken	15	26	25	17
Other	10	12	13	10
Sentence or paragraph following opinion paragraph referring to:				
Statement of Changes in Financial Position	—	—	1	25
Other matters	11	11	12	21
Total	***553**	***574**	***574**	***585**
Modified Short-form Report				
Two sentences only— "In our opinion.." and "Our examination was made..."	75	65	69	75
Sentence between "In our opinion.." and "Our examination was made..."	1	4	3	2
Sentence or paragraph following "Our examination was made"	7	5	6	10
Total	**82**	**74**	**78**	**87**
Number of Companies Presenting:				
Standard short-form report	518	526	522	513
Modified short-form report	82	74	78	87
Total	**600**	**600**	**600**	**600**

*Some audit reports had more than one modification.

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	37	—
Financial statements substituted for names of statements in opening sentence, but opinion paragraph has titles of statements	25	—
Financial statements substituted for names of statements throughout	5	12
Disclosure of state of incorporation after name of company	69	—
As of in scope paragraph replaced by:		
at	46	—
at at	23	—
Variations of for the year then ended, such as for the fiscal year, for the fifty-two weeks, for the year ended (date), etc.	35	4
At in 'In our opinion' sentence replaced by as of or as at	87	3
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.	421	—
Other wording variations	47	4
Total	**795**	**23**

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 and 1973 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.

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 financial 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

TABLE 6-6: REFERENCES TO OTHER AUDITORS

	1973	1972	1971	1970
Examination by Other Auditors Covers:				
Statements for branch or consolidated subsidiary	51	51	62	79
Statements for investee only	20	11	7	12
Statements for prior year only	9	15	16	8
Total Companies	**80**	**77**	**85**	**99**

Note A of notes to consolidated financial statements.

Table 6-6 summarizes the scope of work done by other auditors as disclosed in the reports of the principal auditors. Sixty-two of the 80 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

Baker Oil Tools, Inc.

We have examined the consolidated statements of financial position of Baker Oil Tools, Inc. and subsidiary companies as of September 30, 1973 and 1972, and the related consolidated statements of income, 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 in the circumstances. We did not examine the financial statements of Milchem Incorporated, a consolidated subsidiary. These statements were examined by Peat, Marwick, Mitchell & Co. whose report thereon has been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for Milchem Incorporated (See page 11), is based solely upon that report.

In our opinion, based upon our examination and the report of Peat, Marwick, Mitchell & Co., the above-mentioned financial statements present fairly the financial position of the companies at September 30, 1973 and 1972, 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.—*Accountants' Opinion.*

Milchem Incorporated

We have examined the consolidated balance sheets of Milchem Incorporated and subsidiaries as of September 30, 1973 and 1972 and the related statements of consolidated earnings and retained earnings 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 aforementioned consolidated financial statements (not shown separately herein) present fairly the financial position of Milchem Incorporated and subsidiaries at September 30, 1973 and 1972 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.—*Supplementary Accountants' Opinion*.*

*The financial statements of Milchem Incorporated and subsidiaries reflect assets and revenues constituting approximately 23% and 26% respectively of the total consolidated assets and revenues of Baker Oil Tools, Inc. and subsidiaries for 1973 and 1972.

Board of Directors
The Black and Decker Manufacturing Company
Towson, Maryland

We have examined the statements of consolidated financial condition of The Black and Decker Manufacturing Company and subsidiaries as of September 30, 1973 and September 24, 1972, 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 27% and 33%, respectively, of the 1972 consolidated totals and 26% and 36%, respectively, of the 1973 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, the aforementioned financial statements present fairly the consolidated financial position of The Black and Decker Manufacturing Company and subsidiaries at September 30, 1973 and September 24, 1972, 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.*

To the Board of Directors
Crown Zellerbach
San Francisco, California

We have examined the consolidated balance sheet of Crown Zellerbach and subsidiaries as of December 31, 1973, and the related consolidated statements of income, share owners' equity 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 its subsidiaries for the year ended December 31, 1972. We did not examine financial statements of Crown Zellerbach Canada Limited and Subsidiaries, which statements reflect total assets and revenues constituting 21% and 16%, respectively in 1973, and 20% and 15% , respectively in 1972, of the related consolidated totals. These statements were examined by Canadian chartered accountants whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to amounts included for Canadian companies, is based solely on such reports.

In our opinion, based upon our examinations and the reports of other auditors, the above mentioned financial statements present fairly the consolidated financial position of Crown Zellerbach and Subsidiaries at December 31, 1973

and 1972, 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 Certified Public Accountants.*

Shareowners and Board of Directors
Medusa Corporation
Cleveland, Ohio

We have examined the consolidated balance sheets of Medusa Corporation and subsidiaries as of December 31, 1973 and 1972, and the related statements of consolidated earnings, changes in shareowners' 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 consolidated subsidiaries, which statements reflect total assets and sales constituting 9% and 12%, respectively, of the related consolidated totals for 1973 and 9% and 14% for 1972. 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 consolidated subsidiaries, is based solely on the reports of other independent accountants.

In our opinion, based upon our examinations and the aforementioned reports of other independent accountants, the aforementioned financial statements present fairly the consolidated financial position of Medusa Corporation and subsidiaries at December 31, 1973 and 1972, and the consolidated results of their operations, and the 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.*

To the Board of Directors and Stockholders
Kroehler Mfg. Co.
Naperville, Illinois

We have examined the consolidated balance sheet of Kroehler Mfg. Co. and its subsidiaries as of December 31, 1973 and 1972, 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. We did not examine the financial statements of the foreign subsidiary and the affiliate whose total assets, revenues and net income constituted approximately 18%, 15% and 37% respectively for 1973 and 15%, 13% and 20% for 1972, of the related consolidated totals. These statements were examined by other auditors whose reports were furnished to us. Our opinion, insofar as it relates to the amounts included for such subsidiary and affiliate, is based solely upon the reports of the other auditors.

In our opinion, based on our examination and the reports of other auditors, the financial statements mentioned present fairly the consolidated financial position of Kroehler Mfg. Co. and subsidiaries at December 31, 1973 and 1972, and the consolidated 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' Report.*

The Board of Directors and Stockholders
Rohm and Haas Company:

We have examined the consolidated balance sheets of Rohm and Haas Company and consolidated subsidiaries as of December 31, 1973 and 1972 and the related statements of consolidated 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. We did not examine the financial statements of certain consolidated foreign subsidiaries for the year ended December 31, 1973, which statements reflect total assets and net sales constituting 14% and 10%, respectively, of the related consolidated totals. 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 subsidiaries, is based solely upon the reports of other auditors.

In our opinion, based upon our examination and the reports of other auditors, the aforementioned financial statements present fairly the financial position of Rohm and Haas Company and consolidated subsidiaries at December 31, 1973 and 1972 and the results of their operations and changes in their financial position for the respective years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Reports of Independent Public Accountants

To the Board of Directors and Stockholders
Stelber Industries, Inc.

We have examined the consolidated statements of financial position of Stelber Industries, Inc. and subsidiaries as at June 30, 1973 and 1972 and the related consolidated statements of operations, 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 certain foreign subsidiaries for the year ended June 30, 1973 whose assets and revenues exclusive of inter-company items represented approximately 54% of consolidated assets and approximately 22% of consolidated revenues. The financial statements for these foreign subsidiaries were examined by Touche Ross & Co., independent public accountants whose report thereon has been furnished to us and is included else-

where herein, and our opinion insofar as it relates to the amounts included for these subsidiaries, is based solely upon the report of such other accountants.

In our opinion, based upon our examination and the report of other independent public accountants referred to above, the aforementioned consolidated financial statements present fairly the consolidated financial position of Stelber Industries, Inc. and subsidiaries as at June 30, 1973 and 1972 and the results of their consolidated 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.

To the Board of Directors and Stockholders
Stelber Industries, Inc.

We have examined the combined statement of financial position of the European and Canadian subsidiaries of Stelber Industries, Inc. (Juniorwerke Ing. Franz Weiss AG., A Claeys Flandria Portuguesa Sociedade Ciclomotora S.A.R.L., Anglo-Dutch Export Cy., Stelber International S.A., Plasco Corporation Limited and Victoria Precision Works Company Limited) as of June 30, 1973, and the related statements of operations, stockholders' equity 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. The financial statements for the prior year were examined by other public accountants.

In our opinion, the aforementioned combined financial statements (not presented separately herein) present fairly the financial position of the European and Canadian subsidiaries of Stelber Industries, Inc. at June 30, 1973, and the results of their operations and the 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.

Investees

To the Board of Directors
The Arundel Corporation

We have examined the consolidated balance sheet of The Arundel Corporation and subsidiaries as of December 31, 1973 and 1972, and the related statements of earnings, 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 certain heavy construction joint ventures in which the Company has varying interests and which contributed $769,900 to net earnings in 1973 and resulted in a reduction in net earnings of $934,000 in 1972. We have been furnished with the other auditors' reports thereon, whose opinion on one of the ventures in 1973 was subject to the final determination of the contract disputes referred to in Note B to the consolidated financial statements.

In our opinion, based on our examination and the reports of other independent accountants and subject to the final determination of the contract disputes, the aforementioned financial statements present fairly the financial position of The Arundel Corporation and subsidiaries at December 31, 1973 and 1972, 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.—*Accountants' Report.*

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, 1973 and 1972 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. We did not examine the financial statements of certain partially owned foreign companies, which are accounted for on an equity basis. The equity of ESB Incorporated in the net assets and net income of such companies not examined by us aggregated 4 percent of consolidated total assets as of March 31, 1973 and 1972, and 13 percent and 10 percent of consolidated net income for the years then ended. In addition, we did not examine the financial statements of certain consolidated foreign subsidiaries aggregating 7 percent and 6 percent of consolidated total assets as of March 31, 1973 and 1972, and 7 percent 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, 1973 and 1972 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.—*Auditor's Report.*

Board of Directors
General American Transportation Corporation
Chicago, Illinois

We have examined the consolidated balance sheet of General American Transportation Corporation and subsidiaries as of December 31, 1973 and 1972, and the related statements of consolidated income, shareholders' 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 American Steamship Company, a consolidated subsidiary acquired in 1973, which statements include total assets and revenues accounting for 8% and 6% of the consolidated totals in 1973, nor of certain unconsolidated subsidiaries (principally the MTL Group of Companies) accounting for 7% of total assets and 15% of net income in each year. 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 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, 1973 and 1972, 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 Board of Directors and Shareholders of
F. W. Woolworth Co.

In our opinion, based on our examinations and on the reports mentioned below of other independent accountants, the accompanying consolidated balance sheets and the related consolidated statements of income and retained earnings and of changes in financial position present fairly the financial position of F. W. Woolworth Co. and its consolidated subsidiaries at January 31, 1974 and December 31, 1972, 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. 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. We did not examine the consolidated financial statements of F. W. Woolworth and Co., Limited, the unconsolidated British subsidiary. These statements were examined by other independent accountants whose reports thereon have been furnished to us. The equities of F. W. Woolworth Co., in the subsidiary's net assets and net income, which have been determined on the basis of such financial statements, constitute 22% (both years) and 28% (32% in 1972), respectively, of the related totals presented in the accompanying consolidated financial statements. Our opinion expressed herein, insofar as it relates to the amounts included for the British subsidiary, is based solely upon the reports of the other independent accountants.—*Report of Independent Accountants.*

Prior Year Statements

To the Board of Directors
Cyprus Mines Corporation:

We have examined the consolidated balance sheet of Cyprus Mines Corporation and subsidiaries as at December 31, 1973, and the related statements of income, shareholders' equity, 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 the consolidated financial statements originally presented for the year 1972 which have been restated herein to reflect the pooling with Bagdad Copper Corporation (Notes 2 and 9). Bagdad's consolidated financial statements for 1972 were examined by other independent accountants whose report thereon has been furnished to us. We did not examine the financial statements of Marcona Corporation and subsidiaries, a significant nonconsolidated affiliated corporation, which statements were examined by other independent accountants whose report thereon has been furnished to us. Our opinion expressed herein, insofar as it relates to the 1972 amounts included herein for Bagdad Copper Corporation (total assets, $37,062,000, total revenues, $32,723,000, net income, $3,717,000) and in the investment asset as equity in undistributed earnings of Marcona Corporation and subsidiaries, $76,200,000 and $72,200,000 at December 31, 1973 and 1972, respectively, and equity in earnings of $9,160,000 and $9,196,000 for 1973 and 1972, is based solely upon such reports.

In our opinion, based upon our examination and the reports of other aforementioned independent accountants, the aforementioned Cyprus Mines Corporation and subsidiaries' financial statements present fairly their consolidated financial position at December 31, 1973 and 1972, 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.—*Accountants' Opinion.*

The Board of Directors and Stockholders
The Duplan Corporation
New York, New York

We have examined the consolidated balance sheet of THE DUPLAN CORPORATION as of September 30, 1973 and the related consolidated statements of income and retained earnings, 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 made a similar examination of the consolidated financial statements of the Corporation for the year 1972 except that we did not examine the financial statements of certain consolidated subsidiaries, which statements reflect total assets and sales constituting 7% and 6%, respectively, of the related consolidated totals. These statements were examined by other certified public accountants whose report thereon was furnished to us. Our opinion expressed herein,

insofar as it relates to the amounts included for such subsidiaries, is based solely upon such report.

In our opinion, based upon our examination and the report of other certified public accountants, the aforementioned consolidated financial statements present fairly the consolidated financial position of The Duplan Corporation at September 30, 1973 and 1972, 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.—*Auditors' Report.*

To the Shareholders and Board of Directors
Norton Simon Inc.:

We have examined the balance sheet of Norton Simon Inc. and subsidiaries as of June 30, 1973 and 1972 and the related statements of income, changes in 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 in the circumstances. We did not examine the consolidated financial statements of Max Factor & Co. and its subsidiaries for the year ended December 31, 1971 which have been included in the consolidated financial statements of Norton Simon Inc. for the year ended June 30, 1972 on the basis described in the notes to the financial statements. Such statements of Max Factor & Co. and its subsidiaries reflect total assets and revenues constituting 16% and 14%, respectively, of the related consolidated totals for 1972. These statements were examined by other auditors whose reports thereon have been furnished to us and our opinion on the consolidated financial statements for the year ended June 30, 1972 expressed herein, insofar as it relates to such amounts included for Max Factor & Co. and its subsidiaries for the year ended December 31, 1971, is based solely upon the reports of the other auditors.

In our opinion, based upon our examination and, for 1972, the reports of other auditors, the aforementioned consolidated financial statements of Norton Simon Inc. and subsidiaries present fairly the financial position of the companies at June 30, 1973 and 1972 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 the restatement, with which we concur, for the conforming of accounting policies of Max Factor & Co. with those of the companies as described in the accompanying notes to the financial statements—*Accountants' Opinion.*

Notes to Financial Statements

Pooling of Interests—In February 1973, the Company exchanged 11,907,510 shares of its common stock, in a pooling of interests transaction, for all of the outstanding shares of capital stock of Max Factor & Co.

Max Factor & Co. had a fiscal year ending December 31. Accordingly, the accompanying financial statements for 1972 combine the financial statements of the Company for its fiscal year ended June 30, 1972 with those of Max Factor & Co. for its fiscal year ended December 31, 1971. The following reconciles the combined sales and other income and net income with those previously reported for 1972 by the Company:

	Sales and Other Income	Net Income
As previously reported	$1,185,327,000	$50,487,000
Max Factor & Co.	195,289,000	17,375,000
Adjustments to conform accounting policies		(448,000)
Restated	$1,380,616,000	$67,414,000

Retained earnings at July 1, 1971, have been decreased by $9,214,000, net of income taxes of $7,163,000, as a result of adjustments necessary to conform the accounting policies of Max Factor & Co. with respect to accounting for securities and for sales returns, discounts and allowances with those of the Company. Retained earnings as of July 1, 1972, have been decreased by a net loss of $561,000 and by cash dividends of $3,160,000 of Max Factor & Co. for the six months ended June 30, 1972. The net loss includes a provision of $2,244,000, net of income taxes of $2,156,000, for obsolete and slow-moving inventories and a charge of $4,359,000, net of income taxes of $3,811,000, to conform the accounting policies referred to above. Sales of Max Factor & Co. for such six months was $93,437,000.

Sales and net income of the Company and of Max Factor & Co. included in 1973 for the period from July 1, 1972 to February 28, 1973 were as follows:

	Sales	Net Income
Company	$783,502,000	$31,470,000
Max Factor & Co.	152,346,000	15,930,000

QUALIFICATIONS AS TO FAIR PRESENTATION

Table 6-7 shows that 91 Auditors' Reports expressed either a fair presentation qualification or a consistency qualification as to 110 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 require the inclusion of an intermediate explanatory paragraph in auditors' reports expressing an opinion qualified as to a material departure from generally accepted accounting principles or a significant uncertainty. Several of the examples of fair presentation qualifications which follow have not anticipated the proposed requirement of *SAS No. 2* but are presented to illustrate the circumstances 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

	1973	1972	1971	1970
Reason for Qualification				
Fair Presentation:				
Litigation	25	32	20	16
Valuation or realization of assets	13	18	23	20
Tax or renegotiation liability	10	8	15	14
Uncertainties concerning discontinued operations	6	14	7	6
Claims in connection with sales contracts	6	2	6	2
Availability of adequate financing	2	2	2	5
Other	1	4	2	5
Subtotal	**63**	**80**	**75**	**68**
Change in Application of Accounting Principles (see Table 6-8)	47	36	43	35
Total Reasons	**110**	**116**	**118**	**103**
Number of Companies				
Opinion not qualified as to presentation or consistency	509	507	510	515
Opinion qualified as to presentation or consistency	91	93	88	83
Disclaimer of opinion	—	—	2	2
Total Companies	**600**	**600**	**600**	**600**

Litigation

The Stockholders and Board of Directors
Bates Manufacturing Company, Incorporated:

We have examined the consolidated balance sheets of Bates Manufacturing Company, Incorporated and subsidiaries as of December 29, 1973 and December 30, 1972 and the related statements of earnings, capital surplus, 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.

As described in notes 7a and 7b, two subsidiaries of the Company have been named in separate legal actions. Damages sought against Kahn & Feldman, Inc. by a machine manufacturer total $6,592,500 and relate to the validity of certain patents. Commissions claimed against Virginia Iron, Coal and Coke Company by the Executrix of the estate of a coal dealer previously granted in the amount of $590,920 with interest at 6% are to be redetermined by the court. The ultimate liability of the subsidiaries in these actions is not presently determinable.

In our opinion, subject to final determination of the matters referred to in the preceding paragraph, the aforementioned financial statements present fairly the financial position of Bates Manufacturing Company, Incorporated and subsidiaries at December 29, 1973 and December 30, 1972 and the results of their operations and the changes in their financial positions for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Report of Independent Certified Public Accountants.*

Notes to Consolidated Financial Statements

Note 7. (in part): Contingent Liabilities and Commitments–(a) In October 1969, Kahn & Feldman, Inc., a subsidiary, and other licensees instituted legal action against a machine manufacturer seeking a judgment of noninfringement, invalidity and unenforceability of certain United States patents owned by the manufacturer and damages for anti-trust violations. The consolidated action, to which Kahn & Feldman, Inc. is a party, seeks total treble damages for all plaintiffs of $60,000,000. The machine manufacturer has counterclaimed against the licensees for treble damages based upon breach of contract, willful infringement of patents and violations of anti-trust laws. Damages sought against Kahn & Feldman, Inc. total $6,592,500. Kahn & Feldman, Inc. terminated its licenses and instituted suit on the opinion of patent counsel concerning the likelihood of a finding that the subject patents are invalid. The final outcome of this litigation cannot be presently determined.

(b) Virginia Iron, Coal and Coke Company, a subsidiary, has been named in a legal action in the State of North Carolina initiated by the Executrix of the estate of a coal dealer claiming commissions on certain sales. On February 2, 1973, the Supreme Court of North Carolina entered its opinion affirming the judgment of the Superior Court adjudging Virginia Iron, Coal and Coke Company liable to the estate for certain sales commissions. However, the Supreme Court

reversed the decision on the issue of damages (previously granted in the amount of $590,920 with interest at 6%), remanding the case to the lower court for its determination of damages in accordance with the opinion of the Supreme Court. This opinion calls for the recovery by plaintiff of damages previously awarded less any related expenses that would have been incurred by plaintiff in servicing the alleged contract. The Company has commenced proceedings to determine the related expenses. The ultimate liability in this action cannot be determined.

The Board of Directors and Shareholders
ICN Pharmaceuticals, Inc.

We have examined the consolidated balance sheet of ICN Pharmaceuticals, Inc. and subsidiaries as of November 30, 1973 and the related statements of earnings, shareholders' equity 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.

As described in note 7 to the accompanying consolidated financial statements, during the year the Company was named as defendant in two legal actions which allege, among other things, violations of disclosure requirements under federal securities laws. The actions are at an early stage and the ultimate liability, if any, cannot now be determined.

In our opinion, subject to the effect, if any, of the matters referred to in the preceding paragraph, such financial statements present fairly the financial position of ICN Pharmaceuticals, Inc. and subsidiaries at November 30, 1973 and the results of their operations and the changes in their financial position and shareholders' equity for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Auditors' Report.*

Notes to Consolidated Financial Statements.

Note 7 (in part): Contingent Liabilities and Commitments.–The Company and its subsidiaries are parties to various legal actions which arise in the normal course of business. Two actions, one a class action, were commenced during the year against the Company and its Board of Directors alleging, among other things, violations of disclosure requirements under federal securities laws resulting from alleged omissions from or misstatements contained in interim financial reports and certain public statements issued by the Company from March 1972 to February 1973. In the class action the plaintiffs and the class they purport to represent seek damanges in unascertained or undisclosed amounts together with attorney's fees and costs of such.

Counsel for the Company have advised that while, based on their investigation to date, they believe the Company has meritorious defenses and should prevail in these actions, the cases involve complex legal and factual issues which may eventually be submitted to a jury for determination. Accordingly, counsel are unable at this time to render an opinion as to the ultimate outcome of the litigation.

Valuation or Realization of Assets

To the Board of Directors and Shareholders
The Anaconda Company

We have examined the consolidated balance sheets of The Anaconda Company as of December 31, 1973 and 1972 and the related statements of consolidated income and retained earnings and of 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.

The current status of the company's efforts to obtain compensation for the 1971 loss, through expropriation, of its Chilean investments is reported on page 23 of this Annual Report. The net amount the company may realize as indemnification for its expropriated investments from Chile, Overseas Private Investment Corporation, or through court actions, is not subject to final determination at this time.

In our opinion, subject to the effect of the ultimate resolution of the uncertainties referred to in the preceding paragraph, the accompanying consolidated financial statements present fairly the consolidated financial position of The Anaconda Company and its consolidated subsidiaries at December 31, 1973 and 1972 and the results of their operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles. These principles have been consistently applied during the period subsequent to the change, with which we concur, made as of January 1, 1972 in the method of translating foreign currency obligations as described on page 26 of this Annual Report.—*Report of Independent Accountants.*

Financial Review

Current Status of Chilean Expropriation Loss–During the year Anaconda continued its efforts to recover losses resulting from the expropriation of its investments in Chile by the Chilean government in 1971.

The government of President Allende, which expropriated the investments, was deposed by Chilean military forces on September 11, 1973 and was replaced by a military government. The new government is taking steps to restore the productivity of the mines and to reestablish credit relationships throughout the world.

Representatives of the new government have advised the company that they expect to initiate negotiations on the issues of the payment of compensation for the expropriated investments and the possible role of Anaconda in the development and operation of Chile's copper properties. Anaconda has indicated its willingness to participate in such negotiations and preliminary meetings have been held. The government has publicly stated that the mines will not be returned to the former owners.

Anaconda is preserving its rights to pursue other remedies, including the following:

Ligitation is still pending in New York on suits brought against Corporacion del Cobre and Corporacion de Fomento de la Produccion, Chilean public corporations, for unpaid principal and interest due on promissory notes issued at the

end of 1969 in connection with the sale of a 51% interest in Anaconda's major properties in Chile.

Included in the Consolidated Balance Sheet at December 31, 1973 and 1972 is the aggregate amount of the claims pending against Overseas Private Investment Corporation (OPIC) as a result of the expropriation of investments in the Chuquicamata and El Salvador properties. In 1972 OPIC formally rejected these claims. The company continues to believe that it is entitled to payment, and has submitted the claims to binding arbitration as provided in the OPIC insurance contracts. Proceedings before the arbitration panel are expected to take place in 1974.

Board of Directors
General Resources Corporation
Atlanta, Georgia

We have examined the consolidated balance sheet of General Resources Corporation (formerly General Plywood Corporation) and subsidiaries as of October 31, 1973 and 1972, 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 other auditing procedures as we considered necessary in the circumstances.

As described in Note H, it is not possible to determine the ultimate realization of patent and trademark costs carried on the balance sheet at October 31, 1973 at $517,809.

In our opinion, subject to the ultimate realization of patent and trademark costs, the aforementioned consolidated financial statements present fairly the financial position of General Resources Corporation and subsidiaries at October 31, 1973 and 1972, 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, as restated as set forth in Note A.—*Report of Independent Public Accountants.*

Notes to Consolidated Financial Statements

Note H: 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. On July 24, 1973, a U.S. District Court in Savannah, Georgia rendered a decision in favor of the defendant. The Company has appealed this decision to the U.S. Court of Appeals in New Orleans, Louisiana. 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 a portion of unamortized patent and trademark costs of $517,809 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.

To the Shareholders and Board of Directors,
Walter Kidde & Company, Inc.:

We have examined the consolidated balance sheets of Walter Kidde & Company, Inc. (a Delaware corporation) and subsidiaries as of December 31, 1973 and 1972 and the related consolidated statements of income, paid-in surplus, earnings retained 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. We did not examine the financial statements of United States Lines, Inc. and its subsidiaries. These statements were examined by other auditors whose report thereon has been furnished to us.

As explained in the Notes to Financial Statements, the Company's contract to sell United States Lines, Inc. and the related Supplemental Agreement have been challenged in an antitrust action. Accordingly, the ultimate realization of the interest accrued in connection with these contracts is dependent upon the outcome of this litigation. This accrued interest receivable amounted to $17,625,000 ($9,165,000 after related taxes) at December 31, 1973 of which $5,947,000 ($3,093,000 after related taxes) and $5,756,000 ($2,993,000 after related taxes) was accrued in 1973 and 1972, respectively. In the opinion of special counsel, the Company should prevail with respect to the Supplemental Agreement in which case the interest will be fully realized.

In our opinion, based upon our examination and the report of other auditors referred to above, subject to the ultimate realization of the interest described in the preceding paragraph, the accompanying consolidated financial statements present fairly the financial position of Walter Kidde & Company, Inc. and subsidiaries as of December 31, 1973 and 1972, 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 during the periods.—*Auditors' Report.*

Economic Stabilization Act

Board of Directors and Stockholders
Commercial Metals Company
Dallas, Texas

We have examined the accompanying consolidated balance sheet of Commercial Metals Company and subsidiaries as of August 31, 1973 and 1972, and the related statements of consolidated earnings, stockholders' investment 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. The 1972 financial statements of certain subsidiaries included in the accompanying statements were 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 these subsidiaries, is based solely on the report of the other auditors. Total assets and revenues of such subsidiaries in relation to consolidated totals were 10% and 14% respectively for 1972.

A subsidiary of the Company is named, along with other

companies, for alleged violations of antitrust laws (Note O). In addition, the Company has items pending with the Cost of Living Council relating to the Economic Stabilization Act of 1970, as amended (Note N). Either of these matters could result in a material adjustment in the financial statements.

In our opinion, subject to the resolution of the pending legal and Economic Controls matters referred to in the preceding paragraph, based upon our examination and the report of other auditors, the aforementioned financial statements present fairly the consolidated financial position of Commercial Metals Company and subsidiaries at August 31, 1973 and 1972, and the results of their operations and the changes in their financial position for the years then ended in accordance with generally accepted accounting principles applied on a consistent basis.—*Auditors' Report.*

Notes to Consolidated Financial Statements

Note N: Economic Controls Program–The Company is subject to the Economic Stabilization Act of 1970, as amended, and regulations thereunder. In general, the Act forbids domestic price increases above specified base level prices except to the extent that such price increases can be justified by increases in allowable costs and at the same time do not raise the profit margin above the Company's base period profit margin.

The level of sales for the most recent fiscal year classifies the Company as a Category I (prenotification) company under Cost of Living Council regulations. Such regulations relate primarily to the requirements with respect to price increases, and periodic reporting of prices, costs, and profits.

The Internal Revenue Service (IRS) has claimed that the Company is not in strict compliance with certain requirements of the Act and regulations. Protests have been filed by the Company, however, the issues have not been resolved. The Company continues to use its interpretation of these issues under protest.

Additionally, operations for the year are subject to examination by the IRS to determine compliance with the gross profit margin restrictions for the Company as a whole as well as restrictions on wholesale units, manufacturing units and units which are approved for volatile pricing.

If the IRS ultimately prevails, there could be an adverse effect on the financial statements for the year ended August 31, 1973, but the Company is unable to predict the extent of this effect.

Note O: Pending Litigation—In August, 1973, a subsidiary of the Company, Structural Metals, Inc., and one of its officers were indicted by a Federal Grand Jury along with sixteen other defendants, including several major steel manufacturers, other Texas manufacturers and distributors, and certain of their officers for alleged violations of the Sherman Antitrust Act, based on allegations by the U.S. Department of Justice that each participated in a combination and conspiracy to fix the price of steel reinforcing rods and to allocate markets during the period from mid-1969 through the latter part of 1972. Subsequently, the Department of Justice filed a civil suit against the companies. Management of the Company denies any violation of antitrust laws.

The Company has not been able to determine what type of relief may be sought by the Department of Justice or the magnitude of any fines, forfeitures or penalties in the event of an adverse ruling by the Courts.

On November 2, 1973, a civil suit was filed in Federal Court against the aforementioned defendants and others seeking damages for alleged monopolistic practices. The Plaintiff has requested a class action suit claiming it represents numerous other purchasers of steel who also are alleged to have suffered damages during the period of alleged price-fixing since mid-1969. Plaintiff's suit alleges total damages of $30,000,000 and seeks an award of treble this amount from all of the defendants. Management intends to defend vigorously this action but is unable to predict the magnitude of damages, if any, in the event of an adverse ruling by the Courts.

Estimated Losses

To the Board of Directors and Shareholders of
Fisher Scientific Company

We have examined the consolidated balance sheet of Fisher Scientific Company and Subsidiary Companies as of December 31, 1973 and 1972 and the related consolidated statements of income and income retained 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.

As more fully described in the notes to consolidated financial statements, the company recorded a provision in the amount of $2,500,000 during 1973, to cover estimated losses and expenses relating to the Analytical Instrument Division. The ultimate amount of losses and expenses to be incurred is dependent upon factors which are not fully determinable at the present time.

In our opinion, subject to any adjustments which might result from resolution of the matter referred to in the preceding paragraph, the consolidated financial statements examined by us present fairly the financial position of Fisher Scientific Company and Subsidiary Companies at December 31, 1973 and 1972, 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.—*Report of Independent Accountants.*

Notes to Consolidated Financial Statements

Provision for A.I.D. Product Loss and Associated Costs–The company's Analytical Instrument Division (A.I.D.), established in 1971 to sell testing and analytical instrumentation, has sustained losses since its inception. At December 31, 1973, the company had inventories of A.I.D. products substantially in excess of its normal requirements. In addition, a supplier of instruments distributed by A.I.D. has furnished the company with certain financial information which indicates to the company that an element of doubt exists as to the supplier's ability to continue the manufacture of these instruments. The discontinuance of such supplier's operations could result in the company fulfilling warranty obligations of the supplier and incurring losses on advances and receivables outstanding at December 31, 1973.

Under the circumstances, a provision of $2,500,000 was charged against 1973 income to cover estimated losses and expenses relating to overstocked levels of inventories, collectibility of advances and receivables and other unusual costs involved in updating inventory or maintaining instruments of the supplier previously sold to customers. A consideration in determining this provision is the company's policy to provide, where possible, parts and service to keep in operation instruments it has sold.

Based on management's estimates, the various assets subject to exposure have been written down at December 31, 1973, with the remaining amount of the provision ($510,000) included in other accrued liabilities.

The ultimate costs and expenses related to this matter are not determinable at the present time but, in management's opinion, the effect of subsequent adjustments, if any, on the consolidated financial position of the company would not be significant.

Going Concern Basis

To the Board of Directors
Viewlex, Inc.

We have examined the consolidated balance sheet of Viewlex, Inc. and subsidiaries as at May 31, 1973 and 1972, and the related consolidated statements of operations and retained earnings/deficit and of 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.

The accompanying financial statements have been prepared in conformity with principles of accounting applicable to a going concern, which contemplate the realization of assets and the liquidation of liabilities in the normal course of business. As set forth in the consolidated statement of operations and retained earnings/deficit, the Company incurred a substantial consolidated net loss for the year ended May 31, 1973, and consolidated cost of sales exceeded consolidated net sales for that year. During fiscal 1973, the Company experienced difficulties in meeting its obligations on a timely basis, and was unable to meet certain requirements under its bank agreements. The Company has had to borrow additional funds and renegotiate its bank agreements (see Note H) under which, among other matters, new and revised covenants are provided, and substantially all of the assets of the Company and its subsidiaries are pledged as collateral security. Interest is payable on such bank loans at fluctuating rates which have risen sharply since May 31, 1973. The Company has sought and has been granted extensions of time with regard to interest and principal payments aggregating $725,000 which were due under the revised bank agreements in August, September and October 1973, and may require extensions of other payments thereunder; in connection with the extensions granted, the Company agreed to assign the proceeds of certain fire insurance claims (see Note L(4)). As set forth in Note A, the Company's continuation as a going concern, and the realization of the carrying value of the assets included in the accompanying balance sheet and the amount and classification of the liabilities, are dependent upon the Company's ability to return to and maintain profitable operations, generate sufficient cash flow to meet its obligations (including the terms and covenants of its bank agreement) on a timely basis, maintain relationships with suppliers, and obtain such extensions, additional financing or refinancing as may be required.

See Note L(4) with respect to certain claims, litigation and other contingencies, the outcome of which cannot now be determined.

Because of the materiality of the matters referred to in the two preceding paragraphs, we do not express an opinion of the aforementioned financial statements.

October 11, 1973 (except as to Note H which is as of October 24, 1973)

Income Tax Liability

The Board of Directors
Seaboard Allied Milling Corporation:

We have examined the consolidated balance sheet of Seaboard Allied Milling Corporation and subsidiaries as of June 2, 1973 and the related statements of consolidated earnings, retained earnings and changes in consolidated financial position for the fifty-two weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, subject to the effect of the final determination of the Federal income tax matter described in note 4 of notes to consolidated financial statements, the aforementioned consolidated financial statements present fairly the financial position of Seaboard Allied Milling Corporation and subsidiaries at June 2, 1973 and the results of their operations and changes in their financial position for the fifty-two weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period.—*Accountants' Report.*

Notes to Consolidated Financial Statements

Note 4 (in part): Federal Income Taxes–The Federal income tax returns of the Company have been examined by the Internal Revenue Service for the three years ended May 30, 1970 and additional Federal income taxes aggregating $491,490 (exclusive of interest) have been proposed. The principle issue is whether part of the earnings of the Company's Bahamian subsidiary, on which no Federal income taxes have been provided or paid, should be subject to tax. The Federal income tax returns for the two years ended June 3, 1972 are currently being examined by the Internal Revenue Service. No report covering such examinations have been received. However, should the same adjustments proposed for the three years ended May 30, 1970 be asserted for the years under examination and for the year ended June 2, 1973, additional Federal income taxes of

$335,000 for 1971, $230,000 for 1972 and $310,000 for 1973 may be proposed. Management of the Company does not agree with the position taken by the Internal Revenue Service and intends to protest the proposed tax deficiencies. If a favorable disposition of the matter cannot be achieved through conferences with the Appellate division, management intends to contest these issues in the courts.

Renegotiation Liability

To the Shareholders and Directors
Standard Container Company

We have examined the balance sheet of Standard Container Company as of September 30, 1973 and September 24, 1972 and the related statements of income, shareholders' equity and changes in financial position for the fiscal years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, subject to the effect, if any, of the final settlement of the renegotiation matters explained in Note 6a, the financial statements referred to above present fairly the financial position of Standard Container Company as of September 30, 1973 and September 24, 1972 and the results of operations and changes in financial position for the fiscal years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Auditors' Report.*

Notes to Financial Statements
Note 6 (in part): Contingencies—
a. Renegotiation:

A portion of the Company's sales are subject to the Renegotiation Act of 1951. The Company has received clearance through 1966 and for 1970 and 1971. With respect to 1972 and 1973, it is the managements opinion that a refund should not be required. With respect to the 1967 period, the Renegotiation Board has requested a refund of approximately $75,000 (after adjustment for income taxes). The Company has petitioned the U.S. Court of Claims for a reversal of the Board's findings and the matter is still pending in that Court. With respect to 1968 the Renegotiation Board has determined that a refund of approximately $248,000 (after adjustment for income taxes) should be made. The determination is currently awaiting an appeal to the U.S. Court of Claims. With respect to the 1969 period the Renegotiation Board has not as yet advised the Company of its findings. Since the amount of refunds, if any, which may ultimately become payable is not determinable, no provision for such refunds has been made in the accompanying financial statements.

Claim Under A Sales Contract

To the Stockholders and Board of Directors
Ashland Oil, Inc., Ashland, Kentucky

We have examined the consolidated balance sheets of Ashland Oil, Inc. and subsidiaries as of Sepetember 30, 1973 and September 30, 1972, and the related statements of consolidated 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.

In our opinion, subject to the matter referred to in Note I, the statements identified above (appearing on pages 29 to 39 of this annual report) present fairly the consolidated financial position of Ashland Oil, Inc. and subsidiaries at September 30, 1973 and September 30, 1972 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.*

Note I: Sale Transaction–The Company has been advised of a possible claim to fulfill an alleged sale transaction, arising in connection with a discontinued business operation, for delivery of 2,500 to 3,500 barrels (U. S. 42 gallons each) per day of propane during 1975 through 1980 at 5¼ cents per gallon. During 1973, due to current world-wide energy shortages, the quoted market price (purchase price) of propane varied widely but was significantly in excess of the above stated sales price per gallon. It is not possible at the present time to estimate propane market prices which will be in effect during the years 1975 through 1980 or whether the Company has any enforceable obligation with respect to such transaction. Management believes the resolution of this matter will not result in a loss material in relation to the Company's consolidated financial position.

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 the 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.

TABLE 6-8: CONSISTENCY EXCEPTIONS

	1973	1972	1971	1970
Reason for Exception				
Consolidation policy	10	15	19	13
Classification of accounts to conform with APB Opinion No. 30.	10	—	—	—
Change to conform with AICPA industry guides	10	N/C	N/C	N/C
Inventory valuation	9	5	11	5
Expense recognition	8	7	11	11
Equity method adopted	8	32	46	9
Translation of foreign currency accounts	8	N/C	N/C	N/C
Employee benefits	6	N/C	N/C	N/C
Acquisitions	6	3	8	8
Interperiod tax allocation	4	12	5	2
Depreciation	3	6	10	12
Other	5	24	15	14
Total Reasons	**87**	**104**	**125**	**74**
Number of Companies				
1973 Consistent with 1972 except for change	42	32	39	32
1973 Consistent with 1972 after restatement	32	56	69	34
Subtotal	**74**	**88**	**108**	**66**
No indication of lack of consistency	526	512	492	534
Total	**600**	**600**	**600**	**600**
Consistency qualification — approval or concurrence of auditor expressed	40	29	30	23
Restatement reference — approval or concurrence of auditor expressed	23	33	N/C	N/C

N/C — Not Compiled.

.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 reporting 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 each 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 42 auditors' reports expressed a consistency qualification as to 47 matters and that 32 auditors' reports mentioned, as to 40 matters, that the 1973 financial statements were consistent with those of 1972 as restated or revised to reflect an event occurring in 1973 which affected

comparability. Examples of consistency qualifications and restatement references follow.

RESTATEMENT REFERENCES

Consolidation Policy

To the Shareholders and Board of Directors
Westvaco Corporation

We have examined the consolidated financial statements of Westvaco Corporation and its subsidiaries appearing on pages 21 through 27 of this report. 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 1973, the Company changed its consolidation policy with respect to U.S. Envelope Company, as further described in the summary of significant accounting policies.

In our opinion, the consolidated financial statements examined by us present fairly the financial position of Westvaco Corporation and subsidiaries at October 31, 1973 and 1972, and the results of their operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles. These accounting principles have been consistently applied after restatement for the change, with which we concur, in consolidation policy indicated in the preceding paragraph.—*Report of Independent Accountants.*

Notes to Financial Statements

Summary of significant accounting policies (in part)

Basis of consolidation: The consolidated financial statements include the accounts of all subsidiaries. Prior to 1973 the Company's investment in U.S. Envelope Company (then 58% owned) was carried at cost plus equity in the subsidiary's undistributed net income. In view of the increase in the Company's ownership of U.S. Envelope, effected pursuant to a stock exchange offer in October 1973 (see note A), the accounts of U.S. Envelope are now fully consolidated. Prior year financial data appearing in this report have been restated to reflect the change in consolidation policy. Previously reported net income has not been affected by this change.

Classification of Film Production Costs

To the Board of Directors
and Shareholders of MCA Inc.

We have examined the consolidated balance sheet of MCA Inc. and its subsidiaries as of December 31, 1973 and 1972 and the related consolidated statements of income and retained earnings 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 the Summary of Accounting Policies, during 1973 the Company retroactively changed its method of classifying film production costs to conform to recently issued accounting guidelines for motion picture films.

In our opinion, the consolidated financial statements examined by us present fairly the financial position of MCA Inc. and its subsidiaries at December 31, 1973 and 1972 and 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 change, with which we concur, referred to in the preceding paragraph.—*Report of Independent Accountants.*

Summary of Accounting Policies

Inventories, Amortization and Film Rental Income— Inventories are stated at the lower of cost, amortized cost or estimated realizable value, determined where applicable, on a first-in, first-out basis.

To conform with the requirements of the American Institute of Certified Public Accountants' industry accounting guide, "Accounting for Motion Picture Films", film inventories, previously classified as current assets in accordance with industry practice, are now classified as current and noncurrent assets on the balance sheet.

Theatrical film production and print costs, less television residual values, are amortized over a 104-week period based on past theatrical film rental experience, by charges to income equal to 73% of such net costs in the first 26 weeks of release and 90.25% in 52 weeks. Such charges amortize these film production costs in approximately the same ratio that current revenues bear to anticipated total revenues. Amortization of the cost of films originally released on television and of television residual values of theatrical films, is proportional to the flow of income estimated to be received.

Revenues from the theatrical distribution of films are recorded when they become due from the exhibitor.

Revenues from the original network exhibition license of all films produced for initial exhibition on television are recorded as earned upon delivery. Revenues and receivables from all other television exhibition licenses are recorded when the rentals become due. Under the new uniform method of accounting in the film industry accounting guide, revenues from such licenses entered into after 1973 will generally be recognized entirely when the film is first available for telecast under each license.

Other requirements of the accounting guide affecting the accounting for film revenues and costs will be adopted in 1974 by the Company for licensing agreements entered into and films released after December 31, 1973. While the effect of these accounting changes is not determinable at this time, they will have a favorable impact on net income in the next several years because revenues and related costs will be recognized sooner than under the present accounting methods.

Change From Lifo

To the Stockholders and Board of Directors
The Rath Packing Company

We have examined the balance sheet of The Rath Packing Company as of September 29, 1973 and September 30, 1972 and the related statements of operations and retained earnings 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.

The basis of pricing pork product inventories was changed from last-in, first-out (Lifo) cost to approximate current market, less allowance for selling and distribution expenses as of December 31, 1972, as described in Notes 1 and 3 to the financial statements.

In our opinion, the financial statements examined by us present fairly the financial position of The Rath Packing Company at September 29, 1973 and September 30, 1972, the results of its operations and the changes in its 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 pricing certain inventories referred to in the preceding paragraph.—*Report of Independent Accountants.*

Notes to Financial Statements

Note 1 (in part): Accounting Policies–

Inventories–Meat and other products are priced at approximate current market, less allowance for selling and distribution expenses. Materials and supplies are priced at the lower of first-in, first-out cost or market.

Effective with the beginning of the 1973 tax year (December 31, 1972), the basis of pricing pork product inventories was changed from last-in, first-out (Lifo) cost to approximate current market, less allowance for selling and distribution expenses, and the revised basis of pricing has been reflected retroactively in the accompanying financial statements. Approval for this change in accounting principle has been received from the Internal Revenue Service. The change was made to reduce the effect on earnings of cyclical fluctuations in supply and purchase cost of hogs, which effect had been significantly magnified by the use of the Lifo accounting method. In addition, the revised basis of pricing will make the Company's financial statements more comparable with those of other companies in the industry, most of whom no longer use the Lifo accounting method. The effects of the change are reported in Note 3.

Note 3: Inventories–A summary of the composition of the inventories follows:

	September 29, 1973	September 30, 1972 (Restated)
Pork products	$12,352,000	$ 8,517,000
Products other than pork	4,173,000	3,584,000
Materials and supplies	2,949,000	2,657,000
	$19,474,000	**$14,758,000**

As described in Note 1, the basis of pricing pork product inventories was changed during the 1973 fiscal year from last-in, first-out (Lifo) cost to approximate current market, less allowance for selling and distribution expenses. The retroactive effect of this change in accounting principle is reflected in the financial statements by increases of $4,544,000 in inventories and retained earnings at September 30, 1972 and by an increase of $2,843,000 in retained earnings at the beginning of the 1972 fiscal year. This change also had the effect of increasing net earnings for the 1973 fiscal year by $2,862,000, or $2.40 per share, and of reducing net loss for the 1972 fiscal year by $1,701,000, or $1.43 per share.

Method of Accounting for Sales of Real Estate

The Board of Directors
American Cyanamid Company:

We have examined the consolidated balance sheets of American Cyanamid Company and subsidiaries as of December 31, 1973 and 1972 and the related consolidated statements of earnings, earnings employed 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 consider necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of American Cyanamid Company and subsidiaries at December 31, 1973 and 1972, 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, after restatement for the change, with which we concur, in the method of accounting for profit on sales of real estate as described in Note 2 to the consolidated financial statements.—*Accountants' Report.*

Notes to Consolidated Financial Statements
(Thousands of dollars)

Note 2 (in part): The Real Estate Subsidiaries (Ervin Industries, Inc.) are not consolidated with the accounts of the company. Condensed consolidated financial information follows:

Balance Sheets

	December 31, 1973	1972 (Note a)
ASSETS		
Cash	$ 5,549	$ 6,533
Mortgage notes and other receivables	22,119	30,775
Inventories, properties and equipment, net (substantially all pledged to secure mortgage and other notes payable)	215,092	170,726
Other assets	9,060	9,041
	$251,820	**$217,075**
LIABILITIES AND STOCKHOLDER'S EQUITY		
Liabilities, substantially all mortgage and other notes payable (Note c)	$210,021	$179,167
Subordinated notes payable to American Cyanamid Company due through July 1978 bearing interest up to 11% currently waived	31,981	18,550
STOCKHOLDER'S EQUITY		
Common stock and additional paid-in capital	12,733	8,733
Accumulated earnings (loss) (Note a)	(2,915)	10,625
Total stockholder's equity	9,818	19,358
	$251,820	**$217,075**

Statements of Operations and Accumulated Earnings (Loss)

	Years ended December 31, 1973 (Note b)	1972 (Note a)
Sales and revenues	$101,789	$92,171
Costs and operating expenses	128,729	89,872
Earnings (loss) before income taxes	(26,940)	2,299
Income taxes	(13,400)	1,138
Net earnings (loss)	**(13,540)**	**1,161**
Accumulated earnings at beginning of year as restated	10,625	9,464
Accumulated earnings (loss) at end of year	**($2,915)**	**$10,625**

Notes:

(a) During 1973 the real estate subsidiaries adopted the guidelines issued by the American Institute of Certified Public Accountants entitled "Accounting for Profit Recognition on Sales of Real Estate". This guide provides among other things that profit from sale and leaseback contracts be deferred until rental on underlying leases attains levels that assure the seller coverage of operating expenses and debt service. As a result, prior periods have been restated as permitted under the guide. The effect of the restatement is to reduce previously reported net earnings by $2,314 ($.05 per Cyanamid share) in each of the years 1971 and 1972 and to reduce Ervin's net loss for 1973 by $3,360 ($.07 per Cyanamid share). The balance of $1,268 is deferred to future periods.

Interperiod Tax Allocation

To the Stockholders and Board of Directors
Keystone Consolidated Industries, Inc.
Peoria, Illinois

We have examined the consolidated balance sheet of KEYSTONE CONSOLIDATED INDUSTRIES, INC. as of June 30, 1973 and the related consolidated statements of earnings 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 made a similar examination of the consolidated financial statements for the year ended June 30, 1972, which have been restated as described in Note A.

In our opinion, the aforementioned financial statements present fairly the consolidated financial position of Keystone Consolidated Industries, Inc. at June 30, 1973 and 1972 and the consolidated results of operations and consolidated 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 from investments in companies accounted for under the equity method as described in Note A to the financial statements.—*Auditors' Report.*

Notes to Consolidated Financial Statements

Note A (in part): Income Taxes—The Company provides for income taxes currently payable and, in addition, provides for deferred income taxes resulting from timing differences between financial and taxable income. Since July 1, 1968, the investment tax credit has been recorded on the flow-through method of accounting. Credits for prior years, which were deferred, are being amortized over the useful lives of the related assets.

In compliance with Opinion 24 of the Accounting Principles Board, the Company retroactively changed its method of accounting to provide appropriate income taxes on undistributed earnings from investments in companies accounted for under the equity method. The 1972 financial statements have been restated to include this change, the effect of which was to reduce retained earnings at the beginning of fiscal 1972 and increase deferred federal income taxes by $785,000. Net earnings for 1972 have been decreased by $131,000 or $.07 per share; the effect on net earnings in 1973 was a decrease of $126,000 or $.07 per share. No provision has been made for income taxes on approximately $650,000 of cumulative undistributed earnings of foreign subsidiaries as provided in Opinion 23 of the Accounting Principles Board, since it is the Company's intention to permanently invest such earnings.

Equity Method Adopted

To the Directors and Shareholders
Harnischfeger Corporation

We have examined the consolidated balance sheets of Harnischfeger Corporation and its subsidiaries as of October 31, 1973 and 1972, and the related consolidated statements of income and retained earnings 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.

The Company adopted the equity method of accounting for certain investments and two subsidiaries were included in the consolidated financial statements for the first time in the year ended October 31, 1972 as described in Financial Note 2.

In our opinion, the consolidated financial statements examined by us present fairly the financial position of Harnischfeger Corporation and its subsidiaries at October 31, 1973 and 1972, 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 changes, with which we concur, made as of November 1, 1971 referred to in the preceding paragraph.—*Opinion of Independent Accountants.*

To the Board of Directors and Stockholders
American Smelting and Refining Company

We have examined the consolidated balance sheet of American Smelting and Refining Company and Consolidated Subsidiaries as of December 31, 1973, and the related consolidated statements of earnings, stockholders' equity 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 for 1972.

In our opinion, the consolidated financial statements mentioned above present fairly the financial position of American Smelting and Refining Company and Consolidated Subsidiaries at December 31, 1973 and 1972 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 retroactive adjustment for the change, with which we concur, in accounting for the investment in Revere Copper and Brass Incorporated as described in Note 4(c) to the financial statements.—*Auditor's Report.*

Notes to Financial Statements

Note 4(c): Revere Copper and Brass Incorporated—In 1973, Asarco adopted the equity method of accounting for its 33.4% interest in the common stock of Revere Copper and Brass Incorporated. Heretofore, this investment of 1,876,296 shares was carried at historical cost of $8,511,000. APB Opinion No. 18 requires the use of the equity method of accounting when a stockholding is in excess of 20%.

To implement the technical rules of the equity method of accounting, Asarco adjusted retroactively its December 31, 1972 balance sheet by increasing the carrying value of its Revere common stock investment by $12,975,000, increasing deferred income tax credits by $3,275,000, and thereby adding $9,700,000 to its retained earnings as follows:

	(in thousands)		
	Carrying Value	Deferred Income Taxes*	Earnings Employed in the Business
Equity in undistributed earnings since dates of acquisition	$44,835	$13,451	$31,384
Excess cost of investment over equity in underlying net assets at dates of acquisition	(3,429)	(1,029)	(2,400)
Intercompany eliminations	(3,431	(1,647)	(1,784)
Decline in value of investment	(25,000)	(7,500)	(17,500)
Net adjustments	12,975	$ 3,275	$ 9,700
Investment, at historical cost	8,511		
Carrying value (adjusted), as of Dec. 31, 1972	21,486		
Equity in 1973 earnings	942	$ 308	$ 634
Carrying value, Dec. 31, 1973	$22,428		

*Required by APB Opinion No. 24.

The $25,000,000 decline in value of the investment was recognized, to bring the carrying value to $21,486,000, approximately the estimated fair value indicated in a 1973 appraisal report by independent experts. This write-down was attributed to the years 1970 ($13,000,000 and 1971 ($12,000,000), when such loss of value was estimated to have occurred.

As a result of this change in accounting, Asarco's net earnings have been restated for back years where applicable. The restatement for 1972 reduced Asarco's reported net earnings by $2,226,000, equivalent to 9c per share (previously reported net earnings were $49,110,000, or $1.84 per share). In 1973, Asarco's share of Revere's earnings, after deferred tax provision, amounted to $634,000 or 2c per share. At December 31, 1973, the carrying value of the Revere stock invested amounted to $22,428,000, the underlying equity in Revere's net assets amounted to approximately $47,428,000, and the quoted market value was $14,541,000 (February 22, 1974—$17,590,000).

Asarco also owns $22,763,000 par value of Revere 5½% convertible subordinated debentures due 1992, carried at $22,839,000. Market value was $11,951,000 at December 31, 1973 (February 22, 1974—$13,658,000).

CONSISTENCY QUALIFICATIONS

Translation of Foreign Currency Accounts

Brown & Sharpe Manufacturing Company
North Kingstown, Rhode Island

We have examined the consolidated balance sheet of Brown & Sharpe Manufacturing Company at December 29, 1973 and the related consolidated statements of income and earnings employed in the business 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 made a similar examination of the consolidated financial statements for the preceding year.

In our opinion, the aforementioned financial statements present fairly the consolidated financial position of Brown & Sharpe Manufacturing Company at December 29, 1973 and December 30, 1972, and the consolidated results of its operations and the changes in its 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 method of accounting for unrealized foreign currency exchange gains and losses as described in Note 2 to the consolidated financial statements.—*Report of Independent Certified Public Accountants.*

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of Significant Accounting Policies

Translation of Foreign Currencies—Assets and liabilities of subsidiaries located outside the United States are translated into U.S. dollars at rates of exchange in effect at balance sheet dates with the exception of property, plant and equipment, accumulated depreciation, mortgage loans relating to property, deferred charges and deferred income taxes, which are translated at rates of exchange prevailing at dates acquired or incurred. Revenue and expense amounts are translated at average rates of exchange for the year except that depreciation is translated at historical rates. Prior to 1973 unrealized translation gains and losses were reflected in the income statement as extraordinary items (see note 2). In 1973 the Company changed its method of accounting for translation adjustments to one of deferring net unrealized gains and credited $913,000 to Deferred Currency Translation Gains in the balance sheet. The Company intends to charge future unrealized losses against this account. However, should losses exceed deferred gains, the excess will be charged to income currently and subsequent gains will be credited to income to the extent of such net losses previously charged to income.

Note 2: Change in Accounting Principle—In 1973 net unrealized translation gains on foreign exchange were deferred (see note 1). In prior years unrealized translation gains and losses were recognized as extraordinary items. This change was made to reduce the resulting non-operating fluctuations affecting the Company's reported net income. The effect of the change was to reduce 1973 net income by $913,000 ($.39 per share) for unrealized gains deferred during the year.

The cumulative effect of retroactive application of this accounting change on prior years (to December 30, 1972) is not significant. Had this change in method been applied retroactively, 1972 income before extraordinary item and net income would have been $912,000 ($.39 per common share).

To the Board of Directors and Shockholders
Chicago Pneumatic Tool Company

We have examined the accompanying consolidated statement of financial position of Chicago Pneumatic Tool Company at December 31, 1973 and 1972 and the related statements of consolidated current and retained earnings and changes in financial position for the years then ended. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described in the accompanying financial summary on page 18, the company in 1973 adopted a conservative accounting change which defers the recognition of gains resulting from the translation of foreign currencies. This change reduced income in 1973 by $755,000.

In our opinion, the aforementioned financial statements present fairly the consolidated financial position of Chicago Pneumatic Tool Company and its subsidiary companies at December 31, 1973 and 1972, the results of their operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles which, except for the change referred to in the preceding paragraph, with which we concur, have been consistently applied.—*Report of Independent Accountants.*

Financial Summary

Consolidated Financial Statements include the accounts of all domestic and foreign subsidiaries, including Wreckair Holdings, Ltd., and Allied Steel & Tractor Products, Inc. which were acquired in 1973 and accounted for by the purchase method. All significant items relating to transactions between the parent and subsidiaries are eliminated from consolidated statements.

The company's equity in the net assets of its consolidated subsidiaries exceeded its investment therein by $56,135,000 at December 31, 1973 and $53,494,000 at December 31, 1972.

Except for fixed assets and accumulated depreciation, which are translated at rates in effect at dates of acquisition, assets and liabilities of foreign subsidiaries are translated into U.S. dollars at current rates of exchange. Foreign net assets are included in the Statement of Financial Position at December 31, 1973 in the amount of $46,442,000 including net current assets of $20,956,000. Net earnings applicable to foreign operations are included in the Statement of Current and Retained Earnings for the year ending December 31, 1973 in the amount of $6,661,000. Income, cost and expense accounts are translated at a weighted average of exchange rates which were in effect during the year, except for depre-

ciation and amortization which are translated at the rates of exchange in effect when the respective assets are acquired.

Prior to 1973, all foreign currency translation gains and losses were included in net earnings. Beginning in 1973, foreign currency translation gains will be credited to a reserve for foreign currency fluctuations. Foreign currency translation losses will be charged to this reserve, unless such losses exceed the balance in the reserve in which case they will be charged to earnings in the current year. At December 31, 1973 the reserve balance was $755,000. As part of this conservative change, the company is now including in the above the translation of inventories of foreign subsidiaries into U.S. dollars at current rates of exchange rather than at historical rates. The net effect in 1973 of this change in accounting principle was to decrease net earnings by 15 cents per share. This change will be reflected on a prospective basis as its application in years earlier than 1973 would not have significantly affected reported earnings.

Notes to Consolidated Financial Statements

Note 1: Extraordinary and Other Transactions—In 1972 the extraordinary credit consists of $1,016,000 gain (after taxes of $731,000) on the sale of a cement plant closed in 1970 reduced by $729,000 of loss and expenses (after taxes of $525,000) related to an accident involving the collapse of an overhead crane located at the Orange, Texas plant in December 1972.

The Company has changed the method of presenting gains and losses from sales or abnormal retirements of property in 1973 to conform with Opinion No. 30 issued by the Accounting Principles Board of the American Institute of Certified Public Accountants. In 1972 such items were presented as an extraordinary credit, in conformity with the accounting principles then generally accepted, and in 1973 were included in determining income before extraordinary credit, in conformity with the newly issued Opinion. Restatement of the 1972 financial statements for such items is prohibited by the Opinion. Had the Opinion been in effect for 1972, income before extraordinary credit and net income would have been the same, $3,823,000 or $1.97 a share.

Classification of Accounts to Conform With APB No. 30

The Stockholders and Board of Directors
Alpha Portland Industries, Inc.:

We have examined the consolidated balance sheet of Alpha Portland Industries, Inc. and subsidiaries as of December 31, 1973 and 1972 and the related 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. We did not examine the 1973 statements of three joint ventures in which the companies participate, which statements reflect assets and revenues of which the companies' proportionate share constitutes 3% and 6%, respectively, of the 1973 consolidated totals. Further, we did not examine the 1972 statements of six such joint ventures, which statements reflect assets and revenues of which the companies' proportionate share constitutes 3% and 12%, respectively, of the 1972 consolidated totals. 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 joint ventures, is based solely upon the reports of the other auditors.

In our opinion, based upon our examination and the reports of the other auditors, such consolidated financial statements present fairly the financial position of the companies at December 31, 1973 and 1972 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 except for the change (with which we concur) in the method of determining income before extraordinary items with respect to gains and losses from sales or retirements of property as described in Note 1 to the financial statements.

The Board of Directors and Shareholders
IU International Corporation
Wilmington, Delaware

We have examined the consolidated balance sheets of IU International Corporation (a Maryland corporation) and subsidiaries as of December 31, 1973 and 1972 and the related consolidated statements of income, additional paid-in 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. We did not examine the financial statements of certain consolidated subsidiaries, which statements reflect total assets constituting 4.9% and 5.0%, and sales and revenues constituting 5.1% and 6.9%, respectively, of the related consolidated totals for the years ended December 31, 1973 and 1972. 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 companies, is based solely upon the reports of the other auditors.

In our opinion, based upon our examination and the reports of other auditors, the aforementioned consolidated financial statements present fairly the financial position of IU International Corporation and subsidiaries at December 31, 1973 and 1972, and the results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles which, except for the change, with which we concur, in the method of determining income before extraordinary items as required by Accounting Principles Board Opinion No. 30 and as described in note 3 to the financial statements, have been applied on a consistent basis.

Notes to Financial Statements

Note 3 (in part): Income Presentation—As required by Opinion No. 30, adopted in 1973 by the Accounting Principles Board of the American Institute of Certified Public Accountants, the Corporation has changed its criteria for the types of items to be included in determining income before extraordinary items in the statement of consolidated income. In 1973, transactions of the type as summarized below were included in determining income before extraordinary items, in conformity with the newly-issued Opinion. The Opinion prohibits restating the 1972 financial statements. Had the Opinion been in effect for 1972, net income would have been the same, but income before extraordinary item would have been $60,676,000 ($1.90 per average common and common equivalent share) rather than the $59,992,000 ($1.88 per average common and common equivalent share) as reported.

Included in other income are the following significant items:

	1973	1972
Interest and dividends	$ 8,083,000	$8,880,000
Gain on ships sold	650,000	5,489,000
Excess of insurance proceeds over carrying value of lost vessel	16,617,000	—
Gain on sales or exchange of securities and other investments	5,764,000	—
Provision for loss on disposition of subsidiaries and certain other assets	(6,792,000)	—
Writedown of land held for sale or development	(7,980,000)	—

Board of Directors
The Mohawk Rubber Company
Hudson, Ohio

We have examined the consolidated balance sheets of The Mohawk Rubber Company and subsidiaries as of December 31, 1973, and December 31, 1972, and the related statements of consolidated income, shareholders' equity, 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 aforementioned financial statements present fairly the consolidated financial position of The Mohawk Rubber Company and subsidiaries at December 31, 1973, and December 31, 1972, and the consolidated results of their operations, changes in shareholders' equity, and changes in consolidated financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the period except for the change, with which we concur, in the method of determining income before extraordinary charge as discussed in Note G.—*Accountants' Report.*

Notes to Consolidated Financial Statements

Note G: Change in Accounting for Extraordinary Items—The $804,000 loss on discontinuance of certain foreign operations in 1972 and the additional loss of $144,000 in 1973 associated with this discontinuance are presented as extraordinary charges in conformity with accounting principles then generally accepted. In 1973, a $586,126 net loss on discontinuance of certain domestic operations is included in income before extraordinary charge as a disposal of a segment of business in conformity with Accounting Principles Board Opinion No. 30. The opinion prohibits restating the 1972 income before extraordinary charge. Had the opinion been in effect for both years, net income would have been the same, but income before extraordinary charge would have been $2,705,716 ($2,38 per share) for 1972 and $3,216,144 ($2.78 per share) for 1973.

Change to Lifo

To the Shareholders and Board of Directors
Consolidated Packaging Corporation

We have examined the balance sheet of Consolidated Packaging Corporation and Subsidiaries as of December 31, 1973 and the related statements of earnings, shareholders' equity 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 financial statements of the Company and its subsidiaries for the year 1972.

In our opinion, the accompanying financial statements present fairly the financial position of Consolidated Packaging Corporation and Subsidiaries at December 31, 1973 and 1972 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, except for the change, with which we concur, in the method of determining cost for inventory as described in Note 2.—*Auditors' Report.*

Notes to Financial Statements

Note 2: Inventories—Inventories at the respective year-ends consisted of the following:

	1973	**1972**
Raw materials and supplies	$5,037,000	$3,776,000
Finished goods and work in process	3,149,000	3,097,000
	$8,186,000	**$6,873,000**

Effective January 1, 1973, the Company changed its method of determining the cost of inventory from average production and purchase cost to the last-in, first-out basis.

This change was made to recognize the effect of inflation on inventory and thereby more effectively match current costs with current revenues for both financial and income tax reporting purposes. The use of the last-in, first-out method resulted in a decrease in year-end inventory and an increase in cost of goods sold for the year of approximately $1,250,000. Had this

change not been made, earnings and earnings per share would have been as follows:

Earnings before extraordinary item	$1,967,000	$1.41
Extraordinary item—income tax benefit arising from utilization of net operating loss carryforward	1,986,000	1.42
Net earnings	**$3,953,000**	**$2.83**

Due to the nature of this change, it is impractical to determine the cumulative effect on retained earnings at the beginning of the year. Accordingly, pro forma results of operations for the prior year, had this principle been followed in that period, is not determinable.

Depreciation Method

To the Shareholders of
Marhoefer Packing Company, Inc.
Muncie, Indiana

We have examined the consolidated balance sheet of Marhoefer Packing Company, Inc., and Subsidiary, as of November 3, 1973 and October 28, 1972, and the related consolidated statements of earnings, 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 financial statements referred to above present fairly the consolidated financial position of Marhoefer Packing Company, Inc., and its Subsidiary at November 3, 1973 and October 28, 1972, 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 except for the change in 1973, with which we concur, in the method of computing depreciation as described in Note 2 to the Consolidated financial statements.

Notes to Consolidated Financial Statements

Note 2: Change in Depreciation Method for Plant and Equipment—Depreciation of plant and equipment has been computed by the straightline method in 1973. Depreciation of plant and equipment in prior years was computed, principally, by use of accelerated methods. The new method of depreciation was adopted to put the company on a more comparable basis with industry practices and has been applied retroactively to plant and equipment acquisition of prior years. The effect of the change in 1973 was to decrease earnings, before the cumulative effect of the change by approximately $15,000. (Or $.03 per share) To apply the new method retroactively, the adjustment of $848,498 (after reduction for income taxes of $78,000) is included in income of 1973. The pro forma amounts shown on the earnings statement have been adjusted for the effect of retroactive application on depreciation and related income taxes.

Prior Year Change

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, 1973 and 1972 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, 1973 and 1972, 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 subsequent to the change, with which we concur, made as of January 1, 1972, 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 item by $1,687,000 ($.05 per share). The cumulative effect of such accounting change on years prior to 1972 amounted to $21,415,000 ($.57 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.

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, 1973 and 1972, 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, 1973 and 1972, and the consolidated results of their operations and 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 October 31, 1971, 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): Summary of significant accounting policies

Change in accounting method—Pursuant to the United States Internal Revenue Service review of the 1967 and 1968 federal income tax returns, the Service required for tax purposes that the Company change its method of accounting for miscellaneous material and labor to include such items in inventories which were previously charged to operations as incurred. The cumulative effect of such change, which amounted to $3,290,000 at October 31, 1971, less related 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 ten year period commencing in 1968.

Monsanto Company:

We have examined the accompanying consolidated financial statements (pages 24 through 33) of Monsanto Company and Subsidiaries for the years ended December 31, 1973 and 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, such financial statements present fairly the consolidated financial position of Monsanto Company and Subsidiaries at December 31, 1973 and 1972 and the results of their operations and changes in their 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, 1972, in the method of computing depreciation explained on page 30 in the notes to financial statements.—*Accountants' Opinion.*

Notes to Financial Statements

Depreciation, Obsolescence and Depletion

Charges against income were:

	1973	1972
	($ millions)	
Depreciation and amortization......	$153.1	$168.4
Obsolescence.........................	13.5	21.7
Depletion.............................	3.7	3.8
	$170.3	**$193.9**

To conform with prevailing industry practice, 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 most domestic assets placed in service on or after that date. The change resulted in reduced depreciation charges of $12.7 and $5.0 and increases in net income of $6.6 and $2.6, or 20 and 8 cents per share for 1973 and 1972, respectively.

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 $6.3 in 1973 and $13.0 in 1972.

OTHER MODIFICATIONS OF STANDARD FORM AUDITORS' REPORT

Qualification As To Prior Year's Statements Removed

Filter Dynamics International, Inc.
Cleveland, Ohio

We have examined the consolidated balance sheet of FILTER DYNAMICS INTERNATIONAL, INC. AND SUBSIDIARIES as of November 30, 1973 and 1972 and related consolidated statements of income, retained earnings, capital in excess of par value 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 E-T Industries, Inc., for the two years nor the financial statements of Battery Systems, Inc. and Grand Safgard Automotive Products, Inc., for the year ended November 30, 1972. For the current year E-T Industries, Inc., total assets and sales constituted 17% and 20%, respectively of the consolidated totals and for the prior year the three companies total assets and sales constituted 27% and 33%, respectively of the consolidated totals. 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 the above mentioned subsidiaries, is based solely upon the reports of the other auditors.

Last year our opinion on the financial statements was subject to the consummation of the sale of certain assets of a subsidiary. During the fiscal year ended November 30, 1973, this incertainty has been resolved as referred to in Note 5 thereby removing the qualification of our opinion for the fiscal year ended November 30, 1972.

In our opinion, based upon our examination and the reports of other auditors referred to above, the aforementioned financial statements present fairly the consolidated financial position of Filter Dynamics International, Inc. and Subsidiaries at November 30, 1973 and 1972 and the consolidated results of their operations and the consolidated 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.*

To the Shareholders and Board of Directors
Fairchild Camera and Instrument Corporation

We have examined the consolidated balance sheets of Fairchild Camera and Instrument Corporation and its subsidiaries as of December 30, 1973 and December 31, 1972, and the related consolidated statements of income, shareholders' 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.

The opinion in our report dated January 24, 1973 on the Company's 1972 consolidated financial statements was qualified with respect to the uncertainty of the effect, if any, of a potential assessment of additional income taxes for prior years proposed by the Internal Revenue Service. Because of developments described in Note 2, the qualification of our opinion as to this matter is removed.

In our opinion, the consolidated financial statements examined by us present fairly the financial position of Fairchild Camera and Instrument Corporation and its subsidiaries at December 30, 1973 and December 31, 1972, 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.—*Report of Independent Accountants.*

To the Stockholders and Board of Directors
Tenneco Inc.:

We have examined the consolidated balance sheet of Tenneco Inc. (a Delaware corporation) and subsidiary companies as of December 31, 1973, and the related consolidated statements of income, retained earnings, capital stock and premium on capital stock and other capital surplus, 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 financial statements referred to above present fairly the financial position of Tenneco Inc. and subsidiary companies as of December 31, 1973, and the results of operations and the changes in financial position on a consolidated basis for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We have previously examined and reported on the financial statements for the year ended December 31, 1972. Our opinion on such statements was qualified with respect to the effect of the final resolution of (1) the treatment of the cost pertaining to an LNG plant abandonment and (2) the then application for rate regulation and litigation applicable to Channel Industries Gas Company. Final resolution of these matters was made in 1973, as explained in Notes 3 and 5 to the financial statements.

Justification of Departure from GAAP

Board of Directors and Shareholders
Aeronca, Inc.
Torrance, California

We have examined the consolidated balance sheet of Aeronca, Inc. and subsidiaries as of December 31, 1973 and 1972 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.

In October, 1973, the Company extinguished a substantial amount of debt through a direct exchange of new equity securities. Application of Opinion No. 26 of the Accounting Principles Board to this exchange requires that the excess of the debt extinguished over the present value of the new securities should be recognized as a gain in the period in which the extinguishment occurred. While it is not practicable to determine the present value of the new equity securities issued, such value is at least $2,000,000 less than the face amount of the debt extinguished. It is the opinion of the Company's Management, an opinion with which we agree, that no realization of a gain occurred in this exchange (Note 1), and therefore, no recognition of the excess of the debt extinguished over the present value of the new securities has been made in these financial statements.

The accompanying financial statements have been prepared on the basis of the continuation of the Company as a going concern and requires continued profitable operations, adequate financing of the L-1011 program by the customer and continued adequate financing by the credit grantors (Note 4).

In our opinion, subject to the comments in the preceding paragraph and the recovery of investments in certain aerospace programs (Note 3), the aforementioned consolidated financial statements present fairly the financial position of Aeronca, Inc. and subsidiaries at December 31, 1973 and 1972, 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 which, except for the change, with which we concur, in the method of presenting losses arising from the disposition of segments of the business (Note 2), have been applied on a consistent basis.

Comparability of Financial Statements

The Stockholders and Directors
Rowan Companies, Inc.:

We have examined the consolidated balance sheet of Rowan Companies, Inc. and subsidiaries as of December 31, 1973 and 1972, and the related statements of consolidated income, changes in stockholders' equity, and changes in consolidated financial position for the two years ended December 31, 1973. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As explained in Note 2, one of the Company's 50% owned companies in 1973 extended the composite useful service lives of certain drilling equipment from ten to twelve years and assigned salvage value to the equipment. This revision in estimated useful service lives and salvage value in our opinion does not represent a change in the consistent application of accounting principles but does affect the comparability of the financial statements.

In our opinion, the financial statements referred to above present fairly the financial position of the companies at December 31, 1973 and 1972, and the results of their operations and changes in their financial position for the two years ended December 31, 1973, in conformity with generally accepted accounting principles applied on a consistent basis.—*Opinion of Independent Certified Public Accountants.*

TABLE 6-9: REFERENCES TO OTHER STATEMENTS AND SCHEDULES

	1973	1972	1971	1970
Auditors' Report Refers to:				
Financial statements of finance-related subsidiaries	25	24	24	27
Financial statements of other subsidiaries	5	9	2	4
Historical summary	6	6	6	5
Pro forma statements, etc.	3	4	5	4
Total	**39**	**43**	**37**	**40**
Separate Auditors' Report for:				
Financial statements of finance-related subsidiaries	6	5	6	5
Financial statements of other subsidiaries	2	1	1	2
Financial statements of pension fund etc.	3	3	3	2
Total	**11**	**9**	**10**	**9**

REFERENCES TO OTHER STATEMENTS AND SCHEDULES

Table 6-9 shows that ocassionally an auditors' report refers to schedules and statements other than the basic financial statements (balance sheet, statements of income and retained earnings, and 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.

Auditors' Reports Refer to Separate Statements of Subsidiaries

The Board of Directors
Anderson, Clayton & Co.:

We have examined the consolidated balance sheets of Anderson, Clayton & Co. and consolidated subsidiaries and the combined balance sheets of the Brazilian and Mexican subsidiaries of Anderson, Clayton & Co. as of June 30, 1973 and June 30, 1972, and their 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 aforementioned financial statements present fairly the respective financial positions of Anderson, Clayton & Co. and consolidated subsidiaries and of the combined Brazilian and Mexican subsidiaries of Anderson, Clayton & Co. at June 30, 1973 and June 30, 1972, and the results of their operations and the changes in their financial positions for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Accountants' Report.*

Shareholders and Board of Directors
Chrysler Corporation
Detroit, Michigan

We have examined the accompanying consolidated balance sheet of Chrysler Corporation and consolidated subsidiaries as of December 31, 1973 and 1972, and the related statements of net 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. We performed similar examinations of the balance sheets of Chrysler Financial Corporation and consolidated subsidiaries and Chrysler Realty Corporation and consolidated subsidiaries as of December 31, 1973 and 1972, and the related statements (not shown here) of net

earnings and changes in financial position for the years then ended.

In our opinion, the financial statements referred to above present fairly the financial position of Chrysler Corporation and consolidated subsidiaries, Chrysler Financial Corporation and consolidated subsidiaries and Chrysler Realty Corporation and consolidated subsidiaries at December 31, 1973 and 1972, and the respective results of their operations and changes in their financial positions for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Board of Directors and Shareholders
Evans Products Company
Portland, Oregon

We have examined the balance sheet of Evans Products Company and Consolidated Subsidiaries and the combined balance sheet of the Company's Finance and Leasing Subsidiaries as of December 31, 1973 and 1972, and the related statements of earnings, shareholders' investment 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 Evans Products Company and Consolidated Subsidiaries and the combined financial position of the Company's Finance and Leasing Subsidiaries at December 31, 1973 and 1972, and the respective 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.—*Accountants' Report.*

Auditors' Report Refers to Historical Summary

To the Shareholders and the Board of Directors
Hercules Incorporated
Wilmington, Delaware

We have examined the consolidated financial statements of Hercules Incorporated and wholly owned subsidiary companies for the year ended December 31, 1973. Our examination was made in accordance with generally accepted auditing standards, and accordingly includes 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 Hercules Incorporated for 1972, which have been restated to reflect the poolings of interests, as described in Note 1.

In our opinion, the accompanying consolidated balance sheet and related consolidated statements of income, stockholders' equity and changes in financial position (pages 3-A to 7-A and 10-A to 13-A) present fairly the consolidated financial position of Hercules Incorporated and wholly owned subsidiary companies at December 31, 1973 and 1972, 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. Also, in our opinion, the operating and financial review information in the ten-year digest on pages 8-A and 9-A, after restatement for the 1973 poolings of interests, presents fairly on a consistent basis the information included therein.—*Auditors' Report.*

Separate Auditors' Reports for Other Statements

Board of Directors
Republic Steel Corporation
Cleveland, Ohio

We have examined the statement of assets of the Trust Fund under the 1950 and 1970 Pension Plans of Republic Steel Corporation as of December 31, 1973 and 1972, and the related statement of changes in fund balance 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 assets of the Trust Fund at December 31, 1973 and 1972, and the changes in fund balance for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Accountants' Report.*

To the Board of Directors
Winnebago Acceptance Corporation
Forest City, Iowa

We have examined the accompanying balance sheets of Winnebago Acceptance Corporation, a wholly-owned subsidiary of Winnebago Industries, Inc. as of February 26, 1972 and February 24, 1973 and the related statements of income, reinvested earnings (deficit) and changes in financial position for the period from October 30, 1971 (inception) to February 26, 1972 and the year ended February 24, 1973. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, subject to any adjustments which may result from the final disposition of the litigation described in Item 5 elsewhere in this Form 10-K, the financial statements mentioned above present fairly the financial position of Winnebago Acceptance Corporation at February 26, 1972 and February 24, 1973 and the results of its operations and changes in its financial position for the period from October 20, 1971 (inception) to February 26, 1972 and the year ended February 24, 1973, 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 statements 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. *SAS No. 2* would require an auditor to report on financial statements for a prior year, if examined by him, when presented with those of the current year.

Table 6-10 shows a significant increase during the 1970-1973 period in the number of auditors' reports making reference to the prior year examination. This increase corresponds with 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 by the current year auditors to their prior year examination have been presented throughout Section 6 of this book. Occasionally a company will change auditors. Examples of references by the current year auditors to the examination of prior year statements by predecessor auditors follow.

TABLE 6-10: REFERENCES TO PRIOR YEAR EXAMINATIONS

	1973	1972	1971	1970
Reference to prior year examination	552	537	499	260
No reference to prior year examination	42	57	95	335
Reference to historical summary	6	6	6	5
Total Companies	**600**	**600**	**600**	**600**

Change of Auditors Disclosed in Auditors' Report

The Board of Directors and Shareholders
Allied Mills, Inc.

We have examined the accompanying consolidated balance sheet of Allied Mills, Inc. at March 31, 1973 and the related consolidated statements of earnings and retained earnings and changes in financial position for the nine months 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 Allied Mills, Inc. at March 31, 1973 and the consolidated results of operations and changes in financial position for the nine months then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The consolidated financial statements at June 30, 1972 and for the year then ended were examined by other independent public accountants.—*Report of Certified Public Accountants.*

Board of Directors
F&B/CECO Industries, Inc.

We have examined the consolidated balance sheet of F&B/CECO Industries, Inc. and Subsidiaries as at May 31, 1973 and the related consolidated statements of income, shareholders' equity 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 F&B/CECO of California, Inc., Bardwell and McAlister, Inc. and Photo-Technical Advertising & Publishing Co., Inc., consolidated subsidiaries, which statements reflect total assets and revenues constituting 38% and 39%, respectively, of the related consolidated totals. These statements were examined by another auditor whose report thereon has been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for the aforementioned companies, is based solely upon the report of the other auditor. The consolidated financial statements for the year ended May 31, 1972 were examined by another auditor.

In our opinion, based upon our examination and the report of another auditor, the financial statements referred to above present fairly the consolidated financial position of F&B/CECO Industries, Inc. and Subsidiaries at May 31, 1973 and the consolidated results on their 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.—*Report of Independent Certified Public Accountants.*

To the Board of Directors
Whittaker Corporation

We have examined the consolidated balance sheet of Whittaker Corporation and consolidated subsidiaries as of October 31, 1973 and the related consolidated statements of operations, additional paid-in capital, 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. The consolidated financial statements of Whittaker Corporation for the year ended October 31, 1972 were examined by other public accountants and are presented for comparative purposes only.

In our opinion, the aforementioned consolidated financial statements for the year ended October 31, 1973 present fairly the consolidated financial position of Whittaker Corporation and consolidated subsidiaries at October 31, 1973 and the consolidated results of their 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.

Change of Auditors Disclosed in Financial Statements

MILTON ROY COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 10: Prior year financial statements—The consolidated financial statements of Milton Roy Company for the year 1972 were examined by other independent certified public accountants.

Report of Predecessor Auditors Presented

To the Stockholders and the Board of Directors
Engelhard Minerals & Chemicals Corporation:

We have examined the consolidated balance sheet of Engelhard Minerals & Chemicals Corporation (a Delaware corporation) and subsidiaries as of December 31, 1973 and the related consolidated statements of earnings, retained earnings, 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.

In our opinion, the financial statements referred to above present fairly the financial position of Engelhard Minerals & Chemicals Corporation and subsidiaries as of December 31, 1973 and the results of their operations and the 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.

The Stockholders and Board of Directors
Engelhard Minerals & Chemicals Corporation:

We have examined the consolidated balance sheet of Engelhard Minerals & Chemicals Corporation and subsidiaries as of December 31, 1972 and the related statements of earnings, retained earnings, 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.

In our opinion, the aforementioned financial statements present fairly the financial position of Engelhard Minerals & Chemicals Corporation and subsidiaries at December 31, 1972 and the results of their operations and the 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.

NUMBER OF ACCOUNTING FIRMS

There are 82 certified public accounting firms represented among the 600 companies included in the current survey.

It was noted that 10 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-Seventh (1973) edition. Eighteen companies included in the 1973 edition have been eliminated and their numbers left unused. The companies selected as replacements have been assigned numbers 756 to 770, 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
	Action Industries, Inc. — *see 756*	
5	Adams-Millis Corporation	12
	Adams-Russell Co., Inc. — *see 741*	
6	Addressograph Multigraph Corporation	7
	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.	3
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 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
30	*Akzona Incorporated*	12
	American Electronic Laboratories, Inc. — *see 701*	
31	American Home Products Corporation	12
32	American Hospital Supply Corporation	12
33	*AMF Incorporated*	12
34	American Maize-Products Company	12
35	American Metal Climax, Inc.	12
36	American Motors Corporation	9
39	*American Standard Inc.*	12
40	*ASG Industries, Inc.*	12
41	American Seating Company	12
42	The American Ship Building Company	9
43	American Smelting and Refining Company	12
	American Standard Inc. — *see 39*	
44	*Amstar Corporation*	6
45	*American Brands, Inc.*	12
47	Ametek, Inc.	12
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
	Armada Corporation — *see 67*	
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
67	*Armada Corporation*	12
68	Associated Dry Goods Corporation	1

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
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
84	*Squibb Corporation*	12
	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
105	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
126	Caterpiller Tractor Co.	12
127	Celanese Corporation	12

Co. No.		*Month in which fiscal year ends
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
149	Colonial Stores Incorporated	12
150	*Great Western United Corporation*	5
151	Colt Industries Inc	12
152	Columbia Broadcasting System, Inc.	12
153	Combustion Engineering, Inc.	12
154	Commercial Solvents Corporation	12
	ConAgra, Inc. — *see 406*	
157	*North American Philips Corporation*	12
158	Consolidated Foods Corporation	6
159	*Sears Industries Inc.*	12
160	Consolidated Packaging Corporation	12
163	Continental Can Company, Inc.	12
165	Continental Oil Company	12
167	Control Data Corporation	12
168	Cook Paint and Varnish Company	11
169	Cooper Industries, Inc.	12
170	Copperweld Corporation	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
185	Cyclops Corporation	12
186	Dan River Inc.	12
	Dana Corporation — *see 656*	
	Dart Drug Corporation — *see 744*	
	Dart Industries Inc. — *see 467*	
187	Dayco Corporation	10
188	Deere & Company	10
	Del Monte Corporation — *see 116*	
189	Dennison Manufacturing Company	12
191	Diamond International Corporation	12
	Diamond Shamrock Corporation — *see 658*	

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
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*	
	Ethan Alan, 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
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
	Foremost-McKesson, Inc. — *see 662*	
235	Freeport Minerals Company	12
236	Fruehauf Corporation	12
	GAF Corporation — *see 240*	
	Gamble-Skogmo, Inc. — *see 724*	

Co. No.		*Month in which fiscal year ends
238	Garlock Inc.	12
	Gearhart-Owen Industries, Inc. — *see 758*	
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 Resources Corporation*	10
252	General Refractories Company	12
	General Resources Corporation — *see 251*	
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
	Gloucester Engineering Co., Inc. — *see 759*	
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
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
286	Hercules Incorporated	12
	Herff Jones Co. — *see 725*	

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
287	Hershey Foods Corporation	12
288	Hewlett-Packard Company	10
	Hobart Corporation — *see 290*	
290	*The Hobart Manufacturing Company*	12
291	Hoffman Electronics Corporation	12
292	Holly Sugar Corporation	3
	Homasote Company — *see 666*	
	HON Industries, Inc. — *see 726*	
293	Honeywell Inc.	12
295	The Hoover Company	12
296	Geo. A. Hormel & Company	10
297	Houdaille Industries, Inc.	12
298	Howmet Corporation	12
	The Hubinger Company — *see 760*	
299	Hudson Pulp & Paper Corp.	12
	Humana Inc. — *see 702*	
	Philip A. Hunt Chemical Corporation — *see 736*	
300	*Norton Simon Inc.*	6
302	Hygrade Food Products Corporation	10
	Illinois Central Industries, Inc. — *see 761*	
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	2
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
326	Kennecott Copper Corporation	12
327	Keystone Consolidated Industries, Inc.	6
328	Walter Kidde & Company, Inc.	12
329	Kimberly-Clark Corporation	12

Co. No.		*Month in which fiscal year ends
	Knape & Vogt Manufacturing Company — *see 762*	
330	Koppers Company, Inc.	12
	Kraftco Corporation — *see 397*	
331	S. S. Kresge Company	1
332	The Kroger Co.	12
333	Kuhlman Corporation	12
	The LTV Corporation — *see 628*	
	La Maur Inc. — *see 673*	
	Lafayette Radio Electronics Corporation — *see 672*	
334	Lear Siegler, Inc.	6
	Lee Enterprises, Incorporated — *see 763*	
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, McNeil & Libby	6
340	Liggett & Myers Incorporated	12
341	Eli Lilly and Company	12
	Lily Lynn, Inc. — *see 764*	
	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*	
	MPB Corporation — *see 765*	
	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*	
	The Maple Plain Company, Inc. — *see 719*	
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
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

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
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
	Herman Miller, Inc. — *see 766*	
	Milton Roy Company — *see 737*	
380	Minnesota Mining and Manufacturing Company	12
381	Mirro Aluminum Company	12
382	Mobil Oil Corporation	12
383	Mohasco Industries, Inc.	12
384	The Mohawk Rubber Company	12
	Molybdenum Corporation of America — *see 676*	
	Molycorp Inc — *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
	Multi-Amp Corporation — *see 767*	
392	Munsingwear, Inc.	12
393	G. C. Murphy Company	12
	NL Industries, Inc. — *see 400*	
394	Nabisco, Inc.	12
	Narda Microwave Corporation — *see 768*	
	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
	Neptune International Corporation — *see 407*	
407	Neptune Meter Company	12
	New England Nuclear Corporation — *see 679*	
	A. C. Nielsen Company — *see 680*	
	North American Philips Corporation — *see 157*	
413	*Rockwell International Corporation*	9
415	Northrop Corporation	12
	Northwest Industries, Inc. — *see 738*	
	Norton Simon, Inc. — *see 300*	
	Occidental Petroleum Corporation — *see 681*	

Co. No.		*Month in which fiscal year ends
	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
	Pettibone Corporation — *see 684*	
433	Pfizer Inc.	12
434	Phelps Dodge Corporation	12
436	Philip Morris Incorporated	12
437	Phillips Petroleum Company	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*	
	Potter Instrument Company, Inc. — *see 642*	
450	Pratt & Lambert, Inc.	12
	Pratt-Read Corporation — *see 713*	
451	The Procter & Gamble Company	6
452	Pullman Incorporated	12
453	Purolator, Inc.	12
454	The Quaker Oats Company	6
455	Quaker State Oil Refining Corporation	12
456	RCA Corporation	12
457	Ralston Purina Company	9
458	Ranco Incorporated	9
459	The Rath Packing Company	9
460	Raybestos-Manhattan, Inc.	12
	RayGo, Inc. — *see 729*	
462	Raytheon Company	12
	Reeves Brothers, Inc. — *see 710*	
463	Reliance Electric Company	10
465	Republic Steel Corporation	12
467	*Dart Industries Inc.*	12
468	Rexnord Inc.	10
	R. J. Reynolds Industries, Inc. — *see 470*	
469	Reynolds Metals Company	12
470	*R. J. Reynolds Industries, Inc.*	12
472	Richardson-Merrell Inc.	6
	Richford Industries, Inc. — *see 686*	

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
474	*Sybron Corporation*	12
475	H. H. Robertson Company	12
	Rockwell International Corporation — *see 413*	
476	Rohm and Haas Company	12
	Rowe Furniture Corporation — *see 769*	
	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
485	Scovill Manufacturing Company	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
	Squibb Corporation — *see 84*	
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*	

Co. No.		*Month in which fiscal year ends
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	*Esmark, Inc.*	10
	Sybron Corporation — *see 474*	
	TRW Inc. — *see 548*	
537	Tecumseh Products Company	12
	Teledyne, Inc. — *see 695*	
	Tenneco Inc. — *see 647*	
538	Texaco Inc.	12
	Texas Instruments Incorporated — *see 540*	
539	Texasgulf 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*	
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
	Unifi, Inc. — *see 770*	
	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	7
569	*UV Industries, Inc.*	12
570	United States Steel Corporation	12
571	United States Tobacco Company	12

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
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
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.	1
596	Wm. Wrigley Jr. Company	12
597	The Wurlitzer Company	3
598	Xerox Corporation	12
600	Zenith Radio Corporation	12

ADDED FOR 1968 EDITION

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
627	*IPCO Hospital Supply Corporation*	6
628	*The LTV Corporation*	12
630	*Louisville Cement Company*	12
631	*Marhoefer Packing Company, Inc.*	10
632	*J. Ray McDermott & Co., Inc.*	3
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 Corp.*	12
649	*United Foods, Inc.*	2
650	*Whirlpool Corporation*	12

ADDED FOR 1969 EDITION

Co. No.		*Month in which fiscal year ends
652	*Brenco, Incorporated*	12
653	*Buckbee-Mears Company*	12
654	*Chicago Bridge & Iron Company*	12
656	*Dana Corporation*	8
658	*Diamond Shamrock Corporation*	12
659	*Engelhard Minerals & Chemicals Corporation*	12
660	*Ethyl Corporation*	12
662	*Foremost-McKesson, Inc.*	3
666	*Homasote Company*	12
667	*International Multifoods Corporation*	2
668	*International Telephone and Telegraph Corporation*	12
669	*Interphoto Corporation*	2
670	*Iowa Beef Processors, Inc.*	10
671	*Jewel Companies, Inc.*	1
672	*Lafayette Radio Electronics Corporation*	6
673	*La Maur Inc.*	12
674	*Leslie Fay Inc.*	4
675	*Malone & Hyde, Inc.*	6
676	*Molybdenum Corporation of America*	12
677	*Morse Electro Products Corp.*	3
678	*Mott's Super Markets, Inc.*	12
679	*New England Nuclear Corporation*	2
680	*A. C. Nielsen Company*	8
681	*Occidental Petroleum Corporation*	12
682	*Ohio Ferro-Alloys Corporation*	12
683	*Penn Traffic Company*	1
684	*Pettibone Corporation*	3
685	*Potlatch Corporation*	12
686	*Richford Industries, Inc.*	12
687	*Russ Togs, Inc.*	1
688	*Seton Company*	12
689	*Simkins Industries, Inc.*	9
691	*Spencer Companies, Inc.*	5

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
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

ADDED FOR 1970 EDITION

Co. No.		*Month in which fiscal year ends
701	*American Electronic Laboratories, Inc.*	2
702	*Extendicare, Inc.*	8
705	*Loews Corporation*	8
706	*Lowe's Companies, Inc.*	7
707	*Lykes-Youngstown Corporation*	12
709	*Pall Corporation*	7
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
723	*John Fluke Mfg. Co., Inc.*	9
724	*Gamble-Skogmo, Inc.*	1
725	*Herff Jones Co.*	6
726	*HON Industries, Inc.*	12
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
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 Corporation*	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

ADDED FOR 1974 EDITION

Co. No.		*Month in which fiscal year ends
756	*Action Industries, Inc.*	6
758	*Gearhart-Owen Industries, Inc.*	1
759	*Gloucester Engineering Co., Inc.*	6
760	*The Hubinger Company*	12
761	*Illinois Central Industries, Inc.*	12
762	*Knape & Vogt Manufacturing Company*	6
763	*Lee Enterprises, Incorporated*	9
764	*Lily Lynn, Inc.*	11
765	*MPB Corporation*	3
766	*Herman Miller, Inc.*	5
767	*Multi-Amp Corporation*	4
768	*Narda Microwave Corporation*	6
769	*Rowe Furniture Corporation*	11
770	*Unifi Inc.*	6

Companies Included in Twenty-Seventh Edition Not Included in this Edition of the Survey

Co. No.	Company
7	Admiral Corporation
104	The Bristol Brass Corporation
166	Continental Steel Corporation
184	Cutler-Hammer, Inc.
260	Gimbel Brothers, Inc.
324	Kelsey-Hayes Company
438	Phoenix Steel Corporation
486	Ampco-Pittsburgh Corporation
625	Helena Rubinstein, Inc.
634	Maule Industries, Inc.
651	Associated Products, Inc.
655	Colonial Sand & Stone Co., Inc.
663	Rapid American Corporation
700	First Hartford Corporation
703	Hampton Shirt Co., Inc.
704	LaBarge, Inc.
722	Essex International, Inc.
732	Askin Service Corporation

*Months numbered in sequence, January through December

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