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Accounting trends and techniques, 29th annual survey, 1975 edition

American Institute of Certified Public Accountants

1975 Accounting Trends & Techniques

AICPA

Twenty-Ninth Edition 1975

Accounting Trends & Techniques

Annual Survey of Accounting Practices Followed in 600 Stockholders' Reports

AICPA
American Institute of Certified Public Accountants

Twenty-Ninth Edition **1975**

Accounting Trends & Techniques

Twenty-Ninth 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 2, 1975.

Edited by: George Dick, CPA
Research Administrator,
Technical Information Service
Richard Rikert
Research Assistant, Accounting
Trends & Techniques

1211 Avenue of the Americas, New York, N. Y. 10036

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PREFACE

Accounting Trends & Techniques—1975, Twenty Ninth 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 23, 1974 and February 2, 1975.

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 777 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.

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Paul Rosenfield, Director, Technical Research
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

All 600 companies included in the survey are registered with the Securities and Exchange Commission and are reported in either *Moody's Industrial Manual* or *Moody's OTC Industrial Manual.* Ninety percent of the survey companies have securities traded on one of the major stock exchanges—75% on the New York and 15% on the American. Table 1-1 presents an industry classification of the 600 survey companies; Table 1-2 indicates the relative size of the survey companies as measured by dollar volume of revenue.

TABLE 1-1: INDUSTRY CLASSIFICATIONS

	1974	1973	1972	1971
Foods:				
Meat products	11	11	13	12
Dairy products	5	5	5	5
Canning, etc.	9	9	4	7
Packaged and bulk	21	22	21	17
Baking	5	5	5	5
Sugar, confections, etc.	6	7	7	7
Beverages	6	7	9	8
Tobacco products	8	8	8	8
Textiles	29	29	29	29
Paper products	16	16	16	16
Printing, publishing	7	7	6	6
Chemicals	25	25	26	30
Drugs, cosmetics, etc	19	19	18	20
Petroleum	27	25	25	26
Rubber products, etc.	10	10	12	11
Shoes - manufacturing, merchandising, etc.	8	8	8	8
Building:				
Cement	5	5	7	7
Roofing, wallboard	12	12	11	9
Heating, plumbing	7	7	7	6
Other	16	17	14	15
Steel and iron	23	22	23	20
Metal - nonferrous	18	18	16	14
Metal fabricating	13	12	15	13
Machinery, equipment and supplies	39	39	41	33
Electrical equipment, appliances	17	17	12	14
Electrical, electronic equipment	38	37	33	38
Business equipment and supplies	13	14	11	12
Containers - metal, glass, etc.	8	8	9	9
Autos and trucks (including parts, accessories)	21	21	22	23
Aircraft and equipment, aerospace	16	16	20	19
Railway equipment, shipbuilding, etc.	7	7	10	8
Controls, instruments, medical equipment, watches and clocks, etc.	13	13	13	11
Merchandising:				
Department stores	12	12	9	11
Mail order stores, variety stores	4	4	9	6
Grocery stores	16	17	20	19
Other	9	10	11	10
Motion pictures, broadcasting	6	6	5	6
Widely diversified, or not otherwise classified	75	73	70	82
Total Companies	**600**	**600**	**600**	**600**

TABLE 1-2: REVENUE OF SURVEY COMPANIES

	1974	1973	1972	1971
Less than $100,000,000	93	124	128	137
Between $100,000,000 and $500,000,000	199	194	199	206
Between $500,000,000 and $1,000,000,000	89	95	107	108
Between $1,000,000,000 and $2,000,000,000	114	97	98	89
More than $2,000,000,000	105	90	68	60
Total Companies	**600**	**600**	**600**	**600**

INFORMATION REQUIRED BY SEC REGULATIONS TO BE INCLUDED IN ANNUAL REPORTS TO STOCKHOLDERS

Rule 14c-3 of the Securities Exchange Act of 1934 specifies that annual reports furnished to stockholders in connection with the annual meeting of stockholders include the following information:

1. "certified" comparative financial statements
2. a 5 year summary of operations
3. a management's analysis of the summary of operations
4. a brief description of the company's business
5. a 5 year line of business breakdown
6. identification of the company's directors and executive officers and their principal occupation
7. a statement of the market price range and dividends paid on voting securities for each quarterly period during the past 2 fiscal years.

The above mentioned requirements of Rule 14c-3 were effective for fiscal years ending on or after December 20, 1974. Examples of items 2, 3, 4, and 7 follow. Examples of line of business breakdowns are presented in connection with Table 1-8.

Five Year Summary of Operations

LIBBEY-OWENS-FORD COMPANY (DEC)

Summary of Operations

			Year Ended December 31		
	1974	1973	1972	1971	1970
		(Thousands of Dollars)			
Net Sales	$655,303	$689,217	$594,414	$530,892	$429,693
Cost of Products Sold	520,991	502,416	433,947	385,967	341,605
Interest Expense	9,712	4,108	2,958	3,848	4,780
Income Taxes	21,000	51,760	48,100	38,355	11,455
Net Earnings	31,705	62,211	52,610	49,511	22,554
Dividends on Series A Preferred Stock	5,314	5,710	6,436	6,953	7,055
Earnings Attributable to Common Stock	26,391	56,501	46,174	42,558	15,499
Per Share Data:					
Primary:					
Average Shares Outstanding	10,986	10,962	10,942	10,730	10,695
Per Share Amount	2.40	5.15	4.22	3.97	1.45
Fully Diluted:					
Average Shares Outstanding	12,663	12,769	12,974	12,916	12,893
Per Share Amount	2.40	4.87	4.06	3.83	1.45
Cash Dividends Per Share:					
Preferred	4.75	4.75	4.75	4.75	4.75
Common	2.20	2.50	2.15	2.00	2.20

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

Summary of Operations

	1974	1973	1972	1971	1970
	(In thousands of dollars, except per share data)				
Net Sales	$ 248,928	$ 225,789	$ 189,888	$ 159,837	$ 154,230
Costs and Expenses:					
Cost of Sales	199,430	174,717	145,135	121,686	119,482
Selling, Administrative and General Expenses	38,124	34,275	30,574	27,590	25,006
Interest Expense	4,647	2,245	916	652	469
Equity in Net Earnings of Unconsolidated Foreign Subsidiaries and Companies in Which There is an Ownership Interest of 20 Percent or More	3,708	1,388	403	126	165
Other Income (Expense), Net	(266)	112	(85)	(28)	325
	238,759	209,737	176,307	149,830	144,467
Earnings before Taxes on Income and Cumulative Effect on Prior Years (to December 31, 1973) of Change to Full Absorption Inventory Valuation Methods	10,169	16,052	13,581	10,007	9,763
Taxes on Income					
United States	324	3,731	4,477	3,424	3,527
Foreign	2,579	2,109	1,223	1,001	823
State and Local	247	760	475	350	325
	3,150	6,600	6,175	4,775	4,675
Earnings before Cumulative Effect on Prior Years (to December 31, 1973) of Change to Full Absorption Inventory Valuation Methods	7,019	9,452	7,406	5,232	5,088
Cumulative Effect on Prior Years (to December 31, 1973) of Change to Full Absorption Inventory Valuation Methods (note A)	1,225	—	—	—	—
Net Earnings	$ 8,244	$ 9,452	$ 7,406	$ 5,232	$ 5,088
Per Share of Common Stock—(note B)					
Earnings before Cumulative Effect on Prior Years (to December 31, 1973) of Change to Full Absorption Inventory Valuation Methods	$1.81	$2.44	$1.92	$1.35	$1.29
Cumulative Effect on Prior Years	.32	—	—	—	—
Net Earnings	$2.13	$2.44	$1.92	$1.35	$1.29
Cash Dividends Declared	$1.00	$ .98	$ .935	$ .90	$ .90
Weighted Average Number of Common Shares Outstanding (note B)	3,877,824	3,876,892	3,862,477	3,865,704	3,934,220

(A) Effective January 1, 1974 the Company changed its inventory valuation methods to more fully absorb certain variances and manufacturing overhead costs in inventory values. This change more clearly reflects earnings since these costs were previously treated as period costs and it complies with new regulations issued by the Internal Revenue Service. The effect of this change was to increase net earnings for 1974 by $432,000 ($.11 per share). The adjustment of $1,225,000 (after reduction for taxes on income of $179,000) to reflect the retroactive application of this method to prior years (to December 31, 1973) has been presented separately in the accompanying summary of consolidated operations. Pro forma amounts which reflect the retroactive application of this change to prior years are as follows:

	1974	1973	1972	1971	1970
Net earnings	$7,019	$9,470	$7,503	$5,064	$5,238
Per share of common stock	$ 1.81	$ 2.44	$ 1.94	$ 1.31	$ 1.33

During the fourth quarter of 1974, the Company changed its method of valuing inventories in its domestic operations from the first-in, first-out method previously used to the last-in, first-out method effective for the year 1974. This change was made to more properly charge current operations with current costs and not defer substantial inflation-induced cost increases to subsequent periods. The effect of this change was to reduce net earnings for 1974 by $3,687,000 ($.95 per share). It is impractical to determine the pro forma effects of retroactive application of the last-in, first-out method of inventory valuation, and there is no cumulative effect on retained earnings at the beginning of the year.

(B) After giving retroactive effect to the 2 for 1 stock split effected in the form of a stock dividend in 1972.

MAREMONT CORPORATION (DEC)

Five-Year Comparative Summary of Operations ($000)

	1974	1973	1972	1971	1970
Net Sales (1) (4):					
Automotive Group	$217,260	$187,426	$144,326	$108,467	$ 94,877
CL Distribution Group (4)	45,446	59,076	95,400	107,009	109,320
Inter-company sales elimination	(6,680)	(8,503)	(9,965)	(11,604)	(9,348)
Total	256,026	237,999	229,761	203,872	194,849
Cost of Sales (2) (3)	174,058	155,471	150,487	138,907	134,098
Gross Profit	81,968	82,528	79,274	64,965	60,751
Selling, general and administrative expenses	68,572	64,135	61,275	52,854	50,685
Operating Income	13,396	18,393	17,999	12,111	10,066
Interest expense	7,994	3,592	2,363	3,936	4,683
Other (income), net	(310)	(1,885)	(588)	(460)	(663)
Income from Consolidated Operations Before Income Taxes	5,712	16,686	16,224	8,635	6,046
Provision for income taxes (5)	1,934	7,185	7,685	4,278	2,992
Income from Consolidated Operations	3,778	9,501	8,539	4,357	3,054
Equity in net income of unconsolidated subsidiaries	776	1,707	1,375	1,153	1,070
Minority interest (expense)	(586)	(241)	—	—	—
Income from Current Operations	3,968	10,967	9,914	5,510	4,124
Income (loss) from Discontinued Textile Machinery Operations, net of tax effect (4)	—	2,173	1,387	(345)	(973)
Effect of Accounting Change on Prior Year, net of tax effect (2)	—	(325)	—	—	—
Net Income	$ 3,968	$ 12,815	$ 11,301	$ 5,165	$ 3,151
Per Common Share and Common Equivalent Share (6):					
Income from current operations	$ .88	$2.49	$2.43	$1.46	$1.02
Income (loss) from discontinued Textile Machinery Operations	—	.51	.36	(.10)	(.29)
Effect of accounting change on prior year	—	(.07)	—	—	—
Total	$ .88	$2.93	$2.79	$1.36	$ .73
Per Common Share Assuming Full Dilution (6):					
Income from current operations	$ .88	$2.43	$2.27	$1.34	$1.02
Income (loss) from discontinued Textile Machinery Operations	—	.49	.33	(.09)	(.29)
Effect of accounting change on prior year	—	(.07)	—	—	—
Total	$ .88	$2.85	$2.60	$1.25	$ .73

Notes:

1. See Note 1 to the Consolidated Financial Statements.
2. See Note 2 to the Consolidated Financial Statements.
3. See Note 3 to the Consolidated Financial Statements.
4. See Note 4 to the Consolidated Financial Statements.
5. See Note 8 to the Consolidated Financial Statements.
6. Earnings per common and common equivalent share were computed on the basis of average outstanding common shares for each period as follows:

1974—4,330,000
1973—4,298,000
1972—3,890,000
1971—3,262,000
1970—3,301,000

Earnings per common share assuming full dilution have been computed based on shares for each period as follows:

1974—4,390,000
1973—4,453,000
1972—4,254,000
1971—3,876,000
1970—3,301,000

Earnings available for common sharesholders were adjusted primarily for preferred dividends as follows:

1974—$161,000
1973—$238,000
1972—$438,000
1971—$751,000
1970—$768,000

NATIONAL STARCH AND CHEMICAL CORPORATION (DEC)

Summary of Operations

Years	1974	1973	1972	1971	1970
		dollar amounts in thousands			
Net Sales (a)	$274,717	$213,540	$175,638	$149,338	$134,941
Gross Profit (b)	72,045	67,849	55,954	46,414	42,089
Operating Income	32,564	32,075	25,155	20,678	18,455
Interest Charges	2,808	1,356	814	967	1,807
Income before Taxes from Consolidated Operations	29,571	29,998	23,906	19,373	16,877
Provision for Income Taxes	13,499	14,091	11,269	9,246	8,028
Income after Taxes from Consolidated Operations (c)	16,071	15,907	12,636	10,127	8,848
Net Income (a)	$ 18,344	$ 17,399	$ 14,110	$ 11,193	$ 9,711
Per Common Share*:					
Net Income	$2.82	$2.67	$2.23	$1.76	$1.51
Cash Dividends Paid	$ .76	$ .66	$ .63	$ .61	$ .57
Average Common Shares Outstanding* (d)	6,514,268	6,510,022	6,118,137	6,101,317	6,100,875

*Adjusted for 5% stock dividend in 1972.

Notes to the Summary

(a) The Company and its subsidiaries during the four years ended December 31, 1974 acquired a number of companies and the assets and businesses of a number of other companies. All of these acquisitions are accounted for by the purchase method and the operations of these businesses are included in the consolidated statement of income from their respective dates of purchase. The effect on consolidated net sales and net income is not significant.

The Company in 1974 also issued 110,000 shares of its common stock, in a pooling of interests transaction, for all the outstanding stock of Ablestik Laboratories. The 1973 financial statements have been restated to include the accounts of this company. The prior years have not been restated since the amounts are not significant.

(b) As of January 1, 1974, the Company and its major domestic subsidiary adopted the LIFO method of valuing most of their inventories. For further explanation see the Notes to Consolidated Financial Statements and Management's Discussion and Analysis of the Summary of Operations.

(c) Income from Consolidated Operations in 1974 and 1973 includes moving and related expenses in connection with the consolidation of certain of the Company's facilities at Bridgewater, New Jersey. The net amounts of these expenses, after allowing for federal and state income tax deductions, are $364,000 ($.06 per share) and $570,000 ($.09 per share), respectively.

(d) Average common shares outstanding for 1974 and 1973 include common equivalent shares.

WESTINGHOUSE ELECTRIC CORPORATION (DEC)

Summary of Operations

	1974	1973	1972	1971	1970
		(amounts in thousands of dollars)			
Income:					
Sales	$5,798,513	$5,101,123	$4,498,564	$4,126,600	$3,822,775
Equity in income (loss) from non-consolidated subsidiaries and affiliated companies	(32,285)	3,341	24,510	36,163	15,432
Other income	71,890	63,567	55,632	52,386	33,745
	5,838,118	5,168,031	4,578,706	4,215,149	3,871,952
Costs and expenses:					
Cost of sales	4,669,745	3,960,412	3,446,463	3,146,784	2,948,372
Distribution, administration and general	727,426	698,775	625,326	588,331	539,874
Depreciation	123,518	107,564	96,730	84,884	81,955
Interest	111,261	69,317	54,677	66,462	56,944
Income taxes	63,970	145,933	153,324	137,999	113,270
Minority interest in net income of consolidated subsidiaries	3,261	2,516	2,436	9,470	(698)
	5,699,181	4,984,517	4,378,956	4,033,930	3,739,717
Income from continuing operations	138,937	183,514	199,750	181,219	132,235
Discontinued operations:					
Loss from operations of discontinued businesses	(39,805)	(21,586)	(1,083)	(5,963)	(5,236)
Loss on disposal of discontinued businesses	(71,000)	—	—	—	—
Net Income	$ 28,132	$ 161,928	$ 198,667	$ 175,256	$ 126,999

SPRAGUE ELECTRIC COMPANY (DEC)

Five-Year Financial Summary

	1974	1973	1972	1971	1970
		(in thousands of dollars)			
Operating Results					
Net sales	$214,819	$197,640	$146,647	$117,867	$127,480
Cost of goods sold*	$165,721	$151,015	$115,540	$ 95,209	$101,079
Selling, general and administrative expenses	26,608	25,310	20,780	19,316	20,649
Research, development and engineering expenses*	7,751	7,072	5,912	7,808	9,133
	$200,080	$183,397	$142,232	$122,333	$130,861
Operating income (loss)	$ 14,739	$ 14,243	$ 4,415	$ (4,466)	$ (3,381)
Miscellaneous income—net	2,840	1,013	169	807	1,736
	$ 17,579	$ 15,256	$ 4,584	$ (3,659)	$ (1,645)
Interest expense	6,024	4,659	3,623	3,523	3,534
	$ 11,555	$ 10,597	$ 961	$ (7,182)	$ (5,179)
Federal and foreign income taxes	4,960	5,416	1,396	875	925
Earnings (loss) before equity in net earnings (loss) of affiliates and extraordinary items	$ 6,595	$ 5,181	$ (435)	$ (8,057)	$ (6,104)
Equity in net earnings (loss) of affiliates	1,653	3,063	1,101	(89)	(351)
Earnings (loss) before extraordinary items	$ 8,248	$ 8,244	$ 666	$ (8,146)	$ (6,455)
Extraordinary items					
Utilization of net operating loss carryforwards	$ 2,348	$ 3,381	$ 417	$ —	$ —
Provision for U.S. Custom penalties (affiliates $235)	—	—	(1,824)	—	—
Other items	—	—	443	50	(422)
	$ 2,348	$ 3,381	$ (964)	$ 50	$ (422)
Net earnings (loss)	$ 10,596	$ 11,625	$ (298)	$ (8,096)	$ (6,877)
Earnings (loss) per share					
Primary—					
Before extraordinary items	$2.38	$2.41	$ .20	$(2.39)	$(1.89)
Extraordinary items	.68	.99	(.28)	.02	(.13)
Net	$3.06	$3.40	$(.08)	$(2.37)	$(2.02)
Assuming full dilution—					
Before extraordinary items	$2.20	$2.18	$ .20	$(2.39)	$(1.89)
Extraordinary items	.58	.96	(.28)	.02	(.13)
Net	$2.78	$3.14	$(.08)	$(2.37)	$(2.02)
Cash dividends per share of common stock	$ —	$ —	$ —	$ —	$ .20
Financial Statistics					
Current assets	$112,816	$103,929	$ 89,206	$ 82,394	$ 79,632
Current liabilities	22,750	24,547	18,935	14,439	27,341
Net working capital	90,066	79,382	70,271	67,955	52,291
Net property, plant and equipment and other assets	58,908	53,393	43,640	45,512	46,939
Long-term debt	76,673	72,387	66,164	67,409	45,411
Other	6,720	5,664	4,909	2,959	2,622
Stockholders' equity	65,581	54,724	42,838	43,099	51,197
Dollars per share (book value)	18.94	15.91	12.54	12.63	15.01
Capital expenditures	12,712	9,348	5,170	4,740	8,366
General Information					
Average number of employees	12,900	12,600	10,600	9,700	10,900
Number of shares:					
Outstanding at year end	3,463,311	3,439,278	3,415,073	3,411,579	3,411,579
Average outstanding shares	3,458,581	3,423,467	3,412,181	3,411,579	3,411,579
Number of stockholders	8,751	7,883	9,011	9,629	10,260

*An item has been reclassified to correspond with the 1974 classifications.

Management's Analysis of Summary of Operations

THE ARUNDEL CORPORATION (DEC)

Management's Analysis of the Summary of Operations

Sales and revenues and earnings by division for each of the five years ended December 31, are shown below:

	1974	1973	1972	1971	1970
			(in thousands)		
Sales and Revenues					
Construction Materials Division	$29,511	$26,414	$20,714	$22,136	$22,906
Heavy Construction Division	17,078	11,067	20,732	20,009	15,183
Real Estate Division—Continuing	7,994	2,711	3,107	1,645	1,194
	$54,583	$40,192	$44,553	$43,790	$39,283
Earnings (Loss) before Administration, General, Interest and Other Expense					
Construction Materials Division	$ 3,872	$ 3,720	$ 4,050	$ 3,957	$ 3,724
Heavy Construction Division	(261)	1,534	(1,307)	1,077	666
Real Estate Division—Continuing	3,044	902	723	476	431
	$ 6,655	$ 6,156	$ 3,466	$ 5,510	$ 4,821

Construction Materials Division

The increase in sales in 1973 reflected the inclusion of sales for a full year of Sadler Materials Corporation which was acquired by purchase in October 1972. The sales increase in 1974 was due to higher selling prices brought about by the need to reflect higher costs of operations particularly the increased cost of cement. Earnings over the period have not increased proportionally with sales due in 1973 to work stoppages caused by labor disputes in the fall of the year and in 1974 to marked increased costs of operation as well as the softness in the home building industry serviced by the brick and lightweight slag businesses.

Heavy Construction Division

Revenues over the period vary as a result of the timing of the start of new contracts and the completion of existing contracts. The drop in revenues in 1973 reflected the completion of two contracts during the year and reduced revenues from the New York City Water Tunnel. In 1974 Revenues increased as a result of the award of two new joint venture contracts referred to in the letter to stockholders and two contracts with a Baltimore utility. The losses reflected in 1972 and 1974 reflect reserves established for the New York City Water Tunnel in the amounts of $2,859,000 and $800,000 respectively. Earnings on contracts other than the Water Tunnel in 1974 did not reach 1973 levels due to the completion of a major contract at the end of 1973 and nominal profit recognition on the new projects started in 1974.

Real Estate Division

Income increased over the period due to sales of certain properties in Maryland, in particular, the Grant Property in 1972, the Northway Apartments in 1973 and certain buildings and land in our Baltimore-Washington Industrial Park in 1974. Profits from the sale of buildings and land in 1974 accounted for the increase in earnings that year.

Other Expenses

Administrative and general expense increased over the period as a result of the increased volume of business of the Company. Administrative expense as a percentage of total revenues in 1970 was 1.6%. In 1974 it was 1.7% of total revenues after including revenues of discontinued operations.

Interest expense increased primarily due to the assumption of debt associated with the Sadler acquisition.

The reduction in other income—net was due to the reduction of interest and dividend income associated with marketable securities which had been sold.

Fourth Quarter—1974

A summary of the results of operations for the fourth quarter 1974 is as follows:

	(In Thousands)
Continuing Operations:	
Sales and revenues	$ 16,233
Costs and expenses	14,032
Income before taxes and discontinued operations	2,201
Applicable taxes	1,008
Income before discontinued operations	1,193
Discontinued Operations:	
Loss from discontinued operations	(6,579)
Applicable tax credit	1,301
	(5,278)
Net (Loss)	$ (4,085)
Earnings (Loss) per common share:	
From continuing operations	$ .68
Net Earnings (Loss)	$ (2.36)

Subsequent to management's decision to discontinue

Company-managed residential real estate operations as of September 30, 1974, management has included residential real estate joint ventures in discontinued operations. As a result of the continuing deterioration in the housing market, management has revised its estimates and forecasts and reflected such revisions in the quarter. A condensed analysis of the discontinued operations from October 1, 1974 to December 31, 1974 follows:

Loss from discontinued operations before taxes through September 30, 1974	$10,685
Additional loss provided or incurred	6,579
Loss from discontinued operations before taxes through December 31, 1974	17,264
Less losses charged to reserve	4,967
Reserve Balance at December 31, 1974	$12,297
Reserves represented by:	
Write-down of assets to estimated net realizable value	$10,906
Operating losses during the phase-out period	1,391
	$12,297

COMBUSTION ENGINEERING, INC. (DEC)

Management Discussion and Analysis of the Summary of Operations

1974 Compared to 1973

Net Sales increased 22% over those in 1973. Part of this increase is attributable to higher selling prices and part to increased volume. Sales increased in all major product lines: design, engineering and construction services (44% over 1973); products, equipment and services supplied to industrial markets (21% over 1973) and steam generating systems and equipment for the electric utility industry (16% over 1973). Comments on the principal factors affecting sales volume in 1974 follow:

(a) Design, engineering and construction services—
The world-wide energy shortage stimulated the demand for engineering and construction services by petroleum and chemical companies.

(b) Products, equipment and services supplied to industrial markets—
Principal increases were represented by field processing equipment for oil and natural gas industries; steam generating equipment; screening for general industrial applications; and refractory and mineral products.

Sales of certain architectural products were adversely affected by the severe drop in residential housing starts in 1974. Sales of architectural glass and aluminum building products declined. Sales of manufactured wood products, excluding the sales of a company acquired in 1974, also declined.

(c) Steam generating systems and equipment for the electric utility industry—
The increase was primarily due to greater demand for equipment maintenance and modernization services, increased shipments of replacement parts and air quality control systems, and increased activity on nuclear steam-supply systems.

Costs of Sales increased 26% over that in 1973 as a result of the increase in sales volume and also because of higher costs for labor, materials and services. The increase in cost of sales was disproportionate to the increase in sales for several reasons. The principal factors were as follows:

(a) The decline in sales volume and depressed selling prices of glass, aluminum and manufactured wood products; also difficulties encountered in the initial stages of operations of the float glass plant at Cinnaminson, New Jersey. These factors resulted in substantial losses by the glass and building products operations.

(b) The change to the last-in, first-out (LIFO) method of inventory valuation for certain domestic inventories, generally inventories other than those involved in long-term contract work. The LIFO method was adopted because the rapid increase in prices during the year would have resulted in an overstatement of profits if use of the average or first-in, first-out (FIFO) method were continued since inventories sold were replaced at substantially higher prices. The effect of the change to LIFO on reported earnings for the year was a decrease of $5,887,919, or $.55 per share.

(c) The higher level of research and development expenses and other costs and expenses in connection with nuclear steam-supply systems. The loss on nuclear activities in 1974, including the effect of the foregoing, exceeded that of the prior year.

(d) The high rate of inflation in 1974 which resulted in material and labor cost increases in excess of those provided for in certain fixed price contracts obtained in prior years for fossil fueled steam generating systems and equipment.

Interest Expense increased 26% over that for 1973. Interest expense increased primarily because of increased short-term borrowing caused by the substantial increases in inventory and accounts receivable. Inventories rose sharply in 1974 because of higher prices, the higher level of operations and inventory imbalances caused by material shortages. Interest rates also increased substantially in 1974.

The Extraordinary Charge in 1974 represents an addition of $5,200,000 to the reserve provided in 1972 for loss on the disposition of the Company's holding in United Nuclear Corporation, less applicable income taxes of $2,500,000.

1973 Compared to 1972

Net Sales increased 11% over those in 1972. Sales increases were primarily in products, equipment and services supplied to industrial markets (19% over 1972) and design, engineering and construction services (12% over 1972). Sales of steam generating systems and equipment for the electric utility industry increased 2% over 1972. Comments on the principal factors affecting sales volume in 1973 follow:

(a) Products, equipment and services supplied to industrial markets—
Increased sales of wood products were attributable largely to the Morgan Company which was acquired in the fourth quarter of 1972 and which was included in operating results for the full year 1973. An increase in the sales of mineral products was attributable largely to a new processing plant for refractory materials (Mulcoa) which came on stream late in 1972, but was in operation for the entire year 1973. The

decline in residential housing starts in 1973 adversely affected sales of, and prices for, architectural glass and aluminum building products.

Price controls during 1973 under the Economic Stabilization Program prevented price increases for certain products, particularly products, equipment and services supplied to industrial markets, despite rising costs and expenses.

(b) Design, engineering and construction services—
The world-wide energy shortage stimulated the demand for engineering and construction services by petroleum and chemical companies.

(c) Steam generating systems and equipment for the electric utility industry—
The increase was primarily due to increased field construction work on fossil-fired boilers and increased shipments of replacement parts, but was partially offset by lower activity on nuclear steam-supply systems and fuel.

Cost of Sales increased 11% over that in 1972. The increase in cost of sales was caused primarily by the various factors discussed in the previous paragraphs in connection with the increase in sales. Other factors affecting cost of sales in 1973 were as follows:

(a) Start-up costs were incurred in connection with the Company's float glass plant at Cinnaminson, New Jersey which was completed and began operations in the latter part of 1973.

(b) Company sponsored research and development expenses increased from $20,619,000 in 1972 to $24,406,000 in 1973.

Selling, General and Administrative Expenses increased 13.7% over those in 1972. However, such expenses increased only moderately as a percentage of sales, going from 7.3% of sales in 1972 to 7.5% of sales in 1973. This increase was primarily attributable to the higher sales volume, and the warehousing distribution activities of the Morgan Company. The latter factor was due to including the Morgan Company in operating results for the full year 1973.

Taxes on Income increased 10.2% over that for 1972 due mainly to the increase in income before taxes. Taxes on income as a percentage of income before taxes increased slightly over that for 1972.

LIBBEY-OWENS-FORD COMPANY (DEC)

Management's Discussion and Analysis of the Summary of Operations

1974 Operations Compared to 1973

The year 1974 compared to 1973 was characterized by a substantial decline in several of LOF's major markets —principally in automobile production, but also to a large degree in the building construction and furniture industries. Contrary to these declines, the markets for fluid power products remained very strong throughout the year. Glass Division sales were off 17.8%, while fluid power and plastics subsidiary company sales were up 23.4% and 13.9% respectively. Sales were increased during the year by the acquisition of four companies—one small glass tempering, one fluid power product and two plastic product manufacturers with aggregate sales in 1974 of $10,358,000 since date of acquisition.

The principal factors contributing to decreased earnings for 1974 compared to 1973 were lower sales volume, primarily automotive products, and significantly higher costs of materials, labor, fuels and freight which were not offset by price increases and numerous cost cutting actions taken by management during the year. Interest costs for the year were also up substantially as a result of higher rates and increased borrowings. Comparisons to 1973 earnings were also affected by the adoption of the LIFO method for pricing inventories in 1974 which reduced per share earnings by 28 cents.

1973 Operations Compared to 1972

Significant increases in both sales and earnings for 1973 over 1972 reflected the high levels of activity in the U.S. and other industrialized world economies. There was a high demand in almost all of the Company's markets including automotive, building construction, capital goods, and furniture industries. Nine new facilities were also brought on stream during 1973 in all of the Company's areas of operation including glass, fluid power and plastics. Interest expense also increased substantially as a result of higher interest rates and greater short-term bank borrowings needed to finance a large portion of this plant expansion. Income taxes were also increased as a result of increased earnings.

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

Management's Discussion and Analysis of the Summary of Operations

1974 Compared with 1973

Consolidated net sales for 1974 totaled $248,928,000, an increase of 10 percent over the $225,789,000 reported for the prior year. These improved sales resulted from increased worldwide sales of DURACELLR batteries and from sales to industrial markets of components and metallurgical products.

Cost of sales in 1974 rose 14 percent over 1973. This increase was affected by higher costs for materials and personnel as well as by the adoption of the last-in, first-out (LIFO) method of valuing inventories in the domestic operations, necessitated by the rapid increase in prices in 1974 which caused inventories sold to be replaced at substantially higher prices. The effect of the change was to decrease reported net earnings by $3,687,000 or 95 cents per share. The adoption of LIFO, as well as start-up costs in connection with a new facility, had particularly significant effects on the cost of sales in the Metals and Materials group.

Selling, administrative and general expenses increased by $3,849,000 primarily as a result of expansion in the worldwide distribution of DURACELLR batteries. Increased interest expense of $2,402,000 is attributable to higher interest rates during 1974 and increased borrowings to support working capital requirements.

Our share of net earnings of unconsolidated subsidiaries and other companies in which we have an ownership interest of 20 percent or more increased $2,320,000 over 1973. Significant to this comparison is the loss of $1,070,000 in 1973 attributable to the relinquishment of our interest in Mallory Timers Continental S.p.A., of Italy. Johnson Matthey & Mallory Limited, of Canada, contributed $2,519,000 to equity earnings in 1974, as compared with $1,406,000 in the prior year.

Consolidated net earnings for 1974 of $8,244,000, on a LIFO basis, were benefited from a change in accounting practice implemented January 1, 1974, to more fully absorb variances and manufacturing overhead in inventory values. This change complied with new regulations issued by the Internal Revenue Service, and increased net earnings for 1974 by approximately $432,000, or 11 cents per share. In addition, the cumulative effect on prior years (to December 31, 1973) of this change to full-absorption inventory methods resulted in a one-time gain of $1,225,000, or 32 cents per share, after reduction for taxes on income of $179,000. Reference is made to the accompanying notes to the consolidated financial statements for further information regarding changes of inventory valuation methods.

Taxes on income in 1974 were $3,450,000 less than in 1973. The effective United States tax rate for 1974 was 31 percent compared with 41 percent in 1973. The difference in each year from the United States statutory rate of 48 percent results principally from the inclusion of state and local taxes on income in the provisions for taxes, foreign tax credits, investment tax credits and net earnings of unconsolidated subsidiaries and other companies in which we have an ownership interest of 20 percent or more which are subject to foreign taxes on income and which will be subject to minimal United States taxes in the future.

1973 Compared With 1972

Consolidated net sales for 1973 totaled $225,789,000, compared with $189,888,000 for the previous year. This broad-based, 19 percent increase occurred particularly by reason of acceleration of our sales to the industrial market, worldwide directly-related consumer distribution activities focused primarily upon our DURACELLR batteries, as well as by a step-up in our shipments to the appliance and television industries.

On the sales increase of 19 percent, cost of sales rose 20 percent. In addition to costs incurred in direct relation to the higher sales volume, this cost increase principally reflects the sharp rise in the cost of raw materials largely the result of the relatively high rate of inflation experienced in 1973.

Selling, administrative, and general expenses increased by $3,701,000 or 12 percent from 1972 to 1973. This increase is attributable to the higher sales volume and to increases in salaries and services expense; however, such expenses did not increase proportionately to sales as a result of the benefits of economies of higher volume levels.

Interest expense in 1973 increased $1,329,000 principally as a result of additional borrowings.

Our share of net earnings of unconsolidated subsidiaries and other companies in which we have an ownership interest of 20 percent or more increased $985,000 over 1972, notwithstanding the loss of $1,070,000 in 1973 attributable to the relinquishment of our interest in Mallory Timers Continental S.p.A. The company's share of the net earnings of Johnson Matthey & Mallory Limited, of Canada, was $1,406,000 and $799,000 for 1973 and 1972, respectively.

SPRAGUE ELECTRIC COMPANY (DEC)

Management's Discussion and Analysis of the Summary of Operations

1974 vs. 1973

Net sales for the year 1974 rose 9% over the prior year to a new record due principally to the highest beginning backlog of orders and longest lead time for shipments in the Company's history. The second half of 1974 was in marked contrast to the first half and resulted in a progressive decline in both incoming orders and shipments in the face of deteriorating economic conditions. Earnings before affiliates' earnings and extraordinary items showed a 27% increase in 1974 over 1973 and include a gain of $1,629,758 from the sale of 111,870 shares of Mostek Corporation stock. A decrease of $1,409,784 in the net earnings of affiliates due principally to a decline in the net earnings of Mostek Corporation, together with a reduction of $1,033,468 of tax loss carryforward compared to 1973, resulted in net earnings for 1974 approximately 9% below 1973.

Interest expense rose 29% over the prior year due to increases in total borrowings and higher interest rates. The Company's earnings decline in the second half of 1974 reflected both the inability to recover unprecedented cost increases especially of materials, supplies, fuel and utilities, as well as the effect of lower shipment volume. The net results in the fourth quarter would have been profitable except for the $483,953 net write-off of our investment in Princeton Materials Science, Inc. which was in the form of convertible debentures and notes receivable.

1973 vs. 1972

Net sales for 1973 increased 35% over 1972 reflecting substantially higher worldwide demand in virtually all markets served by Sprague. Net earnings showed a dramatic improvement over 1972 net earnings of $1,526,260 before a restatement to a net loss of $298,346 due to a mitigated penalty assessed by U.S. Customs. The improved results for 1973 reflected significantly higher sales volume across the board; greater efficiency in the utilization of facilities and personnel; continued growth in the contribution from our share in the earnings of affiliated companies, chiefly Mostek Corporation; and the utilization of a net operating loss carryforward of $3,381,000 in 1973.

Other Years

Net sales in 1972 increased 24% and 15%, respectively, over the previous two years' depressed sales levels. Industry sales of electronic components were depressed during 1970 and 1971 and reflected not only lower sales of electronic end products of most types together with the progressive softening in general economic conditions, but also the cumulative effects of very sharp reductions of customer component inventories. The Company's sales declined more than those of the overall components industry in 1970 due to the additional direct loss of sales volume resulting from a ten-week strike at the Company's North Adams plants, the effects of which continued to be felt in 1971 along with overcapacity in the components industry. As a result, the Company incurred substantial operating losses in 1970 and 1971 on significantly lower sales in each year.

1975 Outlook

As explained in the Letter to Shareholders, prospects for our business in the first six to nine months of 1975 are not very good. Present indications are that 1975 will be a down year for Sprague, as well as for most component suppliers. We do not anticipate significant improvement in volume before the fourth quarter at the earliest. As a result, it is highly unlikely that we will be able to sustain profitable operations, at least during the first six months of the year.

Description of Company's Business

THE BABCOCK & WILCOX COMPANY (DEC)

Business Description

The Babcock & Wilcox Company and its subsidiaries are engaged in the design, manufacture and sale of products which may be broadly classified as: steam generating and associated equipment; tubular products; refractory products; and automated machines and machine tools.

Steam generating equipment includes individually engineered complete fossil-fuel boilers, nuclear steam systems, and nuclear fuel and nuclear fuel assemblies for electric utility and marine applications as well as fossil-fuel boilers for industrial processes and power generation. Steam generating equipment also includes specially engineered accessories and components, such as air heaters, fans, precipitators, cleaning systems for heat transfer surfaces, nuclear reactor components, control and performance computers, automatic controls and instruments and nuclear control-rod drives. Associated equipment includes individually engineered recovery processes and pollution control systems for the process and utility industries, tubular hoods for basic oxygen and electric furnaces, heavy pressure vessels and heat exchangers, hollow forgings for steam piping and other uses, reflective metallic thermal insulation, special control valves and centrifugal pumps. In addition to designing and manufacturing the foregoing steam generating and associated equipment, the company through a separate construction unit also is engaged in the erection of certain of this and other equipment.

Tubular products include stainless, alloy and carbon steel, seamless and welded tubes and pipe, tubular and solid shapes, extrusions, special metal tubes, welding fittings and flanges, and seamless rolled rings. These are principally "specialty" products of high quality and engineered for special applications. Material amounts of tubes are manufactured by the company to satisfy its own requirements as well as those of other manufacturers of steam generating equipment; however, the major portion of the company's tubes are sold to others for use in the bearing industry, the petroleum industry, the machinery industry, the primary metal industry, the fabricated metal industry and the construction industry.

Refractory products include kaolin clays, specially engineered and vacuum formed ceramic fibers, insulating and specialty firebrick, plastics, mortars, castables, and special oxide refractories. These refractories are used in high temperature furnaces for various heating and heat treating purposes and in other applications where the temperatures and rates of combustion or chemical reactions are unusually demanding.

Automated machines and machine tools include individually engineered transfer or multi-station machines for production lines, hydrostatic bearings, precision boring machines, broaching machines and broaches, large grinders, cutting tools, hydraulic accessories, production tracer lathes and numerical control machines. This equipment is sold to manufacturers in various industries for use in their manufacturing processes and in the products manufactured by them.

MARATHON OIL COMPANY (DEC)

A brief description of Marathon Oil Company

Incorporated in Ohio in 1887, Marathon is an integrated oil company, engaged primarily in the exploration for and development, production, purchasing, transportation and marketing of crude oil and natural gas, and in the refining, transportation and marketing of petroleum products.

We are active in exploration or production or both in most of the major oil-producing areas of the United States and Canada. We have three refineries in the United States and engage in retail marketing operations primarily in six Midwest states. Wholesale marketing is conducted both in the Midwest and Southeast regions of the nation. A wholly owned subsidiary, Marathon Pipe Line Company, operates crude oil and refined products pipelines in 12 states.

Overseas, Marathon has substantial crude oil production in Libya, North Africa, and has discovered natural gas in the Celtic Sea off the coast of Ireland. European refining activity includes a wholly owned petrochemicals refinery in West Germany and interests in two other refineries, one in West Germany and one in Spain. Marketing of refined products in Europe is conducted at the wholesale level. Our exploratory operations extend to five continents.

NATIONAL STARCH AND CHEMICAL CORPORATION (DEC)

Summary of Nature and Scope of the Company's business

National Starch and Chemical Corporation, its domestic and foreign subsidiaries and its foreign joint ventures are engaged in the business of manufacturing and selling three principal categories of products: (1) adhesives and related products, (2) starches and related products and (3) chemical products. The estimated contribution of each of the three product categories to the consolidated sales of the Company and its consolidated subsidiaries in each of the 5 years ended

December 31, 1974 was approximately as follows:

	1974	1973	1972	1971	1970
Adhesives and Related Products	39%	40%	40%	36%	35%
Starches and Related Products	40	38	37	42	43
Chemical Products	21	22	23	22	22
	100%	100%	100%	100%	100%

The relative contributions to consolidated sales of the three principal categories of products changed in 1972 principally because of the Company's acquisitions of businesses included in the adhesives and related products category in 1971 and 1972. The Company's operations are interrelated through use by one activity of the production of another and through the practice of having marketing and sales staffs serving important customer industries handle all categories of products. Because of the interdependence of operating activities, a similar estimate of the relative contribution of each of the categories to profit is not practicable.

The Company serves a large and diversified group of industrial users; no one customer represented more than 2½% of the net sales of the Company in 1974. For the most part, sales are made directly through the Company's Sales force.

Adhesives and Related Products

The Company offers a broad line of adhesives and related products based both on starch and on synthetic raw materials. Its starch-based products are compounded from corn, tapioca or potato starches. Its chemical-based products are compounded primarily from vinyl acetate polymers and copolymers although the Company also produces adhesives from polyamides, epoxies and other bases. Most adhesives are used on high-speed automatic packaging or fabricating equipment or in other specialized operations and were developed to meet the requirements of the materials to be adhered, end product specifications and the production processes employed. The Company's lines of adhesives and related products have a great variety of uses.

Two major markets for the Company's adhesives are the general packaging industry (including bottle, can and paper and plastic surface labeling, case and carton sealing and package wrapping) and the paper converting industry (including the manufacture of envelopes, paper and plastic bags, boxes, cigarettes, paper cups, tubes and other paper and board constructions). The Company also produces adhesives used in: the manufacture of pressure-sensitive tapes, labels, decals and wall-coverings, laminating transparent films and foils; fabricating furniture and cabinets; bonding insulation and structural panels to interiors and exteriors of buildings and vehicles; repairing shoes; and applying insulation for industrial heating and air conditioning equipment, electric components, home appliances and automobiles, as well as for sound deadening. The Company also manufactures a complete line of sealants which are sold for glazing factory-built windows, for the assembly of insulated glass and for other specialized construction uses, and film adhesives sold to automotive, appliance, aircraft, nameplate, and other industrial users. Through one of its subsidiaries, the Company manufactures pre-mixed high technology adhesives and potting compounds which are sold primarily to the electronics industry. In Canada, England, and Australia, the Company makes a broad line of adhesives and related materials sold in small packages to consumer markets.

Starches and Related Products

The Company extracts starch from standard and specialty corns by the wet-milling process (which involves grinding the corn kernel while wet and the separation of its starch and other components) and also produces modified starch products from imported tapioca starch. Typically, the Company modifies such starches by chemical or physical processes to make specialty products designed to serve the particular needs of a wide variety of industrial users. By-products recovered in the corn wet-milling process and sold include unrefined corn oil and gluten feed and meal.

The Company believes it is the largest processor of waxy and high-amylose corns, which yield starches with different properties from those made from regular corn and which are thus particularly suitable for a number of applications.

The largest users of the Company's starch products are the food industry (as stabilizers, texturizers, and processing aids), the paper industry (principally as binders, sizes, and production aids in the paper-making process), and companies which use starch products for corrugating and other adhesive applications. Other markets include the pharmaceutical, textile, and pet food industries and several packaging and paper converting applications. Through subsidiaries, the Company also makes and sells a line of food intermediates, seasonings and flavors and also grows and sells to farmers regular hybrid corn seed and some varieties of waxy corn seed.

Chemical Products

The Company manufactures a wide variety of vinyl acetate and other types of polymers and copolymers, both for use by the Company in its production of formulated adhesives and for sale to other major markets such as the paper, cosmetic, textile and building products industries. The Company has a plant for the production of vinyl acetate monomer, which is used by the Company in making vinyl acetate polymers and copolymers and purchases its additional requirements in the open market. The Company also supplies specialty polymers used in the hair-care field, principally for hair sprays, and is a major supplier of cationic polyelectrolytes to the paper industry as production aids and for effluent treatment. Through subsidiaries, the Company also produces textile finishing chemicals, specialty chemicals for yarn and carpet manufacturers, and a variety of proprietary organic chemicals and custom-manufactured chemicals for other companies. In Canada, the Company makes and sells formulated products for coating, repair and upkeep of concrete and masonry floors and walls, as well as a line of stains to beautify, preserve, and protect wood. Both these product lines are sold in small packages to hardware and building supply stores to reach the consumer and do-it-yourself market.

International Operations

The Company's international consolidated subsidiaries (operating plants and serving markets in Canada, Mexico, England, Australia, France and South Africa) accounted in 1974 for approximately 27% of consolidated net sales (sales of unconsolidated affiliates not being included in consolidated sales); the international consolidated subsidiaries and unconsolidated affiliates (operating plants and serving markets in England, France, the Netherlands, West Germany, Mexico, Japan and Venezuela) accounted in 1974 for approximately 41% of consolidated net income (the Company's full share of earnings in unconsolidated affiliates being included).

* * *

The above summary should be read in conjunction with the other material in this Annual Report. A more detailed description of the Company and its operations is contained in the Company's Annual Report on Form 10-K, which is available on request to stockholders (see page 20).

A. O. SMITH CORPORATION (DEC)

What We're All About

A. O. Smith Corporation is a diversified manufacturer serving customers in basic and essential industries in the United States and abroad.

The company's principal customers are the automotive industry; oil and natural gas companies; manufacturers of appliances, air conditioning systems and refrigeration equipment; commercial builders; plumbing wholesalers and utility companies; farmers and ranchers; and railroad car builders.

A. O. Smith is the world's largest manufacturer of automobile and truck frames, the leading producer of petroleum measuring systems, and the major manufacturer of automated animal feed processing and storage systems. It holds leading positions in the manufacture of water heating equipment and electric motors used in water systems, air conditioning and refrigeration. It is also one of the major elevator manufacturers in North America.

Since its founding in 1874, A. O. Smith has pioneered many technical achievements which helped build the company from a manufacturer of baby carriages and bicycle frames to one which manufactures hundreds of products for thousands of customers. Today, 101 years after its founding, A. O. Smith and its subsidiaries employ some 16,000 persons with 18 manufacturing plants around the world. It has sales and distributor outlets throughout the free world and its products are at work in nearly every country on earth.

A. O. Smith has paid cash dividends on its common stock every year since 1940.

SPRAGUE ELECTRIC COMPANY (DEC)

Sprague Electric Company is an electronics company, international in scope, engaged in the manufacture, distribution and sale of electronic and electrical circuit components. Its principal products include passive discrete and assembled components, active discrete and assembled components, and semiconductor integrated circuits. Passive discrete and assembled components is the only class of products over 10% of our business. This class of products, during the last five years, has accounted for the following percentages of our net sales: 1974—88%, 1973—87%, 1972—89%, 1971—90%, 1970—86%. The Company's operations are those of a materials processor whose function is to take basic materials (including aluminum, tantalum, silicon, synthetic films, paper, plastics and many other materials) and render them operative in electronic circuitry through complex processing, assembly and test procedures. Such processes include controlled etching and plating, impregnation, film deposition, diffusion, pressing and sintering, and many other processes, most of which require heavy capital investments and large in-process inventories. The development of automatic and semi-automatic production equipment for the Company's own use is an important element in its overall competitive position.

Market Price and Dividend Data

ARMSTRONG CORK COMPANY (DEC)

Price Range of Common Stock (NYSE)

Quarter	1974	1973
1	21¾ to 32¾	24½ to 34¼
2	25¼ to 29¾	22 to 27⅞
3	14¾ to 26	21¾ to 31⅝
4	15⅛ to 23¼	21 to 34¼

Dividend Payments on Common Stock

Quarter	1974	1973
1	$.21	$.20
2	.23	.20
3	.23	.21
4	.23	.21

THE ARUNDEL CORPORATION (DEC)

Arundel Stock Information

Unlisted Stock

Series A 5% Cumulative Convertible Preferred Stock, par value $50 per share;

Dividend—$2.50 per year for each share, payable quarterly.

Series B 3.2% Cumulative Convertible Preferred Stock, par value $50 per share;

Dividend—$1.60 per year for each share, payable quarterly.

The Series A and Series B preferred stock is convertible into 3.68 shares of common stock, has the same voting privileges as the common stock (except in certain instances where the approval of each class of stockholder is required) and is callable at par value plus accrued dividends.

Transfer Agent and Registrar:
The Arundel Corporation
110 West Road
Baltimore, Maryland 21204

Listed Stock

The Arundel Corporation Common Stock is listed on the American Stock Exchange (symbol: ARL) and the PBW Stock Exchange.

Transfer Agents and Registrars:
Maryland National Bank
Baltimore, Maryland

Manufacturers Hanover Trust Company
New York, New York

Price Range of Common Stock

	Sales Price High	Sales Price Low	Dividend Paid During Period
1973			
Quarter Ended March 31	18¼	12	5% Stock Dividend
Quarter Ended June 30	14½	8	—
Quarter Ended September 30	15	9¾	—
Quarter Ended December 31	11⅝	7⅜	—
1974			
Quarter Ended March 31	10	7½	6% Stock Dividend
Quarter Ended June 30	9⅛	6⅛	—
Quarter Ended September 30	6¾	4¾	—
Quarter Ended December 31	6	2⅞	—

To the best of the company's knowledge, there is no established trading market for the $4.50 cumulative preferred stock, convertible Series B, the $4.25 cumulative preferred stock, convertible Series C, and the $2.75 cumulative preferred stock, Series E.

Dividends

Quarterly dividends on the company's preferred stocks were paid during 1974 and 1973 at the respective annual amount stated in the titles of such preferred stocks.

Quarterly cash dividends on the common stock were paid at the rate of 17½¢ per share during the first three quarters of 1973 and 25¢ per share in the last quarter of 1973. In 1974, quarterly cash dividends were paid at the rate of 25¢ per share during the first three quarters and 50¢ per share in the last quarter.

COLT INDUSTRIES INC (DEC)

Market Price of Colt Industries Stock

The company's common stock, the $1.60 cumulative preferred stock, Series A, and the $4.25 cumulative preferred stock, Series D, are listed on the New York, Midwest, and Pacific Stock Exchanges. In addition, the common stock is also listed on the London Stock Exchange. The following table sets forth the reported high and low sales prices of the above mentioned stock on the New York Stock Exchange for each quarter during 1974 and 1973:

	1974 High	1974 Low	1973 High	1973 Low
Common Stock				
First Quarter	21¾	15⅛	22½	16¼
Second Quarter	25½	18¾	20	13⅝
Third Quarter	29¼	20⅝	18	13½
Fourth Quarter	28¼	20½	19	13
$1.60 Cumulative Preferred Stock, Convertible Series A				
First Quarter	20	18⅝	22¼	20
Second Quarter	19¾	17⅞	21⅞	19½
Third Quarter	20	16	21¼	19⅛
Fourth Quarter	19½	16½	22	17⅛
$4.25 Cumulative Preferred Stock, Convertible Series D				
First Quarter	50¼	45½	54½	50½
Second Quarter	50½	45	52	48⅜
Third Quarter	50	42	49½	47¾
Fourth Quarter	49¾	40	52¼	42⅞

COMBUSTION ENGINEERING, INC (DEC)

Market price range per share and quarterly dividends per share (1973) omitted for presentation purposes)

	1974 First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Quoted Market Price:				
Common Stock(1)				
High	$106¼	$ 85(2)	$39⅜	$32¾
Low	81⅜	32⅜	21¾	22⅛
Series A Convertible Preferred Stock(1)				
High	$ 93	$75½(2)	$34¼	$29
Low	73	36	23½	23½
Quarterly Dividends per Share:				
Common Stock	$.3775	$ .45	$ .45	$ .45
Series A Convertible Preferred Stock	.425	.425	.425	.425

(1)Traded on the New York Stock Exchange

(2)Trading in C-E Common Stock and Preferred Stock on the New York Stock Exchange was suspended on the morning of May 7, 1974, following publication of an article in the Wall Street Journal alleging that C-E had taken unusual contractual risks in certain 1973 contracts for nuclear steam supply systems, and implying that there had been heavy inside selling of C-E stock in 1973 related to the alleged contractual risks. C-E promptly denied such allegations and implications, and issued a letter to its shareholders dated May 10. Trading in both Common Stock and Preferred Stock was resumed shortly after noon on May 8. The Common Stock opened at 48, having last traded at 75⅛; the Preferred Stock opened at 44, having last traded at 66.

LIBBY-OWENS-FORD COMPANY (DEC)

Market and Dividend Information

The high and low sales price and dividends per share for common and preferred shares traded on the New York Stock Exchange by quarter were:

Market Price of Shares

	1974		1973	
Common	Hi	Low	Hi	Low
First Quarter	32⅜	25	42⅜	36⅛
Second Quarter	29¼	24⅝	37½	31½
Third Quarter	25	17½	36¼	29⅞
Fourth Quarter	20⅞	12½	35	23¾
Preferred—Series A				
First Quarter	67¾	63¼	81	76
Second Quarter	64¼	56	81	71
Third Quarter	57¼	46	73	67⅝
Fourth Quarter	54½	47¾	70¾	58⅜

Dividends Per Share

Common	1974	1973
First Quarter	$ .55	$ .55
Second Quarter	.55	.55
Third Quarter	.55	.55
Fourth Quarter	.55	.85
	$2.20	$2.50
Preferred—Series A		
First Quarter	$1.1875	$1.1875
Second Quarter	1.1875	1.1875
Third Quarter	1.1875	1.1875
Fourth Quarter	1.1875	1.1875
	$4.75	$4.75

MAREMONT CORPORATION (DEC)

Cash Dividends/Stock Prices

Total common stock cash dividends paid to stockholders in 1974 were $1,722,000, compared with $1,279,000 in the previous year. Preferred dividend payments in 1974 totaled $161,000 and $238,000 in 1973.

The Company reinstated a quarterly cash dividend program on its common stock with a $0.10 payout in the second quarter of 1973. Earlier, the Company had paid several stock dividends. Per share cash dividends on the common stock were paid during the last two years as follows:

Quarter	Payment Date	1974	1973
First	March 31	$0.10	—
Second	June 30	0.10	$0.10
Third	September 30	0.10	0.10
Fourth	December 31	0.10	0.10
		$0.40	$0.30

Cash dividends on the Company's preferred stocks are paid on January 31, April 30, July 31 and October 31. Per share preferred quarterly dividends were paid for 1974 and 1973 as follows:

4½% Cumulative Convertible Preferred Shares (1963 Series)	$1.125
5¾% Cumulative Preferred Shares	$1.4375
6% Cumulative Preferred Shares (1960 Series)	$1.50

Maremont's common stock, traded on the New York Stock Exchange, recorded the following prices during the last two years:

1974			1973		
Quarter	High	Low	Quarter	High	Low
First	$25½	$13¼	First	$51½	$34¼
Second	$14⅝	$ 8½	Second	$40⅝	$31¼
Third	$11¼	$ 6⅞	Third	$56¼	$31½
Fourth	$12⅛	$ 7	Fourth	$59½	$23½

Quotations for the Company's preferred stocks represent prices between dealers and do not include retail markup, markdown or commission. They do not represent actual transactions.

The 4½% Cumulative Convertible Preferred stock (1963 Series) was traded on the over-the-counter market until it was called on September 24, 1973. Following are quotations prior to the call:

Quarter Ended March 31, 1973

Bid		Asked	
High	Low	High	Low
$267	$200	$252	$224

Quarter Ended June 30, 1973

Bid		Asked	
High	Low	High	Low
$197	$153	None	None

Quarter Ended September 30, 1973

Bid		Asked	
High	Low	High	Low
$265	$152	None	None

The 5¾% Cumulative Preferred stock was privately placed and does not trade.

The 6% Cumulative Preferred stock is traded on the over-the-counter market. Asked quotations are unavailable; bid quotations are as follows:

Quarter Ended March 31

1974		1973	
High	Low	High	Low
$70	$70	$70	$70

Quarter Ended June 30

1974		1973	
High	Low	High	Low
$70	$70	$70	$70

Quarter Ended September 30

1974		1973	
High	Low	High	Low
$60	$60	$75	$73½

Quarter Ended December 31

1974		1973	
High	Low	High	Low
$60	$60	$70	$70

SQUIBB CORPORATION (DEC)

Market Prices and Dividends Paid

Market Prices

The following table sets forth the high and low per share sales prices of Squibb Corporation common stock on the New York Stock Exchange for the periods indicated. Prices have been adjusted to reflect the two-for-one stock split effective on May 20, 1974.

	High	Low
1973:		
First quarter	57 11/16	$50⅝
Second quarter	54¼	47⅜
Third quarter	51¼	44
Fourth quarter	49¼	39½
1974:		
First quarter	45	38⅝
Second quarter	43¼	38¾
Third quarter	40½	20
Fourth quarter	33	22¼
1975:		
First quarter (through March 6, 1975)	37⅞	24⅝

Dividends Paid

Amounts have been adjusted to reflect the two-for-one stock split effective on May 20, 1974.

1973:	
First quarter	$.19½
Second quarter	.19½
Third quarter	.19½
Fourth quarter	.20¼
1974:	
First quarter	.20¼
Second quarter	.21
Third quarter	.21
Fourth quarter	.21

UNITED BRANDS COMPANY (DEC)

Market and Dividend Information

The principal market for trading in United Brands Capital and $1.20 Preference stocks is the New York Stock Exchange. Market and dividend data for the last two fiscal years are listed below.

1973	CAPITAL STOCK			
Quarter	1st	2nd	3rd	4th
High	$12⅜	$9¼	$10	$10⅞
Low	7½	6	6½	6
Dividend paid	None	None	None	None
1974				
Quarter	1st	2nd	3rd	4th
High	$ 8⅞	$8¼	$ 6⅞	$ 4⅛
Low	7⅜	5¼	3⅜	2⅜
Dividend paid	None	None	None	None

1973	$1.20 PREFERENCE STOCK			
Quarter	1st	2nd	3rd	4th
High	$ 15½	$ 14⅜	$ 14	$ 14¾
Low	13¾	12¾	12¼	12⅛
Dividend paid	$.30	$.30	$.30	$.30
1974				
Quarter	1st	2nd	3rd	4th
High	$ 13⅜	$ 13¼	$ 11	$ 8⅜
Low	12¼	11¼	7½	4⅝
Dividend paid	$.30	$.30	$.30	None

The principal market for trading in United Brands $3.00 Preferred and $3.20 Preference stocks is the over-the-counter market. According to the National Quotation Bureau, Inc. bid prices for the $3.00 Preferred Stock, when available, were in a range of $30-$38 per share in 1973 and $15 per share in November 1974. Bid prices for the $3.20 Preference Stock, when available, ranged between $29-$41 per share in 1973 and $40 per share in January 1974; subsequent 1974 bid prices are not available from National Quotation Bureau Inc., but the Company was informed of one actual transaction December 31, 1974 at a price of $13 per share. These bid prices represent interdealer quotations and do not necessarily reflect actual transactions. Because of the relatively small number of shareholders and the infrequency of trading, such quotations are not necessarily indicative of the market. Dividend data for the last two fiscal years are as listed below:

1973	$3.00 PREFERRED STOCK			
Quarter	1st	2nd	3rd	4th
Dividend Paid	$.75	.75	.75	.75
1974				
Dividend Paid	$.75	.75	.75	None

1973	$3.20 PREFERENCE STOCK			
Dividend Paid	$.80	.80	.80	.80
1974				
Dividend Paid	$.80	.80	.80	None

TABLE 1-3: MONTH OF FISCAL YEAR END

	1974	1973	1972	1971
January	22	23	24	24
February	15	16	12	13
March	19	20	18	18
April	5	5	5	6
May	8	10	12	11
June	37	39	35	36
July	13	14	12	14
August	18	17	18	19
September	38	39	38	33
October	28	31	33	32
November	13	13	13	13
Subtotal	**216**	**227**	**220**	**219**
December	384	373	380	381
Total Companies	**600**	**600**	**600**	**600**

NATURAL BUSINESS YEAR

For years, the accounting and legal professions, printers, the SEC, and others interested in various aspects of the year-end bottleneck have advocated that companies adopt a natural business year. A 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. In many instances, the natural business year of a company is December 31. Table 1-3 summarizes the fiscal year endings of the survey companies by months.

During 1974, three companies changed the date of their fiscal year end. Examples of such changes and examples of fiscal year definitions follow.

Change in Date of Fiscal Year Ending

CANNON MILLS COMPANY

Notes to Financial Statements

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

Fiscal Year-End—In 1974, the Company elected to change its fiscal year from a calendar year to a year ending the Thursday nearest December 31. Accordingly, the accompanying financial statements for the fiscal year ended January 2, 1975 (fiscal 1974) include this change to the new fiscal year basis. This change had no material effect on the accompanying financial statements.

TELEDYNE, INC.

Consolidated Balance Sheets

December 31, 1974	October 31, 1973 (Note 2)

Consolidated Statements of Income

For the Years Ended December 31, 1974 and October 31, 1973

December 31, 1974	October 31, 1973 (Note 2)

Consolidated Statements of Retained Earnings

For the Years Ended December 31, 1974 and October 31, 1973

December 31, 1974	October 31, 1973 (Note 2)

Consolidated Statements of Capital Stock, Additional Paid-in Capital and Treasury Stock

For the Year Ended December 31, 1974, the Two Months Ended December 31, 1973 and the Year Ended October 31, 1973

Note 2: Change in fiscal year end.—In 1974, the Company changed its fiscal year end from October 31 to December 31. The results of operations for the two months ended December 31, 1973, which have been credited to retained earnings, are summarized below:

Consolidated sales	$227,791,000
Income of consolidated companies before income taxes	$ 10,007,000
Provision for income taxes	5,000,000
Income of consolidated companies	5,007,000
Equity in net income of unconsolidated subsidiaries after allocated expenses and income tax credits	4,625,000
Net income ($.37 per share)	9,632,000
Retained earnings, October 31, 1973	262,012,000
Equity in net income of unconsolidated subsidiaries for one month period	3,044,000
Retained earnings, December 31, 1973	$274,688,000

Annual reports in prior years have included the results of operations of unconsolidated subsidiaries for fiscal years ending on September 30. In connection with the Company's change in fiscal year end, these subsidiaries' year ends were also changed to December 31. To accomplish this change, the equity in the net income of unconsolidated subsidiaries for the one month period, without any allocated expenses or income taxes credits, has been credited directly to retained earnings above.

WINNEBAGO INDUSTRIES, INC.

Consolidated Balance Sheets

February 23, 1974	August 31, 1974

Consolidated Statements of Operations

Year Ended February 23, 1974	Twenty-Seven Weeks Ended August 31, 1974

Consolidated Statements of Stockholders' Equity

Balance, February 23, 1974 ....

Balance, August 31, 1974 ....

Consolidated Statements of Changes in Financial Position

Year Ended February 23, 1974	Twenty-Seven Weeks Ended August 31, 1974

Notes to Consolidated Financial Statements

Note 1 (in part): Significant Accounting Policies

Fiscal Year—On June 27, 1974 the Company adopted the policy of having the fiscal year end on the last Saturday in August. The five fiscal years ended February 23, 1974 all ended on the last Saturday of February. The year ended February 28, 1970 contained 53 weeks, while all others contained 52 weeks. For income tax purposes, the fiscal year will continue to end on the last Saturday of February.

Definition of Fiscal Year

AMERICAN STORES COMPANY (MAR)

Notes to Financial Statements

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

Definition of Fiscal Year—The company's fiscal year ends on the Saturday nearest to March 31. Fiscal year 1974 ended March 30, 1974; fiscal year 1973 ended March 31, 1973. Both of these years comprised 52 weeks.

SAFEWAY STORES, INCORPORATED (DEC)

Financial Review

Fiscal Year: The fiscal year for the Company and its Canadian subsidiaries 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.

SPENCER COMPANIES, INC. (MAY)

Notes to the Consolidated Financial Statements

Note 1 (in part): Significant Accounting Policies

Fiscal Year—The company's fiscal year ends on the Saturday closest to May 31. Fiscal years ended June 1, 1974 and June 2, 1973 were comprised of 52 weeks.

COMPARATIVE FINANCIAL STATEMENTS

Since 1970, practically all of the survey companies have issued annual reports which include all financial statements on a comparative basis. This practice coincides with an SEC requirement that Form 10-K's covering fiscal years ending after December 30, 1970 include comparative financial statements. Rule 14c-3 of the Securities Exchange Act of 1934, effective for fiscal years ending on or after December 20, 1974, extends the requirement for presenting comparative financial statements to include annual reports to stockholders issued in connection with proxy solicitations.

TABLE 1-4: ROUNDING OF AMOUNTS

	1974	1973	1972	1971
To nearest dollar	244	294	310	333
To nearest thousand dollars:				
Omitting 000 (*11, 62, 152)	174	137	125	100
Presenting 000 (*228, 513, 744)	166	158	155	159
To nearest million dollars (*88, 233, 502)	16	11	10	8
Total Companies	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

ROUNDING OF AMOUNTS

Table 1-4 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 1-5: NOTES TO FINANCIAL STATEMENTS

	1974	1973	1972	1971
Manner of Referral				
General and direct references	325	337	346	372
General reference only	237	224	207	184
Direct reference only	33	36	42	39
No reference to notes	5	3	5	5
Total Companies	**600**	**600**	**600**	**600**
Companies Presenting Prior Year Information				
Business combination	94	98	76	61
Extraordinary charge or credit	56	104	94	74
Discontinued operations	17	N/C	N/C	N/C
Accounting change	12	24	25	12
Other	28	34	21	22

N/C—Not compiled.

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 1-5 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.

General References To Notes

AIRCO, INC.

Information under the headings "Statement of Accounting Policies" and "Notes to Financial Statements" is an integral part of this statement.

ALLIED CHEMICAL CORPORATION

The Statement of Accounting Policies on page 35 and the Other Financial Data and Notes to Financial Statements on pages 39-43 are an integral part of these statements.

ALPHA PORTLAND INDUSTRIES, INC.

See Additional Financial Information, Summary of Significant Accounting Policies, and Notes to Consolidated Financial Statements.

ALUMINUM COMPANY OF AMERICA

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

ANHEUSER-BUSCH, INCORPORATED

The accompanying statement should be read in conjunction with the Notes To Consolidated Financial Statements appearing on pages 28 and 29 of this report.

CONSOLIDATED PACKAGING CORPORATION

The accompanying notes are an integral part of the financial statements.

DART INDUSTRIES INC.

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

ELTRA CORPORATION

The accompanying supplemental financial information and notes to consolidated financial statements are an integral part of this statement.

McGRAW-EDISON COMPANY

The Notes to Consolidated Financial Statements should be read in conjunction with the above statement.

MONSANTO COMPANY

The above statement should be read in conjunction with page 44 and pages 50 through 55 of this report.

Prior Year's Information

AMERICAN BEEF PACKERS INC. (May)

Notes to Consolidated Financial Statements

Note 2: Acquisitions—During the year ended June 2, 1973 the Company acquired 96.36% of the issued and outstanding shares of common stock of Roberts Dairy Company for $1,112,000 in cash and a long-term note payable for $1,420,000. The transaction was accounted for as a purchase and, accordingly, the operations of the acquired company are included from the date of acquisition.

The following is a summary of the acquisition:

Purchase price	$2,532,000
Excess current liabilities over current assets acquired	511,000
Net non-current assets acquired	$3,043,000
The net non-current assets acquired are as follows:	
Property and equipment	$3,115,000
Deferred charges and other assets	245,000
Long-term debt	(317,000)
	$3,043,000

APCO OIL CORPORATION (DEC)

Notes to Consolidated Financial Statements

Foreign Operations—Contributions to earnings from foreign and domestic sources before corporate overhead and income taxes are summarized as follows:

	1974	1973
Earnings (loss) before corporate overhead and income taxes:		
Foreign	$ 2,172,000	(10,205,000)
Domestic	14,872,000	14,116,000
	$17,044,000	3,911,000

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:

	1974	1973
Current assets	$12,702,000	14,078,000
Net property, plant and equipment	25,120,000	24,484,000
Other assets	4,532,000	4,563,000
	42,354,000	43,125,000
Current liabilities	5,823,000	6,202,000
Other liabilities	25,905,000	25,039,000
	31,728,000	31,241,000
Net assets	$10,626,000	11,884,000

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.

ARDEN-MAYFAIR, INC. (DEC)

Notes to Financial Statements

Note 9: Discontinued Operations—Losses from discontinued operations consisted of the following:

	1973
Loss from operations of discontinued divisions	$ (819,256)
Loss on disposal of assets	(447,917)
	$(1,267,173)

In December 1973, the Company discontinued the operations of its candy manufacturing and distribution division, and sold the operating assets of its ice cream parlour and restaurant division.

The net operating results of the disposed entities (with combined sales of $6,878,416 for 1973) have been segregated in the accompanying consolidated statements of operations.

CHEMETRON CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 2: Pooling of Interests—Effective July 30, 1973, Chemetron exchanged 316,916 shares of its common stock for all the outstanding common stock of Coastal Dynamics Corporation. This transaction was accounted for as a pooling of interests, and accordingly, the consolidated financial statements include Coastal after elimination of all significant intercompany transactions as though the combination had taken place as of January 1, 1973.

The consolidated net sales and net earnings of the Company and its subsidiaries in 1973 before and after the aforementioned pooling of interests were as follows (thousands of dollars):

	1973
Net sales:	
Before Coastal Dynamics pooling of interests	$347,754
Coastal Dynamics:	
Before date of combination (as of June 30, 1973)	2,692
After date of combination	2,947
Total	$353,393
Net earnings:	
Before Coastal Dynamics pooling of interests	$ 10,369
Coastal Dynamics:*	
Before date of combination (as of June 30, 1973)	31
After date of combination	42
Total	$ 10,442

*Includes acquisition expenses which decreased net earnings before date of combination by $64 thousand and after date of combination by $17 thousand.

Chemetron's earnings per share in 1973 through June 30 were reduced by $.10 due to the restatement for the Coastal pooling (June 30, 1973 interim date was used instead of the July 30 consummation date).

CITY STORES COMPANY (JAN)

Notes to Financial Statements

Note N: Litigation—On December 19, 1973 in a proceeding before the Suffolk Superior Court in Massachusetts, the Company was granted an award of $2,850,000 for the value of a former store property in Boston, Massachusetts, which had been taken by condemnation by the Boston Redevelopment Authority. This represented an increase of $1,154,000 over the interim payments already received of $1,696,000. The interim payments were accounted for in prior years as part of an extraordinary charge on the closing of the store, but no effect has been given to the increase pending resolution of an appeal made by the Authority. The award does not include interest accrued thereon which is estimated to be in excess of $500,000. In addition, there are counsel fees and certain other disbursements to be paid.

In the opinion of the Company, claims and litigation asserted against the Company would have no material adverse effect on the accompanying financial statements.

CORNING GLASS WORKS (DEC)

Notes to Consolidated Financial Statements

Note 7: Capital stock—Changes in common stock, including excess over par value, during the two years ended December 29, 1974, were:

	Shares	Amounts in thousands
Balance at December 31, 1972....	17,559,648	$ 87,798
Exercise of common stock options .	4,944	432
Adjustment in connection with stock split		(195)
Effect of sale by Signetics Corporation, a subsidiary, of its common stock		6,020
Other	9,980	221
Balance at December 30, 1973....	17,574,572	$ 94,276
Issued to employees under the Equity Purchase Plan	43,631	1,300
Other	157	30
Balance at December 29, 1974....	17,618,360	$ 95,606

Signetics Corporation, a consolidated subsidiary, offered 1,300,000 common shares to the public during 1973, reducing Corning's interest from 92.1% to 70.2%. The proceeds of the offering, less related expenses, minority interest and deferred taxes, have been credited to consolidated common stock and capital in excess of par value.

500,000 shares of a new $100 par preferred series were authorized in 1970 but have not been issued.

DICTAPHONE CORPORATION (DEC)

Summary of Significant Accounting Policies

Foreign Currency Translation—The financial statements of foreign subsidiaries have been translated from local currencies into U.S. dollars as follows: liabilities and current assets at year end rates; non-current assets and depreciation expense at historical rates; and income and expense (except depreciation) at average rates during the year.

Due to the increased frequency of foreign currency realignments, the Company changed its accounting policy, effective January 1, 1973, with respect to gains and losses arising from foreign currency translations. Prior to 1973, such gains and losses were recognized in income, as extraordinary items, as they occurred. Under the new policy, unrealized gains are deferred and losses in excess of previously deferred gains are charged to income before extraordinary items. Accordingly, 1973 income before extraordinary credit and net income exclude $200,000 ($.05 per share) representing deferred unrealized foreign currency translation gains occurring during 1973. The cumulative effect on retained earnings at the beginning of 1973, if the new accounting principle had been applied retroactively, is not significant. Realized foreign exchange gains and losses are reflected in income.

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 Certificates 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 1974 and 1973 and all stock option data are based on the adjusted number of shares of Common Stock.

GENERAL AMERICAN TRANSPORTATION CORPORATION (DEC)

Notes to Financial Statements

Note B: Acquisition of American Steamship Company—As of July 1, 1973, GATX acquired all of the outstanding stock of American Steamship Company (ASC), a Great Lakes shipping company, for $9,000,000 in cash, $26,000,000 in notes (of which $21,416,000 was paid prior to December 31, 1974, and the balance is payable in varying amounts through 1983) and 200,000 shares of GATX Common Stock held in the treasury and then having a market value of $7,997,000. The acquisition agreement provides for additional payments up to $10,300,000 in cash (of which $1,509,000 was paid or accrued through December 31, 1974), subject to reduction on the basis of a formula related to future ASC earnings. Such payments have been and will be recorded as additional cost of vessels and other assets. The acquisition of ASC has been accounted for as a purchase and, accordingly, the results of its operations are included in the statement of consolidated income from date of acquisition. ASC's 1973 results are not indicative of the results of operations for a full year since they do not include normal 1973 winter lay-up period costs, which were charged to operations of ASC prior to date of acquisition. All costs and expenses incurred during the 1974 winter lay-up period were deferred and charged ratably to operations during the Great Lakes shipping season.

Unaudited pro forma consolidated results of operations of GATX for the year ended December 31, 1973 assuming that the acquisition of ASC had been consummated as of January 1, 1973, are as follows (in thousands, except per share amount):

Gross income	$443,893
Income before extraordinary charge	53,184
Income before extraordinary charge per share of Common Stock and common stock equivalent (without assuming conversion of Preferred Stock)	$ 4.37

Pro forma income before extraordinary charge reflects additional depreciation and amortization expense arising from allocation of the purchase price to vessels and other assets, interest on the notes issued to former shareholders of ASC, and imputed interest expense on cash payments and cost of treasury stock delivered to consummate the purchase.

HUDSON PULP & PAPER CORP. (DEC)

Notes to Financial Statements

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 consummated on September 4, 1973. The Company has chosen not to apply retroactively 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.

INTERLAKE, INC. (DEC)

Notes to Consolidated Financial Statements

Note 5: Significant Transaction—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 $2,350,000 write-off of unrecovered costs resulting from the abandonment of an expansion and improvement program at the Company's Newport 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.

IPCO HOSPITAL SUPPLY CORPORATION (JUN)

Notes to Consolidated Financial Statements

Note 7: Discontinued Operations—Loss from the discontinued optical manufacturing division and a segment of the career apparel division for the year ended June 30, 1973 was as follows:

	Loss Before Taxes	Tax Benefit	Net Loss	Net Loss Per Share
	(In Thousands of Dollars)			
Loss from operations	$127	$ 61	$ 66	$ .01
Loss on disposal of division	325	156	169	.03
Total	$452	$217	$235	$ .04

Net sales of these operations for the year ended June 30, 1973 were $2,663,000.

LYKES-YOUNGSTOWN CORPORATION (DEC)

Summary of Significant Accounting Policies (in part):

Accounting Changes—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 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 is included in net income for the year ended December 31, 1973.

During 1973, 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 cost of products sold in the year of acquisition. Had this change not been made, income before 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.

MAREMONT CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 2: Change in Accounting Policy for Start-Up Costs—Prior to 1973, start-up costs associated with new facilities were deferred and amortized ratably over a twenty-four month period beginning in the month when normal production levels were reached. In 1973, the Company changed its accounting policy for start-up costs to expensing such costs as incurred. This change was made to remove an intangible asset with an arbitrarily chosen amortization period from the balance sheet. The effect of this change was to reduce 1973 income from current operations by $1,286,000 ($.30 per common and common equivalent share), The cumulative effect on prior years of this change ($325,000) is reflected as a separate item in the 1973 statement of income.

DISCLOSURE OF ACCOUNTING POLICIES

APB Opinion No. 22 states a conclusion of the Accounting Principles Board "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." *Opinion No. 22* sets forth guidelines as to the content and format of disclosures of accounting policies.

All but 5 of the survey companies presented a designated section discussing accounting policies in their 1974 annual report. The number of 595 companies presenting such a designated section compares to 590 in 1973, 503 in 1972, 107 in 1971, and 26 in 1970. Table 1-6 shows the nature of information frequently disclosed in summaries of accounting policies. Examples of summaries of accounting policies follow.

TABLE 1-6: DISCLOSURE OF ACCOUNTING POLICIES

Companies Disclosing Policies Listed Below—1974.

Depreciation methods	582
Consolidation basis	576
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Employee benefits	312
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THE AMERICAN DISTILLING COMPANY (SEP)

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies:

Consolidation—The consolidated financial statements include the accounts of the Company and its subsidiaries (all wholly-owned). All significant intercompany balances, transactions and profits are eliminated.

Affiliated company—The Company owns 50% of the stock of another company. This investment is accounted for on the equity method.

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.

Property, plant and equipment—These assets are stated generally at cost and are depreciated principally on the straight-line method over the estimated average useful lives of the various assets.

Maintenance, repairs and minor renewals are charged against earnings when incurred. Additions and major renewals are capitalized.

The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any gain or loss is reflected in earnings.

Investment credit—Investment tax credits are accounted for using the flow-through method, which reduces the provision for federal income tax for the year in which the related properties are acquired.

Retirement plans—The Company has two non-contributory retirement plans in effect, one covering certain hourly-rated employees and the other covering salaried employees. The Company's liability for past service cost in connection with the hourly-rated employees' plan is limited to an amount included in the fixed rate of contribution set forth in the union contract. The unfunded prior service cost in connection with the salaried employees' plan is being amortized over thirty years. The Company's policy is to fund retirement cost as accrued.

ATLANTIC RICHFIELD COMPANY (DEC)

Notes to Consolidated Financial Statements 1974

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

Accounting Policy

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

Principles of Consolidation—Majority-owned subsidiaries are fully consolidated, as are unincorporated joint ventures through which the Company conducts much of its exploration, production and transportation activities; the Company uses the equity method of accounting for incorporated joint ventures, a finance subsidiary, affiliated companies owned 20% or more and for partnerships.

Segment Reporting—Investment, revenues and contributions to earnings are reported separately for integrated petroleum operations (segregated by U.S. and foreign) and for chemical operations. Current thinking in the accounting profession recognizes that vertically integrated operations, unitary in nature (as petroleum) should not be fractionalized for reporting purposes.

Foreign Currency Translation—Current assets and liabilities recorded in foreign currencies are translated into dollars at exchange rates prevailing at the dates of the balance sheets. Non-current assets and liabilities generally are translated at the exchange rates prevailing when acquired or incurred.

Operations recorded in foreign currencies are translated into dollars at monthly average exchange rates with the exception of depreciation, which is translated at rates prevailing when the related assets were acquired. Exchange adjustments are charged or credited to income. Gains or losses on forward exchange contracts, in general, are recognized in income when the amount of gain or loss can be determined, usually upon settlement.

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

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

Interest—Interest is expensed as incurred except when related to the construction of common carrier pipelines (in which case capitalization is required by the Interstate Commerce Commission, the related regulatory authority) or when assets (mainly tankers) are constructed for immediate sale to an outside party.

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

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

Retirement Plan—The Atlantic Richfield Retirement Plan covers substantially all employees. Pension costs are funded as accrued by payment into a trust which is kept apart from the Company funds. Cost provisions, based on an annual report by an independent actuary, are determined by a projected benefits method (aggregate level normal cost); past service costs are covered by supplemental funding over a 30 year period. Unrealized portfolio appreciation or depreciation is recognized through a systematic and programmed comparison of market value with the carrying value of the securities.

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

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

Intangible Development Costs—Intangible development costs applicable to successful wells are capitalized and amortized on the unit-of-production method for financial statement purposes, although generally deductible immediately for tax purposes (for amortization policy see Extinguishment of Producing Properties).

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

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

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

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

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

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

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

THE BENDIX CORPORATION (SEP)

Notes to Consolidated Financial Statements

Summary of Significant Accounting Policies:

Consolidated Financial Statements and Related Matters—The consolidated financial statements for the two years ended September 30, 1974 comprise those of the Corporation and all of its subsidiaries, except for its insurance and finance subsidiaries. Equity in earnings of the nonconsolidated insurance and finance subsidiaries and associated companies (where the Corporation's equity investments enable the use of significant influence over operating and financial policies) is included in consolidated income currently. The financial statements of subsidiaries outside the U.S. and Canada generally are included in the consolidated financial statements on the basis of fiscal years ending on August 31.

Financial statements of foreign companies included in the consolidated financial statements are translated into U.S. dollar equivalents based upon free market rates of exchange; current assets and liabilities and long-term debt are translated at rates in effect at the end of the respective periods and other assets (including related accumulated depreciation and amortization) generally are translated at historical rates; income and expense items (other than depreciation and amortization) are translated at the average rates of exchange prevailing during the respective periods. Gains and losses resulting from translation of the financial statements of foreign companies and forward exchange contracts have been credited or charged to income during the respective periods.

Certain reclassifications have been made to the 1973 financial statements to conform with the presentation for 1974.

Inventories and Contracts in Progress—Inventories are stated at the lower of cost (substantially first-in, first-out, or average) or market (replacement cost or net realizable value). Inventories related to fixed-price contracts are stated at the accumulated cost of material, labor, and manufacturing overhead, less costs proportionate to amounts billed, but not in excess of amounts estimated to be recoverable.

Title to certain assets included in inventories and contracts in progress is vested in the U.S. Government under the contractual arrangements by which progress payments were received from the government.

Land, Buildings, and Equipment—Land, buildings, and equipment are stated at cost. Depreciation is provided generally on a straight-line basis over the estimated service lives of the respective classes of property. Fully depreciated assets still in service are not included in the property accounts. Amortization of leasehold improvements is based upon the terms of the respective leases.

Maintenance, repairs, and renewals, including replacement of minor items of physical properties, are charged to income; major additions to physical properties are capitalized.

For physical properties not fully depreciated, the cost of the assets retired or sold is credited to the asset accounts and the related accumulated depreciation is charged to the accumulated depreciation accounts. The gain or loss from sale or retirement of property is taken into income.

Timber and timberlands—Timber and timberlands are stated at cost, less depletion which is credited directly to the asset accounts. Depletion of timber is provided on footages removed at rates based on estimated recoverable timber in each tract.

Goodwill and Other Intangibles—Goodwill arising prior to November 1970 represents the excess of cost over the amount ascribed to the net assets of going businesses purchased and is not amortized; goodwill and other intangibles arising from acquisitions entered into after October 1970 are amortized on a straight-line basis over periods up to forty years.

Purchased patents are stated at cost, less amortization, and are amortized over their estimated economic lives. The cost of internally developed patents is charged to income as incurred.

United States and Foreign Taxes on Income—Deferred income taxes are provided for timing differences between financial and taxable income.

Investment credit is deferred and amortized over the estimated useful lives of the assets to which it applies.

U.S. taxes on income have been provided on the undistributed earnings of subsidiaries outside the U.S., except to the extent such earnings are considered permanently invested in the subsidiary operations. After utilization of available foreign income tax credits under current U.S. income tax regulations, additional U.S. income taxes payable upon the remission of these undistributed earnings would not be material.

Research and Development—Research and development expenses are generally charged to income as incurred.

Government Contracts and Subcontracts—Profits on contracts are taken into income in proportion to billings made in accordance with the terms of the contracts, most of which are subject to renegotiation under the Renegotiation Act of 1951. Proceedings for the purpose of establishing the amounts, if any, of refundable profits have not been completed for fiscal 1971 and subsequent years; however, in the opinion of officials of the Corporation, any amount refundable under such proceedings would not be material in relation to the consolidated financial statements.

BELL & HOWELL COMPANY (DEC)

Notes to the Consolidated Financial Statements

Note A–Significant Accounting Policies:

Principles of Consolidation—The consolidated financial statements include all subsidiaries except the financing subsidiary described in Note B. The investment in the financing subsidiary is carried at cost plus equity in undistributed earnings. The net assets of international subsidiaries have been translated at exchange rates prevailing at year end, except for certain net property, plant and equipment which is translated at historical rates. The statements of earnings, except for depreciation, have been translated at the average exchange rates in effect during the periods. Translation gains and losses are immaterial and are included in operating earnings.

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

Schools' Accounting—Tuition for resident school courses is recognized pro rata over each school quarter, and all costs are expensed currently. Tuition for home study courses is recorded at the time the contract is accepted in an amount equal to the course price, less a statistically determined provision (approximately 47% for 1974 and 50% for 1973) for refunds, cancellations and bad debts; all future service costs including costs for lessons, kits, grading, etc., are accrued; the portion (60% for 1974 and 52% for 1973) of the resulting income applicable to the future service is deferred and returned to income on the basis of lessons completed by the students. Course development costs and marketing expenses for both resident schools and home study courses are expensed in the year incurred. The reserve for refunds and cancellations applicable to students' accounts and notes is deducted from the related asset except for the portion attributable to notes held by others, principally the Bell & Howell Industrial Bank, of which a part is included in accrued expenses and the balance is shown in other liabilities.

Research and Product Development Expenditures—All research and substantially all product development expenditures and tooling are expensed as incurred. A limited portion of those product development expenditures, related to the replacement of an established product or the development of a new product which will expand a present product line, are deferred and charged to income over a maximum of three years following product introduction. In addition, expenditures of a similar nature which are specifically covered by contracts are inventoried and billed to customers. In accordance with Financial Accounting Standards Board Statement No. 2, beginning in 1975, certain development costs are to be expensed in the year incurred; such costs deferred at the end of 1974 totaling $1,648,000 ($807,000 after taxes) will be charged to earnings invested in the business at the beginning of 1975, and net earnings for 1974 and prior years will be restated. This will result in a reduction of reported net earnings for 1974 and 1973 of $54,000 and $66,000, respectively, and for prior years, $687,000.

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

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

Inventories—Inventories are priced at the lower of cost (first-in, first-out method) or market. Inventory costs consist of material, labor and overhead.

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

Goodwill—Goodwill arising from the acquisition of businesses is amortized by charges to earnings over the estimated period to be benefited. The amortization periods used by the Company vary from ten to fifteen years, dependent upon the nature of the acquired businesses.

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

WALT DISNEY PRODUCTIONS (SEP)

Summary of Significant Accounting Policies

The Company's principal business is the production and distribution of theatrical and television films and the operation of two amusement theme parks, "Disneyland," California, and "Walt Disney World," Florida, which are referred to as entertainment and recreational activities. In addition, the Company has operations including music and records, character merchandising and publication licensing and manufacture, educational media materials and a sports center complex. To more fully inform the reader, the following summary of the Company's significant accounting policies is presented as an integral part of the financial statements.

Principles of Consolidation—The consolidated financial statements include the accounts of the Company and its domestic and foreign subsidiaries, all wholly owned. The Company's investments in joint ventures are recorded at equity in their underlying net assets and are included in other assets.

The accounts of foreign subsidiaries have been translated into U.S. dollars at appropriate rates of exchange and the resulting net unrealized gain, which is minor, has been deferred.

Inventories—Inventories are stated at the lower of cost or market. Costs of merchandise, material and supply inventories are generally determined on the moving average and first-in, first-out bases.

Film Distribution and Amortization—Recently issued accounting guidelines required that certain changes be made in accounting methods and policies used in accounting for films released or completed subsequent to September 30, 1973. Pursuant to such policies, costs of completed theatrical and television film productions (negatives), together with applicable capitalized exploitation costs, are amortized by charges to income in the proportion that the producer's share of gross revenue received by the Company during the period for such production bears to the estimated total gross revenue to be received from all sources. Estimates of total gross revenue are reviewed periodically and amortization is adjusted accordingly. As a result of adopting such guidelines, net income for the year ended September 30, 1974 increased by approximately four cents per share. The Company does not believe that these guidelines are necessarily an improvement over the Company's previous reporting practices.

In prior years, costs of completed theatrical and television film productions were 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 related to the estimated total of such income to be received.

Entertainment Attractions, Facilities and Other Depreciable Assets—The Company classifies the costs of its two amusement theme parks (rides, attractions, exhibits, shops), recreational facilities (lake, lagoon, golf courses), theme resort hotels and direct support properties including buildings (warehouses, maintenance shops, administration), transportation systems and roads as entertainment attractions and facilities. Other buildings and equipment consist of properties at the Burbank studio and other properties not directly related to entertainment and recreational activities.

Depreciation is provided principally on the straight line method using estimated service lives ranging from 4 to 50 years. Depreciation and maintenance and repairs are charged either directly to costs and expenses as incurred or to film production costs which are then amortized against income; major replacements and betterments are capitalized. The cost and related accumulated depreciation of property sold or retired are removed from the accounts and any resulting gain or loss is recorded in income.

Preopening Costs— Deferred preopening costs and expenses relating to Walt Disney World are being amortized over five years, commencing October 1971.

Taxes on Income—Deferred taxes on income represent deferred investment tax credits and taxes which will not become payable until future years due principally to differences between financial and tax reporting of depreciation and amortization of preopening costs. Investment tax credits, accounted for by the deferral method, are amortized as a reduction of the provision for taxes on income over the average service lives of the related assets.

Stock Options—Proceeds from the sale of common stock issued under stock option plans are accounted for as capital transactions and no charges or credits are made to income in connection with the plans.

Earnings Per Share—Earnings per share are computed on the basis of the average number of shares outstanding during each year, retroactively adjusted to give effect to all stock splits and stock dividends. It is assumed that all dilutive stock options are exercised at the beginning of each year and that the proceeds are used to purchase shares of the Company's common stock at the average market price during the year.

DRAVO CORPORATION (DEC)

Notes to Consolidated Financial Statements

Summary of significant accounting policies:

Principles of consolidation—The consolidated financial statements include the accounts of all majority-owned subsidiaries except Dravo Leasing Company and Dravo Credit Corporation, whose condensed statements are included in these notes, and Newtown Properties, Inc. which is not significant. The unconsolidated subsidiaries and qualifying but non-majority-owned affiliates are included in the statements on an equity basis.

Translation of foreign currencies—The accounts of foreign subsidiaries have been translated using current exchange rates for cash, receivables and payables and historical rates for all other accounts. Exchange adjustments, except those associated with uncompleted long-term contracts, are included in income.

Income recognition—Fixed-price, long-term contracts, including those performed by joint ventures, are included in income in the year of physical completion; however, provision is made currently for anticipated losses. Income is recognized on reimbursable fee-type contracts as costs are incurred and on manufacturing contracts as each unit is delivered. On sales to Dravo Leasing Company which are subject to finance-type leases, manufacturing profit is recognized at the time of sale; on equipment subject to operating-type leases, manufacturing profit is recognized on a straight-line basis over its estimated rental life.

Inventories—Costs of inventories and contracts in progress are determined at actual direct costs and overhead approximately at cost. Manufacturing inventories are principally on a last-in, first-out basis; used tools and equipment, including units held for rental or sale, are at cost less estimated depreciation; and supplies are valued generally at the lower of cost or market.

Current accounts—In accord with industry practice, current assets and liabilities include amounts related to long-term contracts and joint ventures which have cycles extending beyond one year.

Property, plant, equipment and depreciation—The cost of buildings, equipment and machinery is depreciated over estimated useful lives on a straight-line basis. For income tax purposes, depreciation is calculated principally on accelerated bases. Expenditures for maintenance and repairs which do not materially extend the life of assets are charged to operations.

Intangible assets—Intangible assets, including purchased patents, trademarks, drawings, agreements, and goodwill are being amortized over their estimated useful lives of from five to ten years.

Income taxes—Deferred income taxes are provided for timing differences between financial and tax reporting bases of income and expense items. Deferred tax provisions are made for foreign subsidiaries' undistributed earnings which are not expected to be reinvested. Investment tax credits are recognized in the year in which the credit arises, by reduction of the provision for income taxes.

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

Summary of Accounting Policies

The accounting policies employed by JCPenney are consistent with generally accepted accounting principles. In those instances in which more than one generally accepted accounting principle can be applied, the Company has adopted the accounting principle that it believes most accurately and fairly reflects the situation, as described in the following paragraphs.

Definition of Fiscal Year—JCPenney's fiscal year ends on the last Saturday in January. Fiscal year 1974 ended January 25, 1975; fiscal year 1973 ended January 26, 1974. Each year comprised 52 weeks.

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

Basis of Consolidation—The financial statements present on a consolidated basis the results of all domestic and European merchandising operations. Not consolidated are J. C. Penney Financial Corporation, the insurance companies, JCP Realty, Inc., and several small nonretail subsidiaries.

The income before income taxes of J. C. Penney Financial Corporation is included in the statement of income as a reduction of interest expense. The combined income of all other unconsolidated subsidiaries is included as a single item in the statement of income.

Sales—Sales include merchandise and services, net of returns, and exclude value added and sales taxes. Layaway sales are recorded upon receipt of the initial deposit.

Sales are attributed to the operating division that makes the sale to the customer.

Accounts Receivable—Service charge income arising from customer accounts receivable is treated as a reduction of selling, general, and administrative expenses in the statement of income.

The allowance for doubtful accounts represents 2 per cent of customer accounts receivable at year end.

Merchandise Inventories—For 1974, substantially all merchandise inventories are valued at the lower of cost (last-in, first-out) or market, determined by the retail method.

Prior to 1974, merchandise inventories in stores were stated at the lower of cost (first-in, first-out) or market, determined by the retail method. Other merchandise inventories in warehouses or with manufacturers were stated at the lower of cost (first-in, first-out) or replacement market.

Properties—Interest and certain other carrying costs on construction in progress and land held for future use are capitalized in order to reflect the complete cost of properties. Maintenance and repairs are charged to current operations as incurred, and improvements are capitalized.

Depreciation—The cost of buildings and equipment is depreciated on a straight line basis over the estimated useful lives of the assets. The principal annual rates used in computing depreciation are 3 per cent for store buildings, 2½ per cent to 4 per cent for warehouse buildings, and 10 per cent for fixtures and equipment. Improvements to leased premises are amortized on a straight line basis over the term of the lease or the useful life of the improvement, whichever is shorter.

Income Taxes—JCPenney uses the "flow through" method whereby income taxes are reduced currently for the amounts of investment credits.

Foreign Exchange Transactions—All foreign currency accounts are translated to U.S. dollars at exchange rates in effect at each year end for current assets and liabilities, at historical exchange rates for depreciation and noncurrent assets and liabilities, and at average exchange rates during the year for income and expense. Gains and losses are credited or charged to operations as incurred.

Deferred Charges—Expenses associated with the opening of new stores are written off in the year of store opening, except for those of stores opened in January, which are written off in the following fiscal year. Catalog preparation and printing costs are written off over the estimated productive lives of the catalogs, not exceeding six months.

Pension Cost—The cost of pension benefits has been determined by the entry age normal method. Past service liabilities are amortized over a period not exceeding 30 years.

PET INCORPORATED (MAR)

Accounting Policies

Principles of Consolidation—The consolidated financial statements include the accounts of Pet Incorporated and all its subsidiaries. All material intercompany accounts and transactions are eliminated.

Translation of Foreign Currencies—Foreign currency amounts are translated into U.S. dollar equivalents as follows: all balance sheet amounts except property at rates of exchange at fiscal year end; property at historical rates; operations at average rates during the year, except that depreciation is translated at historical rates. Translation adjustments, which are not significant in amount, are recognized currently in income.

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

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

Excess of Purchase Price of Companies Acquired Over Net Assets at Dates of Acquisition—Currently, it is the company's policy to amortize any excess of purchase price of companies acquired over the fair value of net assets at dates of acquisition over periods not in excess of 40 years. A substantial portion of this account is related to companies acquired prior to adopting this policy and is of such a nature that amortization is not considered necessary.

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

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

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

Profit or loss on dispositions of assets is credited or charged to earnings and the related asset costs and accumulated depreciation are removed from the respective accounts.

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

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

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

Stock Options—Stock options are granted to certain employees at the prevailing market price on the date of the grant. Proceeds from the sale of common stock issued under these options are credited to common stock at the time the options are exercised. The company makes no charges to earnings with respect to these options.

Retirement Plans—The company and several subsidiaries maintain contributory and noncontributory retirement plans for substantially all salaried and hourly employees. The company is providing for the cost of these plans as benefits are accrued, based on actuarial determinations. Prior service costs are being amortized over a period of 30 years.

Development and Promotion Expenditures—Research and development costs, pre-opening expenses of retail stores and advertising and promotion are charged to earnings as incurred.

Patent and Trademark Expenditures—Expenditures for the acquisition, protection and renewal of trademarks and patents are charged to earnings as incurred for financial reporting purposes. For tax purposes, these costs are amortized over 5 to 17 years, as applicable.

Lease Agreements—Annual rentals pertaining to leases which convey merely the right to use property are charged to current operations. Lease agreements which are substantially instalment purchases of property have been recorded as assets and are being depreciated over their estimated useful lives.

Long-term Debt—Expenses relating to the issuance of sinking fund debentures are being amortized under the bonds outstanding method. Gain on the reacquisition of debentures is recognized currently in earnings.

Earnings Per Share of Common Stock—Primary earnings per share computations are based on the average number of shares of common stock outstanding during the respective years, after net earnings are reduced for preferred dividend requirements.

Fully diluted earnings per share computations are based on those shares included in the primary earnings per share calculation plus common shares which would have been issued if conversion of preferred stocks had taken place at the beginning of the respective years, together with common stock issuable on the exercise of stock options if such exercise would result in dilution of earnings per share.

TRANS UNION CORPORATION (DEC)

Summary of Accounting Principles and Practices

Principles of Consolidation—The accompanying consolidated financial statements include the accounts of the Company and all significant subsidiaries other than wholly-owned finance lease companies and 50% owned companies. The equity of Trans Union in the net income of these unconsolidated subsidiaries has been included in the accompanying consolidated statement of income. All significant intercompany accounts and transactions have been eliminated.

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

Income from finance leasing activities (including some rail cars and ocean vessels and the non-consolidated finance lease subsidiaries) is recognized under the financing method. These leases are full payout leases, which means that the lease terms provide for full recovery by Trans Union of its cost of the item leased, together with interest, expenses and profit. Aggregate income from this type of lease is total rentals, plus estimated residual value of the equipment, less cost of the equipment and less a provision for possible losses; this income is recorded over the life of the lease in a declining pattern which results in an approximate level rate of return on the declining investment.

Voyage Accounting—Income from vessels time chartered to others is recorded on a pro rata basis over the period of the charter. Income from vessels on long-term bareboat charters which are similar to full payout leases are accounted for under the financing method (see "Lease Accounting"). Income on all other vessels was recorded on the completed voyage method until 1974 at which time the accounting for these vessels was switched to the per cent of completion basis to more closely reflect the operations of this growing segment of the vessel fleet. Net income for years prior to 1974 would not have changed significantly had this policy been in effect.

Accounting for Sale of Condominiums and Apartments—Sales of individual condominum units are recorded at the time title passes to the purchaser, at which time the Company normally realizes the sales price in full. During 1974 the Company began providing long-term mortgage financing to customers who qualified for, but were unable to obtain, financing from conventional sources because of the extreme scarcity of mortgage funds. These mortgage notes bear interest at current market rates and generally include terms similar to those available from financing institutions. Provision is made at the time of sale of the related condominium units to cover the estimated cost of disposition of such notes when mortgage funds become available. Interest income on such notes is accrued as earned.

Provision was made at the time of sale of apartment buildings to cover the estimated future contingent costs related to the contractural guarantees associated with such sales. Such provision is adjusted periodically to reflect actual occupancy and related costs of the respective units.

Interest on construction projects and undeveloped land held for future development is capitalized. Interest and carrying costs on completed units awaiting sale are expensed as incurred.

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

Real estate taxes and interest expenses applicable to land held for resale are capitalized as part of the cost of land. However, capitalization of such costs on individual tracts is discontinued when continued capitalization would result in accumulation of costs in excess of a level justified by economic conditions.

Income from sale of land is not recorded until the buyer has a significant and continuing cash equity (at least 20%) in the property. Furthermore, all sales with credit terms in excess of one year must bear interest at a rate at least equal to the "prime" borrowing rate in effect at the time of sale, or the maximum legal rate, if lower. Provision is made at the time of sale for future estimated development costs.

Accounting For Product Sales and Long-Term Contracts—Other than for long-term contracts, sales of products are generally recorded when the products are shipped to the customer. Long-term contracts are those which require performance—i.e. design, construction and/or installation —over a time span which generally would overlap two or more accounting periods. The percentage-of-completion method of accounting is used for these long-term contracts except for cooling tower projects for which the Company has responsibility for on-site construction or installation. In the latter case, the completed contract method is used. In the normal course of business, the Company makes certain warranties as to workmanship and product performance. The estimated costs of these warranties are accrued at the time of sale. The estimates inherent in accounting for contracts and warranties are reviewed and revisions to previous estimates are made as required to reflect the most up-to-date information.

Inventories—Inventories, other than inventoried costs related to long-term contracts, are stated at the lower of cost (principally first-in, first-out) or market. Inventoried costs of long-term contracts generally include costs of materials or equipment shipped to the job site and construction or installation costs incurred to date, reduced by amounts identified with revenue recognized to date. Inventoried costs of long-term contracts are also reduced by charging any amounts in excess of estimated realizable value to cost of sales. Inventoriable costs include material, labor and factory and/or construction overhead. General and administrative costs are charged to expense as incurred.

Depreciation and Fixed Assets Accounting—Rail cars, vessels, and fixed assets (excluding finance-lease assets) are depreciated down to estimated salvage value over their estimated useful lives on the straight-line method. The principal estimated useful lives are rail cars, 20 to 35 years; vessels, 20 to 25 years; buildings, 20 to 50 years; and equipment 4 to 25 years.

Maintenance and repairs are charged to expense when incurred except for that portion applicable to tank car construction facilities which is capitalized as part of the cost of tank cars. The cost of drydocking ocean vessels is amortized to income over the estimated period between drydockings. Cost of major conversions and betterments is capitalized by charges to the appropriate property account and depreciated over the remaining useful life. Interest incurred on funds invested in ocean vessels under construction is capitalized as part of the cost of the vessels.

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

Research and Development—Research and development expenses, including costs related to development of new products, patents and processes, are charged to income as incurred.

Credit Service Accounting—The costs of investments in credit files acquired in connection with acquisition of credit bureaus are capitalized. In lieu of amortization of such investment, the costs of maintaining, expanding and improving credit files are expensed as incurred. The costs of initially converting acquired credit files to the company's CRONUS Computer System are deferred and are being amortized over a seven-year period.

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

Sinking Fund Operations—The provisions of certain of the Company's debt instruments permit the Company to make required sinking fund payments by application of reacquired debt instruments at face value. The Company's policy is to reacquire debt instruments in the open market sufficient to cover the current sinking fund requirements if this results in a reduction in net interest cost. Prior to 1973, any gains resulting from this policy were deferred and reflected as a reduction in interest expense over the period (usually one year or less) from date of reacquisition to the date applied to the sinking fund installment. Beginning in 1973, in accordance with Accounting Principles Board Opinion No. 26, any gains resulting from this policy were credited directly to income as a reduction of interest expense. Net income for years prior to 1973 would not have changed significantly had this policy been in effect.

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

The earnings of certain foreign subsidiaries are taxed at rates lower than rates prevailing in the United States. Additional taxes will be levied on such earnings if they are paid to the Company as dividends. It is the intention of the Company to invest a portion of the earnings of these foreign subsidiaries for an indefinite period; thus to this extent these additional taxes may not be levied. The Company's policy is to provide deferred taxes on that portion of the undistributed earnings of these foreign subsidiaries which are expected to be paid to the Company as dividends in future years. The amounts of undistributed foreign earnings which have been or will be reinvested indefinitely, exclusive of those amounts which if remitted would result in little or no U.S. income tax under current tax rules, aggregated approximately $21,500,000 for 1974 and prior years.

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

Foreign Currency Translation—Certain of the Company's foreign subsidiaries have assets and liabilities denominated in the currencies of the countries in which they operate. Changes in the relative values of these foreign currencies vis-a-vis the U.S. dollar occur from time-to-time. The Company's policy is to reflect the impact of these changes on assets and liabilities (except rail cars, ocean vessels, fixed assets and related depreciation and deferred taxes) by translating these accounts to U.S. dollars at approximate year end rates of exchange. Rail cars, ocean vessels, fixed assets and related depreciation expense are translated at exchange rates prevailing at dates of acquisition and deferred taxes at dates provided. Income and expenses (other than depreciation) are translated at approximate rates prevailing during the respective years. The translation adjustments resulting from this policy are charged or credited to income currently except for the amount arising from the translation of indebtedness incurred to finance additions to rail cars, ocean vessels and fixed assets which is deferred and amortized over the estimated useful lives of the related assets.

ACCOUNTING CHANGES

Table 1-7 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 4-3 and 6-6.

Change in Accounting Estimates

AMERICAN CAN COMPANY (DEC)

Notes to Financial Statements

Note 3: Future Plant Closings—As a result of continuing changes in markets for its products and the rapid technological changes in the industry, the Company has shortened the estmated useful lives of certain plant facilities and has changed the assumed basis on which employees at such facilities will retire from that of an on-going plant to a closed plant (early retirement) in order to recognize and anticipate future plant closings. Accordingly, depreciation and pension expense for 1974 has been increased $4,700,000 and $5,300,000, respectively, and net income reduced by $5,100,000 ($.29 per share).

TABLE 1-7: ACCOUNTING CHANGES

	1974	1973	1972	1971
Companies Disclosing Accounting Changes Listed Below:				
LIFO method adopted or extended	198	8	3	5
Calculation of pension cost	32	13	32	30
Research and development costs charged to operations	27	—	—	—
Classification of accounts to conform with APB Opinion No. 30	15	10	—	—
Change in reporting entity	9	14	24	39
Change to conform with AICPA Industry Guide	7	7	—	—
Change in estimate of asset service life	4	6	6	6
Change in amortization method	3	10	17	29
Change in translation policy	2	16	6	—
Other	18	22	19	51

MCDONNELL DOUGLAS CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note B: Commercial Products in Process—Due to the marked increase in worldwide economic uncertainties during the fourth quarter of 1974, and the potential long-term adverse effect on the airlines' need for wide-bodied jet aircraft, MDC decided in its year-end review that it would be prudent to reduce the DC-10 accounting pool from 500 to 400 aircraft, effective 1 October 1974. This reduced quantity of aircraft expected to be sold through the early 1980s and the assumed lower production rates have resulted in an increase in the estimated program-average cost to be charged to cost of sales for DC-10 aircraft delivered after 30 September 1974. These changes in estimates were used in accounting for DC-10 aircraft delivered during the fourth quarter of 1974, and increased costs and expenses for that quarter by $17,094,800 and reduced net earnings after applicable income taxes by $8,889,300 ($.23 a share).

DC-10 tooling and production costs are charged to cost of sales on program-averages, which are based upon estimates of the total quantity and cost of aircraft anticipated to be produced. Because the cost of early production units (as compared to sales prices) were higher than estimated program-average, DC-10 production costs of approximately $544,194,000 at 31 December 1974 (for which a comparable amount at 31 December 1973 would be $542,072,000) remained in inventory to be recouped by production and sale of lower-than-average-cost units; and applicable income tax benefits of approximately $277,321,000 at 31 December 1974 ($275,264,000 at 31 December 1973) were reflected as deferred income taxes. These deferred production costs were the amounts by which costs of the 169 units delivered through 31 December 1974 (122 through 31 December 1973) plus the estimated production costs at completion for aircraft in process exceed the program-average cost charged, or expected to be charged, to cost of sales. Approximately $212,540,000 at 31 December 1974 ($228,894,000 at 31 December 1973) of unamortized tooling costs on commercial programs were also included in inventory. Approximately $82,973,000 of the deferred production and tooling costs are expected to be absorbed by delivery of aircraft under firm order at 31 December 1974; however, additional deferred costs are expected to be incurred for sustaining tooling and for early production units of new models.

Although the 400 aircraft accounting pool is in excess of the 216 DC-10 aircraft ordered plus 38 DC-10s contingently ordered or under option at 31 December 1974 (200 ordered plus 53 contingently ordered or under option at 31 December 1973), the estimated sales proceeds from undelivered aircraft of a 400 aircraft program exceed the production and tooling costs in inventory at 31 December 1974 plus the estimated additional production and tooling costs to be incurred. However, if less than 400 DC-10 aircraft are sold, or if the sales proceeds are over-estimated, or if the costs to complete the program are underestimated, substantial amounts of unrecoverable costs may be charged to expense in subsequent fiscal periods.

OLIN CORPORATION (DEC)

Notes to Financial Statements

Property, Plant and Equipment—The major classes of property, plant and equipment, at cost, are as follows:

(000 omitted)	1974	1973
Land and improvements to land....	$ 44,301	$ 42,327
Building and building equipment....	163,102	157,661
Machinery and equipment	616,920	556,922
Leasehold improvements............	9,862	9,942
Construction in progress............	62,288	90,201
	$896,473	$857,053
Less accumulated depreciation and amortization......................	494,443	449,653
	$402,030	$407,400

As a result of a re-evaluation of depreciable lives, the company increased depreciation rates for certain 1974 additions to property, plant and equipment, principally by the Chemicals Group. In addition, depreciable lives of certain assets acquired prior to 1974 were reduced with a consequent increase in 1974 depreciation of approximately $7,900,000 and a reduction in 1974 net income from continuing operations of approximately $3,950,000 or 34c per share.

Change in Reporting Entity

E. I. DU PONT DE NEMOURS & COMPANY (DEC)

Summary of Significant Accounting Policies
(Dollars in millions)

1974 Reporting Changes—Du Pont adopted the following changes in reporting to conform to the prevailing trend of corporate reporting practices, and thereby improve comparability of Du Pont results with those of other companies.

Consolidation of Majority-Owned Subsidiaries—Majority-owned subsidiaries, previously accounted for by the equity method of accounting, are now fully consolidated. The effect of this change is to include all sales and expenses as well as all assets and liabilities of Du Pont of Canada, Remington Arms Company, Ducilo (an Argentine subsidiary), and Polidura (a Brazilian subsidiary) in the accounts of the consolidated statements. The resulting minority interests are reflected as "Minority Interests in Earnings of Consolidated Subsidiaries" in the income statement and "Minority Interests in Consolidated Subsidiaries" in the balance sheet.

Reclassification of Finished Product Distribution Expense—Finished product distribution expense, previously treated as a reduction of sales, is now classified as an element of "Cost of Goods Sold and Other Operating Charges." Finished product distribution expense consists of expenses directly related to the movement and storage of finished product inventory.

These changes have no effect on net income but increase reported sales.

Prior years' data have been restated to reflect the adoption of these two reporting changes. A reconciliation of sales for the year ended December 31, 1973 as originally reported and as restated follows:

	1973
Sales—before 1974 reporting changes	$5,275.6
Sales—majority-owned subsidiaries, net of intercompany transfers	445.1
Reclassification of finished product distribution expense	243.3
Sales—after 1974 reporting changes	$5,964.0

Change in Accounting Principle, Other Than Change To LIFO

BASIN PETROLEUM CORP. (JUN)

	1974	1973
Income before cumulative effect of a change in accounting method	$ 3,048,410	$ 1,400,296
Cumulative effect on years prior to 1974 of a change in the method of computing depreciation, depletion and amortization of oil and gas properties (Note 2)	170,209	—
Net income	$ 3,218,619	$ 1,400,296
Earnings per share (Note 1):		
Income before cumulative effect of a change in accounting method	$.88	$.41
Cumulative effect of change in accounting method (Note 2)	.05	—
Net income	$.93	$.41
Net income—assuming full dilution	$.84	$.40
Pro forma amounts assuming retroactive application of change in accounting method (Note 2):		
Net income	$ 3,048,410	$ 1,405,149
Earnings per share:		
Net income	$.88	$.41
Assuming full dilution	$.80	$.40

Note 2: Change in accounting method—Effective July 1, 1973, the Company changed its method of computing depreciation, depletion and amortization applicable to oil and gas properties. Prior to 1973, the Company computed these costs on a composite unit-of-production method by converting its natural gas production and reserves to equivalent crude oil barrels based on their relative sales value. Under the new method, depreciation, depletion and amortization are computed on the basis of the relationship of the aggregate sales value of recoverable oil and gas reserves and production to the sales value of production. This change in method of computing depreciation, depletion and amortization of oil and gas properties was adopted because, in the opinion of management, the new method is a better method for equating oil and gas reserves and production. This change in method increased 1974 income before cumulative effect of a change in accounting method by approximately $380,000 ($.11 per share). The cumulative effect of such change on years prior to 1974 amounted to $170,209 ($.05 per share) which is included in 1974 net income. The pro forma amounts shown in the consolidated statement of income give effect to the retroactive application of this change.

THE DOW CHEMICAL COMPANY (DEC)

	1974	1973
Income Before Extraordinary Items and Cumulative Effect of Change in Accounting	$587,385,615	$271,148,012
Extraordinary Items	11,721,809	4,419,500
Cumulative Effect of Change in Accounting (Note C)	(41,650,206)	
Net Income	$557,457,218	$275,567,512
Earnings per Share		
Income before extraordinary items and cumulative effect of change in accounting	$6.35	$2.94
Extraordinary items	.13	.05
Cumulative effect of change in accounting (Note C)	(.45)	
Net Income	$6.03	$2.99
Pro Forma Amounts Assuming the Accounting Change is Applied Retroactively		
Income before extraordinary items	$587,385,615	$260,774,020
Earnings per share before extraordinary items	$6.35	$2.83
Net income	$599,107,424	$265,193,520
Earnings per share	$6.48	$2.88

Note C: Plant Properties—Plant properties consisted of the following:

	December 31 1974	1973
	(Thousands of Dollars)	
Land	$ 81,542	$ 74,167
Land and waterway improvements	93,476	88,365
Buildings	368,576	332,496
Machinery and other equipment	2,769,059	2,475,898
Wells and brine systems	68,214	49,540
Furniture and fixtures	48,919	39,423
Other	165,029	22,395
Construction in progress	486,959	219,057
Total	4,081,774	3,301,341
Less—accumulated depreciation	1,848,559	1,522,917
Net	$2,233,215	$1,778,424

The Company extended, as of January 1, 1974, its United States and Canadian accounting practice of providing accelerated depreciation on fixed assets to facilities located in foreign countries. The effect was to increase depreciation by $18.4 million ($.10 per share, after related taxes of $8.6 million) for the year ended December 31, 1974. The cumulative effect to December 31, 1973 of retroactive application of accelerated depreciation methods overseas was a charge to income of $41.7 million after related taxes of $38.7 million, or $.45 per share.

FIRST NATIONAL STORES INC. (MAR)

	1974	1973
Income (loss) before extraordinary items and before cumulative effect on prior years of change in accounting	$(13,466,000)	$ 260,000
Extraordinary items:		
Gain on sale of land	572,000	—
Loss on sale of assets relating to discontinued operations, less $125,000 tax effect	—	(225,000)
Cumulative effect on prior years (to March 31, 1973) of change in method of accounting for costs related to store closings, less $1,158,000 tax effect (Note 3)	(1,964,000)	—
Net income (loss)	(14,858,000)	35,000
Retained earnings at beginning of year	59,434,000	59,399,000
Retained earnings at end of year	$ 44,576,000	$ 59,434,000
Per share of common stock (Note 2):		
Income (loss) from continuing operations	$(9.81)	$.41
Loss from discontinued operations	—	(.22)
Income (loss) before extraordinary items and cumulative effect of change in accounting	(9.81)	.19
Extraordinary items	.41	(.16)
Cumulative effect of change in method of accounting for store closings (Note 3)	(1.43)	—
Net income (loss)	$(10.83)	$.03
Pro forma amounts assuming the change in method of accounting for costs related to store closings had been applied retroactively (Note 3):		
Income (loss) from continuing operations	$(13,466,000)	$(227,000)
Per share of common stock	(9.81)	(.17)
Income (loss) before extraordinary items	(13,466,000)	(438,000)
Per share of common stock	(9.81)	(.32)
Net income (loss)	(12,894,000)	(618,000)
Per share of common stock	(9.40)	(.45)

Note 3 (in part): Change in Accounting Method—During fiscal 1974, the Company changed its method of accounting for costs related to store closings in order to match more effectively operating revenues with operating costs and expenses by accruing future costs for which no revenue is expected. In prior years, certain costs associated with the closing of stores, including the unamortized value of leasehold improvements and store equipment, were expensed in the period the store closed, while occupancy costs were expensed in subsequent periods as they became payable.

The change in accounting involves (a) expensing costs associated with closed stores at the time the decision to close the store is made, rather than at the time the store is closed, and (b) accruing estimated future expenditures for rents, real estate taxes and other occupancy costs, through the estimated dates of disposal of such stores, net of estimated income from existing sublease arrangements. These estimated future expenditures for leased properties have been accrued based on the Company's prior experience and its assessment of the current conditions affecting such disposals and have been discounted for imputed interest at rates ranging from 7% to 13%.

The change in accounting has been reflected as of the beginning of fiscal 1974 and the effect on this year was to increase the loss before extraordinary items by $6,383,000 ($4.65 per share). The 1974 net loss also includes an adjustment of $3,122,000 to apply retroactively the new method (the "cumulative effect"), which amount has been reduced by the reversals of deferred income taxes provided in prior years. The pro forma amounts shown on the income statement have been adjusted for the effects of retroactive application had the new method been employed during fiscal 1973.

PEOPLES DRUG STORES, INCORPORATED (DEC)

	1974	1973
Income before cumulative effect of a change in accounting principle	1,266,000	2,366,000
Cumulative effect to December 29, 1973 of a change in accounting for merchandise discounts (Note 3)	(557,000)	—
Net Income	$ 709,000	$2,366,000
Net income per common share (Note 1):		
Income before cumulative effect of a change in accounting principle	$.52	$.97
Cumulative effect to December 29, 1973 of a change in accounting for merchandise discounts	(.23)	—
Net income	$.29	$.97
Pro forma amounts, assuming the new method of accounting for merchandise discounts was applied retroactively (Note 3):		
Net income	$1,266,000	$2,309,000
Net income per share	$.52	$.94

Note 3: Change in Accounting Principle—In the fourth quarter of 1974, the Company changed its method of accounting for merchandise discounts from the flow-through method to the more preferable method of deferring recognition of income for merchandise discounts to the period in which such merchandise is sold. The effect of the change was to decrease net income in 1974 by $602,000 of which $45,000 ($.02 per share) net of taxes, relates to fiscal year 1974 and $557,000 ($.23 per share), net of taxes of $590,000, represents the cumulative effect for years prior to 1974.

The effect of the change on the first three quarters of 1974 is as follows (not covered by auditors' report):

	(000's omitted)		
	16 weeks ended	12 weeks ended	
	April 20, 1974	July 13, 1974	Oct. 5, 1974
Net income (loss) as originally reported	$ (397)	$ 667	$ 25
Effect of the change in accounting principle	(10)	(10)	(11)
Income (loss) before cumulative effect of the change in accounting principle	(407)	657	14
Cumulative effect to December 29, 1973 of the change in accounting for merchandise discounts	(557)	—	—
Net income (loss) as restated	$ (964)	$ 657	$ 14
Per share amounts:			
Net income (loss) as originally reported	$ (.16)	$ .27	$.01
Effect of the change in accounting principle	—	—	—
Income (loss) before cumulative effect of the change in accounting principle	(.16)	.27	.01
Cumulative effect to December 29, 1973 of the change in accounting for merchandise discounts	(.23)	—	—
Net income (loss) as restated	$ (.39)	$ .27	$.01

CELANESE CORPORATION (DEC)

Notes to Financial Statements

Accounting principles changes (in part):

Depreciation; property, plant and equipment; and maintenance and repairs—Prior to 1974, depreciation and amortization generally were provided over the estimated useful lives of the depreciable assets, or asset groups, by application of composite rates on the straight-line method. When appropriate, additional depreciation has been provided on particular assets or asset groups to recognize the effects of significant technological or market changes.

In 1974, the Corporation changed to the sum-of-the-years-digits method of depreciating U.S. machinery and equipment acquired subsequent to December 31, 1973, in order to reflect more closely in income the increased cost of additions, thereby better matching costs with revenues. In addition, effective July 1, 1974, the maximum estimated useful life assumption was shortened to 10 years from 11 for all U.S. machinery and equipment to reflect more closely the Corporation's experience. Compared with the method used in previous years, these changes increased 1974 depreciation by $15 million and reduced net income by $6 million, or 44 cents per share.

Property, plant and equipment includes the cost of land, buildings, equipment and significant improvements of existing plant and equipment. Additions, improvements, renewals and expenditures for maintenance that add materially to productive capacity or extend the life of an asset are capitalized. Other expenditures for maintenance are charged to income.

When facilities are sold or retired in the normal course of business, the original cost of the asset adjusted by any net proceeds is charged or credited to the accumulated depreciation account.

Change To LIFO

CLARK EQUIPMENT COMPANY (DEC)

Financial Review

Summary of Significant Accounting Policies—No changes in significant accounting policies have been made in 1974, except for the changes discussed under the captions "Inventories" and "Finance Review" below.

Inventories

In 1974, the Company changed its method of pricing domestic inventories from the first-in, first-out method previously used to the last-in, first-out method. Inventories of foreign subsidiaries continue to be valued at the lower of cost or market on the first-in, first-out method.

Inventories—Inventories at December 31, 1974 and 1973 were classified as follows:

	1974	1973
	Amounts in Thousands	
Raw materials	$188,806	$141,208
Work in process and finished goods	252,921	216,582
Manufacturing supplies	22,363	15,754
	$464,090	$373,544

Beginning inventories used in computing cost of goods sold for 1973 were $271.0 million.

In 1974, the Company changed its method of pricing domestic inventories (which are 63% of the amount shown above as at December 31, 1974) from the first-in, first-out method previously used to the last-in, first-out (Lifo) method. The Lifo method is preferable in periods of high inflation such as 1974 because it more nearly matches current costs with current revenues. The effect of the change was to decrease

1974 income before income taxes by $54.8 million, decrease income taxes by $28.2 million and decrease net income by $26.6 million ($1.96 per share). There is no cumulative effect on prior periods because the ending inventory for 1973 is the beginning inventory for application of the Lifo method; that is, December 31, 1974 inventories are priced essentially at December 31, 1973 prices. No pro forma amounts of the retroactive effects are presented because the effects would be different under assumptions of adopting Lifo at an earlier date.

Inventories of foreign subsidiaries continue to be valued at the lower of cost or market on the first-in, first-out method. If the first-in, first-out method of inventory accounting had been used by the Company for pricing all of its inventories, inventories would have been $54.8 million higher than reported at December 31, 1974.

COOK PAINT AND VARNISH COMPANY (NOV)

Notes to Financial Statements

Note B: Inventories—The Company values its inventories at the lower of cost or market. Effective December 1, 1973, the Company changed its method of determining cost from the first-in, first-out (FIFO) method to the last-in, first-out (LIFO) method for substantially all inventories. The Company believes the LIFO method will more fairly present its results of operations by reducing the effect of inflationary cost increases in inventories and thus match current costs with current revenues. Since the November 30, 1973, inventories valued at FIFO are the opening LIFO inventories, there is neither a cumulative effect to December 1, 1973, nor pro forma amounts of retroactive application of changing to the LIFO method of determining inventory cost. The effect of the change in 1974 was to reduce inventories by approximately $5,310,000 and net income by approximately $2,670,000 ($3.00 per share).

DAN RIVER INC. (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of Significant Accounting Policies: Inventories are stated at the lower of cost (principally first-in, first-out or average cost) or net realizable market except that a substantial portion of the cotton and polyester (see note 2) included in the inventories of the parent company is stated on the basis of cost (last-in, first-out) which is below replacement market. Raw cotton, which is owned by a subsidiary company, is valued at the lower of cost (first-in, first-out) or net realizable market.

Note 2: Last-in, First-out Inventory Method—During 1974, the parent company extended the last-in, first-out inventory method to a substantial portion of the polyester staple in the inventories of its two largest operating divisions. The extension was made to more closely match current costs against current revenues during this period of inflation. The two divisions were already valuing most of the cotton content of their inventories on the last-in, first-out method.

The effect of the extension was to decrease 1974 net earnings by $1,246,000 or $.22 per share. The extension resulted in a decrease in the valuation of the inventories below current cost (first-in, first-out) by $2,542,000. Further, there is no cumulative effect on retained earnings as of the beginning of the year or pro-forma effect on reported results of operations of prior years.

One of these divisions continues to value all raw material content of certain of its inventories at average cost because of the lack of the necessary information to change to the last-in, first-out method in 1974. Consideration will be given to changing to the last-in, first-out method for these inventories when the necessary information becomes available.

Also in 1974, one of the divisions reduced its cotton inventory quantities carried on the last-in, first-out method which resulted in an increase in net earnings of $711,000 or $.13 per share.

The excess of current cost over the value of inventories stated on the last-in, first-out method was approximately $13,100,000 at December 28, 1974 and $6,900,000 at December 29, 1973.

E. I. DU PONT DE NEMOURS & COMPANY (DEC)

Summary of Significant Accounting Policies

Change in Accounting for Inventories—In 1973, Du Pont adopted the last-in, first-out (LIFO) method of accounting for certain material components of inventory. Because of further substantial increases in the costs of acquiring and producing new inventories and the outlook for a continuing high rate of inflation, LIFO accounting was extended in 1974 to the material, labor, and overhead components of substantially all domestic inventories. This change results in a more realistic statement of income because LIFO accounting more closely matches current costs against current revenues, which is particularly important in a period of severe inflation.

In accordance with generally accepted accounting principles, data for 1973 have not been restated for this accounting change. The cumulative effect of the adoption of LIFO inventory accounting is not susceptible to such restatement and, accordingly, pro forma earnings per share for 1973 are not shown.

Foreign inventories are valued at cost or market, whichever is lower. Cost is generally determined on the average cost method. Prior to 1973, this method was used to determine inventory values for both domestic and foreign inventories.

Notes to Financial Statements

(Dollars in millions, except per share)

Note 6: Inventories

	December 31		
	1974	1973	1972
Finished products	$767.5	$490.7	$509.2
Semifinished products	232.8	167.9	157.7
Raw materials and supplies	420.0	266.3	207.0
	$1.420.3	$924.9	$873.9

In 1973, the Company adopted the last-in, first-out (LIFO) method of accounting for certain material components of inventory which comprised some 5% of the dollar value of consolidated inventories at December 31, 1973. This accounting change reduced 1973 net income by $7.0 ($.15 per share). In

1974, LIFO accounting was extended to the material, labor, and overhead components of substantially all domestic inventories, which comprised about 62% of the dollar value of consolidated inventories at December 31, 1974. The 1974 accounting change (i.e., the extension of LIFO accounting from certain material components of inventory to substantially all domestic inventories) reduced net income for the year 1974 by $144.7 ($3.02 per share).

If inventory values were shown at current cost (determined by the average cost method) rather than at LIFO values, inventories would have been $382.7 and $14.1 higher than reported at December 31, 1974 and December 31, 1973, respectively.

EX-CELL-O CORPORATION (NOV)

Notes to Consolidated Financial Statements

Note 2: Accounting Change—The Company changed its inventory basis to cost applied on the last-in, first-out (LIFO) method for inventories maintained at certain domestic locations in the aerospace and electronic products, precision parts and assemblies and expendable tools and accessories product groups. These inventories amounted to $25,633,000 out of an aggregate inventory for these product groups of $54,256,000 at November 30, 1974. The remaining inventories in these product groups will be converted to the LIFO method in the Company's fiscal year ending November 30, 1975. This change is being implemented over two years to provide adequate time to properly implement LIFO inventory valuation techniques. The possibility of converting the machinery product group domestic inventories to the LIFO method will be evaluated in 1975.

In previous years all inventories were stated at the lower of cost (first-in, first-out and average) or market. Had these methods been used for all inventories in the current year, inventory would have been $873,000 higher than that reported at November 30, 1974. The effect of the change in 1974 was to reduce net earnings by approximately $460,000 ($.06 per share). Pro forma effects of retroactive application of LIFO are not determinable, and there is no cumulative effect on retained earnings at the beginning of the year.

The change was made because management believes that the LIFO method more clearly reflects income by matching current costs to current revenues.

Note 3: Inventories—Inventories were as follows:

	November 30 1974	1973
Inventories stated on the last-in, first-out (LIFO) method in 1974, lower of cost (first-in, first-out, and average) or market in 1973	$ 25,633,000	$19,124,000
Inventories stated at the lower of cost (first-in, first-out and average) or market:		
Finished products, parts and assemblies	23,252,696	19,797,535
Work-in-process	67,297,992	49,985,555
Raw materials and supplies	13,385,968	9,470,747
	$129,569,656	$98,377,837

GARLOCK INC. (DEC)

Notes to Financial Statements

Note 1 (in part): Accounting Policies:

Inventories: In 1974, the Company adopted the LIFO (Last-in, First-out) method of valuing certain inventories —See Note 10 for the effect of this change. The remaining portion of 1974 inventories is stated generally at the lower of average cost or market.

Inventories at the end of 1973 were stated generally at the lower of average cost or market.

Note 10: Change to LIFO Method of Inventory Pricing—In the fourth quarter of 1974, the Company changed its method of pricing certain domestic inventories from average cost to the LIFO (Last-in, First-out) method. 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. Because the 1973 ending inventories are the opening 1974 LIFO inventories, there is no 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 for such inventories in that period, are not determinable.

The effect of the change on the 12 months ended December 29, 1974 was to decrease net income $709,000 ($.30 per share).

The effect of the change on the first, second and third quarters of 1974 is as follows:

	Thirteen Weeks Ended March 31, 1974	June 30, 1974	Sept. 29, 1974
Net income as originally reported	$1,623,000	$1,774,000	$1,628,000
Effect of change to LIFO	(138,000)	(119,000)	(238,000)
Net income as restated	$1,485,000	$1,655,000	$1,390,000
Per share amounts:			
Net income as originally reported	$ .68	$ .75	$ .68
Effect of change to LIFO	(.06)	(.05)	(.10)
Net income restated	$ .62	$ .70	$ .58

NORTHWEST INDUSTRIES, INC. (DEC)

Notes to Consolidated Financial Statements

Summary of Significant Accounting Policies (in part):

Inventories. Approximately 75% of total inventories at December 31, 1974 and all inventories at December 31, 1973 are stated at the lower of cost (first-in, first-out or average) or market. Market represents current replacement cost by purchase or reproduction and is not in excess of net realizable value. The remaining 25% of inventories at December 31, 1974 are stated on the last-in, first-out (Lifo) cost method. Inventory costs include material, labor and factory overhead.

In 1974, the method of accounting for tubular steel inventories was changed from a primarily average cost method to the Lifo method because, under the average cost method, rapidly increasing manufacturing costs in the present inflationary period would have been included in the valuation of year-end inventories, and thus would have produced inflationary profits for the year. The effect of this change to Lifo was to reduce 1974 year-end inventories from that which would have been reported under the average cost method by $16.5 million and 1974 net earnings by $8.6 million, or $.48 per average common share assuming full dilution and $1.30 per average common share assuming no dilution. It is not practicable to restate earlier years to reflect the Lifo method, and neither a cumulative effect of the change on prior years nor pro forma results for 1973 are presented.

PFIZER INC. (DEC)

Notes to Consolidated Financial Statements

Summary of Significant Accounting Policies (in part):

Inventories, other than those referred to below, are valued at the lower of cost or market. In general, such inventory costs are based on average or latest actual costs for raw materials and supplies and average annual costs for finished products and goods in process.

In the last quarter of 1974, the Company changed its method of inventory valuation for most of its domestic pharmaceutical, agricultural and chemical inventories from the method described above to the last-in, first-out (LIFO) method. The change was made to more nearly match current costs against current sales and thereby mitigate the impact of inflation in reporting earnings.

Accounting Change—As noted in the inventory section of the Summary of Significant Accounting Policies, the Company adopted the last-in, first-out (LIFO) method of inventory valuation for most of its domestic pharmaceutical, agricultural and chemical inventories in 1974. The effect of this change to LIFO was to reduce 1974 net income by $9.94 million ($.14 per share) and fourth quarter net income by $3.19 million ($.04 per share). Previously reported net income for the first, second and third quarters of 1974 has been reduced by $2.37 million ($.03 per share), $1.94 million ($.03 per share), and $2.44 million ($.04 per share), respectively.

Neither the cumulative effect of the change to LIFO on retained earnings at the beginning of the current period nor the pro forma amounts for 1973 could be computed since it is assumed that the ending inventory of the preceding year is also the beginning LIFO inventory of the current year.

BUSINESS LINE REPORTING

For companies engaged in more than one line of business, the SEC requires that such companies disclose in Form 10-K the following information for the last 5 fiscal years:

1) Revenues for those lines of business which, in either of the last two fiscal years, accounted for 10% or more (15% for those companies with revenues of less than $50,000,000) of total revenues.
2) Income or loss before income taxes and extraordinary items for those lines of business which, in either of the last two fiscal years, accounted for 10% or more (15% for those companies with revenues of less than $50,000,000) of total income or loss before income taxes and extraordinary items.
3) Revenues for each class of similar products or services which, in either of the last two fiscal years, contributed 10% or more (15% for those companies with revenues of less than $50,000,000) to total revenues.
4) If the information required in 1 and 2 is not disclosed, the reason why it is not disclosed must be stated.

TABLE 1-8: BUSINESS LINE REPORTING

	1974	1973	1972	1971
Revenues				
By product line	328	250	218	176
By division or subsidiary	137	130	140	144
By industry or type of customer	26	44	45	29
By geographic area	24	27	30	20
Total Disclosures	**515**	**451**	**433**	**369**
Income				
By product line	206	149	114	83
By division or subsidiary	106	91	98	88
By industry or type of customer	18	20	19	13
By geographic area	10	11	16	12
Subtotal	**340**	**271**	**247**	**196**
Separate financial statements or summaries for subsidiaries	63	58	68	65
Segment of reporting entity operating at a loss	26	13	28	14
Total Disclosures	**429**	**342**	**343**	**275**
Number of Companies				
Disclosing business line revenue and income	346	261	245	217
Disclosing business line revenue only	103	140	148	158
Not disclosing business line data	151	199	207	225
Total Companies	**600**	**600**	**600**	**600**

Effective for fiscal years ending on or after December 20, 1974, Rule 14c-3 of the Securities Exchange Act of 1934 requires that the aforementioned Form 10-K disclosures be included in annual reports to stockholders. Rule 14c-3 governs information included in annual reports issued in connection with proxy solicitations.

The subject of diversified company reporting is currently being studied by the Financial Accounting Standards Board. Table 1-8 analyzes 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.

AMAX INC. (DEC)

Ten-Year Financial Summary–By lines of Business (1969-1965 omitted for presentation purposes)

For the Year (dollars in millions)	1974	1973	1972	1971	1970
Sales:					
Molybdenum and Specialty Metals	$ 240	$179	$114	$108	$145
Base Metals(1)	607	534	256	205	276
Fuels and Chemicals	206	154	137	118	118
Iron Ore	78	60	45	39	25
RST(2)	32	37	14	10	18
Total sales(3)	$1,163	$964	$566	$480	$582
Earnings from operations before income taxes, exploration and unallocated corporate expenses:					
Molybdenum and Specialty Metals	$ 41	$ 46	$ 28	$ 28	$ 51
Base Metals	76	47	16	8	11
Fuels and Chemicals	45	22	23	15	13
Iron Ore	37	32	25	23	13
RST	20	26	5	1	8
	219	173	97	75	96
Exploration expenses	(37)	(33)	(12)	(16)	(14)
Unallocated corporate expenses	(36)	(24)	(14)	(10)	(13)
Earnings from operations	$ 146	$116	$ 71	$ 49	$ 69
Capital expenditures and investments:					
Molybdenum and Specialty Metals	$ 140	$ 51	$ 39	$ 49	$ 29
Base Metals	76	110	10	8	8
Fuels and Chemicals	89	64	52	36	19
Iron Ore	33	10	8	30	24
RST	—	1	8	—	84
Corporate	68	17	28	6	4
Total capital expenditures and investments	$ 406	$253	$145	$129	$168
Depreciation and depletion	$ 46	$ 37	$ 32	$ 28	$ 26

(1) Includes the sale of metals processed from concentrates and scrap materials, tolling services, sales of copper from AMAX's 50% share of the operations of the Twin Buttes Mine from January 1, 1973 and sales of copper and silver arising out of purchase and sale transactions of these metals on commodity exchanges.

(2) Consists of fees, commissions and net trading revenue.

(3) Sales of molybdenum, copper and coal to total Company sales for the last five years were as follows:

	1974	1973	1972	1971	1970
Molybdenum	20%	17%	18%	20%	23%
Copper*	17	17	19	16	21
Coal	12	10	16	13	10

*Exclusive of charges for toll refining of copper for others and transactions on commodity exchanges.

CBS INC. (DEC)

Sales and Income by Operating Group

The CBS/Broadcast Group remained the leader of the broadcasting industry by virtually any creative or business measurement. The Group's significant sales and income growth resulted largely from the excellent performance of the CBS Television Network.

The strength of the CBS/Records Group's array of musical talent, both at home and abroad, was apparent in substantially increased sales. The Group reported lower income, however, because management thought it prudent to provide a reserve to cover problems in the international area deriving from adverse foreign government regulations. Had it not been for these negative factors, the Group would have reported greater income than for the previous year.

Sales also improved significantly for the CBS/Columbia Group although its income declined somewhat, reflecting primarily the impact of current economic problems on the retail and toy industries. This Group's growth potential is now being realized, with the steady and sizable gains of the CBS Musical Instruments Division being particularly impressive.

The restructuring of the CBS/Publishing Group, which we reported to you last year, bore fruit in 1974. An attractive gain in sales was accompanied by a major increase in profitability, resulting primarily from improvement in all areas at Holt, Rinehart and Winston, and the continued growth of W. B. Saunders.

The chapters that follow this letter present full discussions of the achievements of each of the four groups and their component units. Sales and income before income taxes for the groups are presented separately in the following table:

Sales and Income by Operating Group

Net Sales by Operating Group	1974	1973	1972	1971	1970
			(in millions)		
CBS/Broadcast Group	$ 813.9	$ 727.1	$ 674.8	$ 602.9	$ 648.9
CBS/Records Group	420.4	349.5	312.3	276.2	247.5
CBS/Columbia Group	314.9	274.0	224.7	188.4	166.5
CBS/Publishing Group	181.7	160.4	148.9	131.1	114.6
Other	20.4	44.2	42.5	64.8	46.2
Total	$1,751.3	$1,555.2	$1,403.2	$1,263.4	$1,223.7
*Income by Operating Group (before Income Taxes)	1974	1973	1972	1971	1970
CBS/Broadcast Group	$163.8	$135.7	$105.4	$ 78.2	$ 90.7
CBS/Records Group	44.8	47.8	49.8	43.2	37.2
CBS/Columbia Group	15.3	16.7	7.9	6.2	6.5
CBS/Publishing Group	11.9	3.2	.1	12.8	11.1
Other	(15.6)	(19.0)	(8.8)	(20.6)	(22.4)
Total	220.2	184.4	154.4	119.8	123.1
Income Taxes	(111.6)	(89.8)	(71.5)	(55.1)	(61.2)
Total	$108.6	$ 94.6	$ 82.9	$ 64.7	$ 61.9

*Income is Income from Continuing Operations: it has been determined after allocating certain corporate income and expense items on a basis which management believes to be reasonable. Parentheses indicate losses or subtractions.

In the "Other" category of the table are recorded the results of several activities which are being minimized or eliminated or which do not properly belong under any of the Group headings. This category includes losses on a record distribution arrangement and on disposition of certain of our proprietary schools, as well as expenses associated with the operations of the CBS Laboratories Division. It also includes income gained from Cinema Center Films, from the sale of television rights for a limited number of television showings of *My Fair Lady* and from our Canadian cable television investments.

The results of our four groups represent achievements in many areas of activity which CBS has entered for the first time in the past decade. In addition, over the years the CBS Television Network, the major element in our broadcasting operations, has continued to grow rapidly. Our recorded music business, including our domestic and international records divisions, has grown even more rapidly and with our record and tape clubs and some record and tape retailing activity, is now approaching the Television Network in sales volume. This is attributable in large measure to the rapid expansion of the CBS Records International Division. The following table, setting forth the dollar amounts and percentages of total CBS sales contributed by these two areas of activity, reflects these changes.

TELEVISION NETWORK AND RECORDED MUSIC SALES
As Percentages of Total CBS Sales

	1974	1973	1972	1971	1970
		(Dollars in millions)			
Television Network	$651.6	$583.2	$540.1	$487.5	$524.1
	37%	38%	38%	39%	43%
Recorded Music	$561.4	$492.5	$426.1	$374.1	$330.1
	32%	32%	30%	30%	27%

In addition to our recorded music business overseas, the manufacture and distribution of musical instruments and publishing activities are also key areas of our operations which have shown vigorous growth in international markets. The scope of CBS involvement internationally is reflected in the fact that in 1974, 14.6 percent of our sales and 19.7 percent of our earnings were derived from operations abroad.

HOUDAILLE INDUSTRIES, INC. (DEC)

Financial Review

Net Sales and Profit Before Taxes By Industry Group

Net sales for Houdaille Industries, Inc. reached a new high of $317,657,000 in 1974, up 4% from the 1973 level of $305,204,000. Three of the four major industry groups in which the company operates, the Industrial Products, Machine Tools, and Construction Materials and Contracting Groups, had record sales for the year. Sales in each of the five major industry groups for the most recent five years were as follows:

NET SALES

	1974	1973	1972	1971	1970
		(dollars in thousands)			
Industrial Products	$ 89,069	$ 73,946	$ 50,792	$ 41,592	$ 43,873
% of Total	28%	24%	21%	21%	23%
Machine Tools	65,086	54,603	43,490	31,275	39,062
% of Total	20%	18%	18%	16%	21%
Automotive Products	68,530	83,283	72,787	58,827	41,454
% of Total	22%	27%	29%	29%	22%
Construction Materials and Contracting	94,972	93,372	80,368	69,477	63,561
% of Total	30%	31%	32%	34%	34%
Total	$317,657	$305,204	$247,437	$201.171	$187,950

Profit before tax was also at a record level in 1974, and amounted to $32,584,000, an increase of 6% from $30,883,000 in 1973. Earnings of the Industrial Products and Machine Tools Groups rose in 1974, while declines occurred in the Automotive Products and Construction Materials and Contracting Groups. Below is a summary of profit before tax, after allocating corporate expenses on the basis of sales, for each of the four industry groups for the most recent five years:

PROFIT BEFORE TAX

	1974	1973	1972	1971	1970
		(dollars in thousands)			
Industrial Products	$12,854	$10,720	$ 6,570	$ 4,624	$ 4,931
% of Total	40%	35%	28%	32%	41%
Machine Tools	8,577	5,417	3,390	(1,226)	(1,729)
% of Total	26%	17%	15%	(8%)	(14%)
Automotive Products	7,587	7,936	5,562	4,828	3,320
% of Total	23%	26%	24%	33%	28%
Construction Materials and Contracting	3,566	6,810	7,492	6,241	5,432
% of Total	11%	22%	33%	43%	45%
Total	$32,584	$30,883	$23,014	$14,467	$11,954

Industrial Products—The increasing importance of the Industrial Products Group to overall corporate operations is evidenced in both the sales and earnings statistics shown above. This group's share of the Corporation's total sales has risen from 23% in 1970 to 28% in 1974. In the five year period, sales of this group have more than doubled, and profit before tax in 1974 was more than 2½ times the 1970 amount. Industrial Products Group profits before tax were 40% of the corporation total in 1974, up from 35% in 1973. Results of Warren Pumps, Inc. are included in the Industrial Products Group figures for time periods subsequent to November 20, 1972, the date on which the company was acquired. Profits for the Industrial Products Group were held down in 1971 and 1972 by losses incurred in the then newly established Engineered Molding Systems Division. This operation, which produced fiberglass reinforced plastic components from sheet molding compounds, was disposed of in February, 1973.

Machine Tools Group—The Machine Tools Group had sales of $65,086,000 in 1974, up 19% from $54,603,000 in 1973. Sales of this group have increased by 67% since 1970. Profit before tax for the group reached a new high of $8,577,000 in 1974, and represented 26% of the Corporation's total profit before tax.

In 1970 and 1971, the Machine Tools Group experienced operating losses as a result of the economic slowdown which had a severe impact on the capital goods industry. The loss for the group declined in 1971 despite the fact that sales were lower. This resulted from an austere cost reduction program instituted in 1970. Holding the line on costs enhanced earnings of the Machine Tools Group for the years 1972 through 1974.

Automotive Products Group—In 1974 the decline in auto sales and production resulted in reduced sales and earnings for the Automotive Products Group. Houdaille's Automotive Group had operated at or near capacity levels in 1972 and 1973 due to high volume sales years in the automotive industry. In 1970, earnings for the group were adversely affected by a strike against one of the company's principal auto parts customers. While the company's Automotive Products Group sales are not directly related to total auto production, it is, nevertheless, interesting to compare total passenger car production for recent years.

Calendar Year	Passenger Car Production U.S. and Canada
1974	8,480,000
1973	10,888,000
1972	9,977,000
1971	9,675,000
1970	7,484,000

The Detroit Division, a part of the Automotive Products Group, experienced substantial losses in the second half of 1973, resulting from major start-up problems related to the introduction of new products for its automotive customers. While the operation was profitable in 1974, it is being phased out because of insufficient business for its hot formed parts beyond the 1975 model year. Further comments are included in the review of Automotive Products operations section, page 14.

Construction Materials & Contracting—In 1974, the earnings of the Construction Materials and Contracting Group declined, although a slight increase in sales occurred. The 1974 results reflect an increase in sales and earnings of the Southern Construction Materials and Contracting operations. However, contracting operations which have lower margins than construction materials operations, accounted for a larger share of the Southern Division's total activity in 1974. A decline in sales, resulting from depressed construction activities, and relatively poorer weather conditions, together with higher costs, sharply reduced earnings for the Northern Construction Materials business.

Earnings for the Construction Materials and Contracting Group declined in 1973 despite an increase in sales. This resulted principally from an increase in sales in the contracting end of the business as opposed to the higher margined construction materials end of the business.

A description of the products, distribution methods and locations of the individual divisions which make up the four industry groups is included on pages 8 through 17 of this report. Further information is contained in that section concerning sales, earnings, and backlogs for each of the groups. An examination of that section will provide the reader with a more comprehensive understanding of the nature and scope of operations of Houdaille Industries, Inc.

KOPPERS COMPANY, INC. (DEC)

Financial Summary (Page 20)

Ten-Year Sales Growth of Koppers Major Lines of Business (Years prior to 1973 omitted for presentation purposes)

	1974	%	1973	%
	($ Millions)			
Organic Materials	$285.8	31	$173.4	24
Forest Products	270.4	30	193.7	27
Road Materials	117.4	13	92.2	13
Metal Products	107.9	12	80.7	11
Environmental Elements	50.5	5	38.8	5
Plastics Operations			82.2	11
Total Manufacturing	$832.0	91	$661.0	91
Engineering and Construction	80.5	9	62.2	9
Other	1.7		.7	
Total	$914.2	100	$723.9	100

Operating Income* by Koppers Major Lines of Business

	1974*	%	1973	%
	($ Millions)			
Organic Materials	$ 48.8	46	$21.1	29
Forest Products	17.6	17	20.7	29
Road Materials	14.0	13	12.9	18
Metal Products	5.2	5	5.4	8
Environmental Elements	3.2	3	1.6	2
Plastics Operations**	13.8	13	13.2	18
Total Manufacturing	$102.6	97	$74.9	104
Engineering and Construction	2.8	3	−2.7	−4
Total Operating Income	$105.4	100	$72.2	100

*Operating income is before deductions for income taxes, interest costs and unallocated general corporate overhead, and does not include extraordinary items. Income includes the effect from the change during 1974 to LIFO accounting for most domestic inventories; FIFO accounting was used in prior years.

**1974 income is primarily dividends received from ARCO/Polymers; Koppers half of Sinclair-Koppers operating income is used in prior years. See discussion of Other Income on page 19 for further explanation.

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

Line of Business

	Net Sales 1974	1973	1972	1971	1970
	(In thousands of dollars)				
Batteries	$ 94,304	$ 79,771	$ 69,676	$ 62,092	$ 60,971
	37.9%	35.3%	36.7%	38.8%	39.5%
Components					
Electrochemical	63,440	57,344	44,610	36,626	39,621
	25.5	25.4	23.5	22.9	25.7
Electromechanical	63,275	66,898	58,715	47,079	38,858
	25.4	29.6	30.9	29.5	25.2
Metals and Materials	27,909	21,776	16,887	14,040	14,780
	11.2	9.7	8.9	8.8	9.6
Net Sales	$ 248,928	$ 225,789	$ 189,888	$ 159,837	$ 154,230
	100.0%	100.0%	100.0%	100.0%	100.0%

	Contributions to Earnings 1974	1973	1972	1971	1970
Batteries	$ 7,408	$ 8,161	$ 7,532	$ 7,266	$ 7,803
	64.8%	43.1%	43.7%	48.0%	55.7%
Components					
Electrochemical	4,520	4,836	2,316	2,223	2,375
	39.6	25.6	13.5	14.7	17.0
Electromechanical	2,381	5,057	6,460	6,094	3,062
	20.8	26.7	37.5	40.3	21.8
Metals and Materials	(2,884)	865	917	(454)	764
	(25.2)	4.6	5.3	(3.0)	5.5
Totals Before Equity Earnings and Unallocated Corporate Expenses	$ 11,425	$ 18,919	$ 17,225	$ 15,129	$ 14,004
	100.0%	100.0%	100.0%	100.0%	100.0%
Equity Earnings					
Batteries	$ 120	$ 279	$ 170	$ 135	$ 109
Components:					
Electrochemical	702	409	(91)	(23)	(70)
Electromechanical	61	(534)	(149)	(89)	(202)
Metals and Materials	2,825	1,234	473	103	328
	$ 3,708	$ 1,388	$ 403	$ 126	$ 165
Unallocated Corporate Expenses	$ (4,964)	$ (4,255)	$ (4,047)	$ (5,248)	$ (4,406)
Earnings Before Taxes	$ 10,169*	$ 16,052	$ 13,581	$ 10,007	$ 9,763

*Earnings are before taxes on income and cumulative effect on prior years (to December 31, 1973) of change to full absorption inventory valuation methods.

NORTON SIMON INC (JUN)

Lines of Business
(000's omitted)

	1974	1973	1972	1971	1970
Sales					
Food & Food Service	$ 683,041	$ 551,909	$ 510,965	$ 481,414	$ 435,017
Cosmetics & Personal Care	276,208	238,549	196,922	188,813	171,241
Soft Drinks	153,903	127,789	119,325	113,958	124,612
Distilled Spirits	160,272	155,682	138,409	127,171	121,612
Packaging	152,881	149,735	151,551	143,502	133,364
Communications, Graphic Systems & Other	227,109	256,845	248,553	250,697	261,272
	$1,653,414	$1,480,509	$1,365,725	$1,305,555	$1,247,118
Income Before Taxes					
Food & Food Service	$ 28,152	$ 32,633	$ 32,772	$ 32,268	$ 29,269
Cosmetics & Personal Care	33,592	36,846	32,734	27,579	31,171
Soft Drinks	13,727	12,688	9,761	7,261	5,566
Distilled Spirits	23,342	23,462	20,653	18,870	17,166
Packaging	12,084	16,863	18,263	18,057	15,909
Communications, Graphic Systems & Other	19,718	20,425	11,873	5,361	6,417
	$ 130,615	$ 142,917	$ 126,056	$ 109,396	$ 105,498

SCM CORPORATION (JUN)

Net Sales, Operating Income and Average Assets by Product Group

	1974	1973	1972	1971	1970
			(in millions)		
Net Sales					
Coatings and Resins	$ 312.0	$259.1	$229.2	$207.8	$198.5
Typewriters and Appliances	203.1	182.7	181.8	169.0	172.2
Foods	289.2	215.5	211.4	205.0	183.8
Business Equipment	124.6	106.0	110.4	112.3	113.5
Chemicals	116.7	103.6	84.6	76.1	77.0
Paper Products	141.1	102.5	86.1	86.1	88.5
Other	30.6	24.8	26.5	29.1	30.8
	1,217.3	994.2	930.0	885.4	864.3
Eliminations	(15.1)	(13.9)	(12.2)	(10.3)	(9.8)
Total	$1,202.2	$980.3	$917.8	$875.1	$854.5
Operating Income					
Coatings and Resins	22.9	18.3	17.2	13.8	9.1
Typewriters and Appliances	16.8	16.5	12.1	8.2	7.9
Foods	.4	.2	(2.9)	5.8	8.6
Business Equipment	(14.3)	(4.2)	(3.3)	(3.9)	(4.1)
Chemicals	10.8	5.5	3.1	3.6	6.4
Paper Products	24.5	7.8	4.2	3.6	3.2
Other	.8	(.2)	.4	(2.2)	(9.1)
Total	$ 61.9	$ 43.9	$ 30.8	$ 28.9	$ 22.0
Average Assets					
Coatings and Resins	174.2	144.4	121.6	116.0	109.7
Typewriters and Appliances	109.4	107.0	104.8	118.8	123.0
Foods	110.5	97.0	100.3	92.4	76.0
Business Equipment	57.9	52.6	74.8	91.7	94.7
Chemicals	81.4	78.9	73.0	73.0	68.6
Paper Products	52.7	39.2	36.2	49.6	53.8
Other	13.6	14.8	18.3	19.0	25.4
Total	$ 599.7	$533.9	$529.0	$560.5	$551.2

SCM's results are broken down into seven lines of business. The table above shows the sales, operating income and average assets for each over five years.

Paper contributed the largest percentage of total operating income, 40 per cent, up from 18 per cent last year. Coatings and Resins contributed 37 per cent compared to 42 per cent in 1973. Typewriters and Appliances accounted for 27 per cent compared to 38 per cent in 1973. Chemicals accounted for 17 per cent of operating income, up from 13 per cent in 1973.

When totaled, contributions exceed 100 per cent because of the Business Equipment loss, a negative 23 per cent.

Several major lines of business had increases in average assets. The increase for Coatings and Resins was due in part to the new paint plant at Huron, Ohio. The increase for Paper reflects the investment in the new recovery boiler at our Jackson, Alabama, pulp and paper mill, and the increase for Foods was due primarily to the higher price for edible oils.

Each of the major lines of business is discussed in detail in a separate section of this annual report.

SCOVILL MANUFACTURING COMPANY (DEC)

Page 1—Through the five major groups shown below, Scovill products help fill basic needs in the housing, food preparation, home sewing, automotive and apparel industries. Such familiar trademarks as Hamilton Beach, NuTone, Dritz, Gripper, and Schrader are well established in their markets. This diversity, which we continue to balance and refine with new products and broader distribution, is our base for future growth.

Product Group Contribution to Company Sales
(In Millions of Dollars)

	1970	1971	1972*	1973	1974
Housing Products Group	$105.8	$141.3	$169.4	$181.9	$175.2
	23.8%	30.0%	30.9%	29.6%	26.9%
Housewares Group	$ 66.8	$ 58.7	$ 72.5	$ 81.8	$ 79.9
	15.0%	12.5%	13.2%	13.3%	12.2%
Sewing Notions and Apparel Fasteners Group	$ 88.3	$ 94.6	$107.1	$108.2	$123.8
	19.9%	20.1%	19.6%	17.6%	19.0%
Metals and Industrial Products Group	$126.8	$112.8	$118.3	$150.1	$170.4
	28.5%	24.0%	21.6%	24.4%	26.1%
Automotive and Fluid Power Group	$ 56.8	$ 62.8	$ 80.7	$ 92.5	$103.0
	12.8%	13.4%	14.7%	15.1%	15.8%
Total Sales	$444.5	$470.2	$548.0	$614.5	$652.3

Product Group Contribution to Company Earnings
(In Millions of Dollars)

	1970	1971	1972*	1973	1974
Housing Products Group	$ 11.1	$ 15.4	$ 19.9	$ 20.7	$ 18.3
	33.1%	43.1%	44.5%	41.8%	44.0%
Houswares Group	$ 2.1	$ 2.1	$ 3.6	$ 4.9	$ (1.4)**
	6.3%	5.9%	8.2%	9.9%	(3.4%)
Sewing Notions and Apparel Fasteners Group	$ 8.3	$ 7.7	$ 9.3	$ 6.3	$ 8.3
	24.9%	21.6%	20.9%	12.8%	20.0%
Metals and Industrial Products Group	$ 6.0	$ 3.7	$ 1.7	$ 5.0	$ 2.2
	18.0%	10.3%	3.8%	10.1%	5.4%
Automotive and Fluid Power Group	$ 6.0	$ 6.9	$ 10.1	$ 12.6	$ 14.1
	17.7%	19.1%	22.6%	25.4%	34.0%
Total Operating Income	$ 33.5	$ 35.8	$ 44.6	$ 49.5	$ 41.5
Interest Expense	$ 7.6	$ 6.8	$ 5.6	$ 8.1	$ 12.7
Non-Recurring Costs	—	$ .4	$ .5	—	—
Earnings Before Income Taxes	$ 25.9	$ 28.6	$ 38.5	$ 41.4	$ 28.8
Income Taxes	$ 12.6	$ 13.9	$ 19.8	$ 20.1	$ 13.1
Minority Interest	$ .5	$ .4	$ .7	$ .8	$ .8
Net Earnings	$ 12.8	$ 14.3	$ 18.0	$ 20.5	$ 14.9

*Restated to include the Company's Brazilian subsidiary and an Australian subsidiary consolidated in 1973.
**Includes $1.6 bad debt write-offs.

OCCIDENTAL PETROLEUM CORPORATION (DEC)

Lines of business

The following tables set forth the amounts and percentages of net sales and of income from continuing operations, before gains (losses) from emergency fleet position, interest, income taxes (but after Libyan income taxes), losses from discontinued operations, extraordinary items and unallocated corporate costs of Occidental's lines of business during the five years ended December 31, 1974.

	Net Sales Year Ended December 31, (amounts of millions)									
	1970		1971		1972		1973		1974	
Lines of Business	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%
OIL AND GAS OPERATIONS:										
International production and exploration (1)	$ 283.4	13%	$ 367.0	16%	$ 353.0	15%	$ 438.5	15%	$1,492.2	27%
International crude oil marketing, refining and marine transportation	384.0	18	382.3	17	338.3	14	438.6	15	317.5	6
North American crude oil marketing and transportation	521.2	24	559.0	24	584.5	24	752.2	24	1,453.9	26
United States production and exploration (2)	15.1	1	15.8	1	16.3	1	18.8	1	23.9	—
Total	1,203.7	56	1,324.1	58	1,292.1	54	1,648.1	55	3,287.5	59
CHEMICAL OPERATIONS:										
Industrial chemicals and other	154.7	7	170.3	7	184.1	8	209.5	7	349.4	6
Plastics	127.4	6	158.4	7	190.2	8	249.8	8	304.7	6
Metal-finishing chemicals, equipment and processes	177.5	8	161.1	7	205.6	8	289.3	10	360.5	7
Agricultural chemicals, fertilizers and related products	203.8	10	219.2	10	255.4	11	316.0	10	674.0	12
Total	663.4	31	709.0	31	835.3	35	1,064.6	35	1,688.6	31
COAL OPERATIONS (3)	262.2	13	247.2	11	255.1	11	301.1	10	561.4	10
TOTAL NET SALES	$2,129.3	100%	$2,280.3	100%	$2,382.5	100%	$3,013.8	100%	$5,537.5	100%

(1) Excludes intercompany revenues from the sale of crude oil to Occidental's international crude oil marketing and refining operations at a transfer price which, in 1970, was approximately the average price charged to other customers and in subsequent years was a price based on prices agreed to in current contracts with others. On the basis of such prices, sales by Occidental's Libyan production operations to its international crude oil marketing and refining operations aggregated approximately (amounts in millions) $156 in 1970, $148 in 1971, $123 in 1972, $209 in 1973 and $126 in 1974.

(2) Excludes the oil and gas operations of Canadian Occidental Petroleum Ltd., 82 per cent-owned by Hooker, which are included under chemical operations—industrial chemicals and other.

(3) Includes sales of cool lease rights in 1970. See the special note on page 88.

Lines of Business	1970 Amt.	%	1971 Amt.	%	1972 Amt.	%	1973 Amt.	%	1974 Amt.	%
	Income Year Ended December 31, (amounts in millions)									
OIL AND GAS OPERATIONS:										
International production and exploration (4)	$ 79.3	37%	$ 45.7	41%	$ 41.6	39%	$ 43.2	20%	$100.8	22%
International crude oil marketing, refining and marine transportation (4)	49.3	23	35.1	31	(5.7)	(5)	66.8	30	(3.5)	(1)
North American crude oil marketing and transportation	13.0	6	14.0	13	15.4	15	19.4	9	59.1	13
United States production and exploration (2)	4.7	2	4.6	4	1.6	1	.7	—	1.7	—
Total	146.3	68	99.4	89	52.9	50	130.1	59	158.1	34
CHEMICAL OPERATIONS:										
Industrial chemicals and other.........	17.7	8	13.1	12	15.6	14	17.2	8	49.7	11
Plastics	7.4	3	(4.3)	(4)	10.6	10	22.1	10	33.5	7
Metal-finishing chemicals, equipment and processes....	17.6	8	8.4	8	13.6	13	22.4	10	9.7	2
Agricultural chemicals, fertilizers and related products	3.5	2	3.8	3	10.5	10	24.5	11	95.7	21
Total	46.2	21	21.0	19	50.3	47	86.2	39	188.6	41
COAL OPERATIONS (3) ..	29.7	14	4.4	4	8.3	8	15.8	7	131.1	28
OTHER (5)	(5.6)	(3)	(13.0)	(12)	(6.1)	(5)	(11.1)	(5)	(14.7)	(3)
INCOME FROM CONTINUING OPERATIONS BEFORE ITEMS ENUMERATED BELOW........	216.6	100%	111.8	100%	105.4	100%	221.0	100%	463.1	100%
Gain (loss) from emergency fleet position..	5.6		(87.9)		2.7		26.0		12.1	
Interest income	21.6		18.5		7.1		8.2		18.8	
Interest and debt expense	(53.8)		(67.1)		(73.6)		(96.3)		(97.6)	
Income taxes (other than Libyan income taxes)	(7.7)		(10.7)		(9.8)		(14.7)		(44.2)	
Discontinued operations (6).....................	(4.7)		(8.7)		(5.1)		(48.1)		(42.0)	
Extraordinary items......	—		(19.0)		(9.3)		—		—	
Unallocated corporate costs	(8.0)		(10.8)		(14.5)		(24.2)		(29.5)	
NET INCOME (LOSS) ..	$169.6		$ (73.9)		$ 2.9		$ 71.9		$280.7	

(4) Included in the net income from international production and exploration is income recognized on sales to Occidental's international crude oil marketing and refining operations calculated on the basis of the transfer prices described in note (1) above.

(5) Garrett Research and Development Company, Inc., and other operations.

(6) European retail petroleum marketing operations and domestic real estate, both discontinued in 1974. See Note 3 (page 77) to consolidated financial statements.

CONSOLIDATION POLICIES

ARB No. 51 states in part:

1. The purpose of consolidated statements is to present, primarily for the benefit of the shareholders and creditors of the parent company, the results of operations and the financial position of a parent company and its subsidiaries essentially as if the group were a single company with one or more branches or divisions. There is a presumption that consolidated statements are more meaningful than separate statements and that they are usually necessary for a fair presentation when one of the companies in the group directly or indirectly has a controlling financial interest in the other companies.

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* describe the conditions under which a subsidiary should or might 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 1-9 summarizes the consolidation policies of the survey companies. Table 1-10 complements Table 1-9 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.

TABLE 1-9: CONSOLIDATION POLICIES

	1974	1973	1972	1971
Companies Not Consolidating Subsidiaries Listed Below:				
Finance related*	108	102	100	96
Foreign	119	153	142	154
Real estate	29	28	25	25
Less than wholly owned	25	19	24	28
Insignificant or inactive	63	57	53	75
Other types of subsidiaries	31	33	23	37
Number of Companies				
Consolidating all subsidiaries	364	354	355	346
Consolidating certain subsidiaries	222	234	234	241
Not presenting consolidated financial statements	14	12	11	13
Total	**600**	**600**	**600**	**600**

*See Table 1-10.

TABLE 1-10: CONSOLIDATION POLICIES FOR SUBSIDIARIES ENGAGED IN FINANCE OPERATIONS

		Consolidated	Not Consolidated	Total
Type of Subsidiary—1974				
Finance companies		15	89	104
Insurance companies		4	28	32
Leasing companies		1	20	21
Banks		—	12	12
Total subsidiaries		**20**	**149**	**169**
	1974	**1973**	**1972**	**1971**
Number of Companies				
Consolidating all finance-related subsidiaries	12	12	15	21
Excluding from consolidation all finance-related subsidiaries	108	102	100	96
Consolidating some but not all, finance-related subsidiaries	4	5	4	3
No finance-related subsidiaries	476	481	481	480
Total Companies	**600**	**600**	**600**	**600**

Foreign Subsidiaries Not Consolidated

ELTRA CORPORATION (SEP)

Notes to Consolidated Financial Statements

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

Principles of consolidation—The consolidated financial statements include the accounts of the Corporation and all controlled subsidiaries, except those engaged in equipment leasing which are carried on the equity method and certain foreign subsidiaries, as described in the following paragraph. All significant intercompany transactions have been eliminated.

Investments in certain foreign subsidiaries are shown at historical cost. These companies are located for the most part in countries where restrictions are imposed upon transfer of earnings or where currency uncertainties presently exist. In certain instances, declaration of dividends requires approval of other stockholders. Investments in less than majority-owned domestic real estate companies are carried at approximate equity.

The Corporation amortizes differences between investment cost and equity in net assets of companies acquired by purchase over the estimated useful lives of related producing facilities which have averaged 15 years. At September 30, 1974, the previously accumulated amount (net credit) had been substantially amortized.

Note 2: Investments in Foreign Subsidiaries Not Consolidated—Based on unaudited financial statements of recent dates the net assets of foreign subsidiary companies applicable to the Corporation's interests exceeded cost of investments as of September 20, 1974 and 1973 by approximately $7,913,000 and $7,672,000, respectively. The change resulted from combined earnings from operations for the year of $1,058,000 and dividends of $817,000 remitted to the parent company; in 1973 earnings from operations were $716,000 and dividends paid $456,000.

HARNISCHFEGER CORPORATION (OCT)

Financial Notes

Note 1 (in part): Summary of Accounting Policies: Consolidation—The consolidated financial statements include the accounts of all majority-owned subsidiaries except a wholly-owned domestic finance subsidiary, which is carried on the equity method of accounting, and a wholly-owned Brazilian subsidiary, which is carried at cost, because its earnings are subject to material financial risks. Investments of less than 20% ownership are carried at cost or assigned value. Intercompany transactions have been eliminated in the consolidated financial statements.

The accounts of consolidated foreign companies are translated at current rates of exchange for current assets and liabilities, historical rates of exchange for non-current items, and average monthly rates of exchange for income and expense. Resulting translation gains or losses are credited or charged to income on a current basis.

ST. JOE MINERALS CORPORATION (DEC)

Notes to Financial Statements

Note 1 (in part): Summary of Significant Accounting Policies: Principles of Consolidation—The consolidated financial statements include the accounts of the Corporation and all subsidiaries except those operating in South America (see Note 3). All significant intercompany transactions and balances are eliminated.

Note 3: Unconsolidated Subsidiaries—The Corporation's subsidiaries operating in Argentina (Compania Minera Aguilar, S.A.) and Peru (Compania Minerales Santander, Inc.) are essentially wholly-owned and are excluded from the consolidated financial statements primarily because of unsettled economic conditions and currency exchange restrictions. Dividends in 1973 were received entirely from Aguilar.

NATIONAL CAN CORPORATION (DEC)

Notes to 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 investments in subsidiaries engaged in international operations are carried at cost plus equity in earnings (loss) since acquisition.

Note E: International Operations—International operations include subsidiaries in England, Italy, Greece, Cyprus and Puerto Rico, and a joint venture in Japan. 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:

	1974	1973 (As restated-Note D)
Assets:		
Current assets	$37,615,690	$17,229,498
Other tangible assets	20,238,914	14,387,244
Intangible assets and deferred charges	6,885,844	6,817,358
	$64,740,448	$38,434,100
Liabilities and equity:		
Current liabilities:		
Due National Can Corp.	$ 3,836,309	$ 496,641
Due others	29,339,865	17,298,170
5⅝% bonds due 1987:		
Due National Can Corp.	5,368,000	5,368,000
Due others	1,632,000	1,632,000
Other long-term debt	14,056,064	6,666,716
Deferred income taxes and other liabilities	1,418,894	114,000
Due National Can Corp.	5,755,592	3,739,054
Minority interest	2,462,618	2,056,090
Capital stock	3,000,000	3,000,000
Accumulated deficit	(2,128,894)	(1,936,571)
	$64,740,448	$38,434,100

Combined condensed operating results are as follows:

	1974	1973 (As restated-Note D)
Net sales	$45,608,518	$27,957,553
Earnings (loss) before interest to the Corporation, income taxes and minority interest	$ 2,467,214	($ 609,259)
Earnings (loss) before income taxes and minority interest	$ 1,573,190	($ 1,127,487)
Earnings (loss) before minority interest	$ 701,031	($ 491,699)
Net (loss)	($ 192,323)	($ 586,796)

The financial statements for 1973 have been restated to give effect to the change in accounting for research and development costs as described in Note D. This change reduced earnings by $750,676 in 1974 and increased the loss by $140,284 in 1973.

Interest charged by the Corporation amounted to $894,024 and $518,228, in 1974 and 1973, respectively.

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.

Included in other long-term debt are notes payable in the amount of $4,680,000 guaranteed by National Can Corporation.

The 5⅝% 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 31, 1974, the Corporation owned $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 payment of dividends thereon. At December 31, 1974, $800,000 of preferred stock was outstanding. Also, up to $3,500,000 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): Summary of Significant Accounting Policies: 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 $5,585,270 at June 1, 1974, represents the subsidiaries' undistributed earnings since date of acquisition. Since the majority owned foreign subsidiaries are operating in relatively less developed countries, such subsidiaries have not been consolidated and the investments therein have been carried at the lower of cost or the Company's equity in the subsidiaries' net assets.

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.

All Subsidiaries Consolidated

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. The consolidated financial statements for 1974 include the accounts of Corometrics Medical Systems, Inc. which was acquired in December 1974 in a pooling-of-interests transaction. The consolidated financial statements for 1973 have not been restated since the effect of this acquisition thereon would not be significant.

Note 2: Foreign Operations: The financial statements include foreign net assets at December 31, 1974 and foreign net income for the year then ended as shown below. Comparable foreign net income for the year ended December 31, 1973 was $60,774,000.

	Net Assets	Net Income
Locations		
Canada	$ 44,484,000	$13,530,000
England, India, Western Europe	75,634,000	31,756,000
Latin America	50,597,000	12,882,000
Australia, New Zealand, South Africa, Far East	26,412,000	7,088,000
	197,127,000	65,256,000
Provision for foreign losses	9,500,000	—
	$187,627,000	$ 65,256,000

CENTRAL SOYA COMPANY, INC. (AUG)

Statement of Accounting Policies

Consolidation and foreign currency translation—All domestic and foreign subsidiaries are consolidated after eliminating material intercompany accounts and transactions. Accounts of subsidiaries which are maintained in foreign currencies have been translated to U.S. dollars at rates of exchange in effect at the balance sheet dates as to current assets, current liabilities and, beginning in 1974, long-term debt and at historical exchange rates as to the remaining accounts. Statements of earnings have been translated at the approximate average rate of exchange in effect during the period covered, except for depreciation which is translated at historical rates. Unrealized translation gains and losses ($930,000 gain in 1974 and $717,000 loss in 1973) are reflected in earnings.

Notes to Consolidated Financial Statements

Foreign operations and related matter—The consolidated financial statements include the accounts of subsidiaries operating outside the continental United States (principally in Europe and, to a lesser extent, Central and South America). Excluding those subsidiaries which are principally export sales corporations, the total assets and net assets of these subsidiaries at August 31, 1974 were $88,084,000 ($88,790,000 in 1973) and $28,169,000 ($16,403,000 in 1973), respectively; the related sales and net loss for the year ended August 31, 1974 was $225,675,000 and $862,000, respectively, and for the year ended August 31, 1973, sales were $181,050,000 and net earnings were $3,074,000.

The purchase price of the 1972 acquisition of certain foreign subsidiaries, which was subject to adjustment under various circumstances, was finalized during 1974. The effect of this adjustment was to reduce the following items by the indicated amounts: property, plant and equipment —$422,000; other non-current assets—$2,591,000; long-term debt—$2,255,000 and current liabilities—$758,000.

GENERAL FOODS CORPORATION (MAR)

Notes to Consolidated Financial Statements

Note 1 (in part): Significant Accounting Policies:

Principles of Consolidation—The consolidated financial statements include the statements of General Foods Corporation and its subsidiaries. Investments in common stock representing an ownership interest of 20% or more (not significant in amount) are included in such statements on the equity method of accounting.

Note 2: Operations Outside the U.S.—The net assets of operations outside the U.S. included in the consolidated statements are:

	1974	1973
Working Capital	$ 82,868,000	$ 71,609,000
Land, Buildings, Equipment	165,092,000	171,480,000
Other Assets (principally goodwill)	55,540,000	49,961,000
	303,500,000	293,050,000
Less Non-Current Liabilities	56,464,000	47,181,000
Net Assets	$247,036,000	$245,869,000
Net Assets by Geographic Area		
Overseas		
Europe	$110,844,000	$114,830,000
Latin America	26,741,000	21,844,000
Far East & Other	29,366,000	36,705,000
Canada	80,085,000	72,490,000
Total	$247,036,000	$245,869,000

Net sales and earnings attributable to operations outside the U.S. included in the consolidated statements are:

	1974	1973
Net Sales		
Overseas	$533,845,000	$458,000,000
Canada	243,358,000	208,078,000
Total	$777,203,000	$666,078,000
Net Earnings		
Overseas	$ 18,874,000	$ 7,896,000
Canada	11,042,000	10,526,000
Total	$ 29,916,000	$ 18,422,000

J. RAY MC DERMOTT & CO., INC. (MAR)

Notes to Consolidated Financial Statements

Note A (in part): Summary of Significant Accounting Policies—The consolidated financial statements include the accounts of the Company and all subsidiaries. All significant intercompany sales, profits and other intercompany accounts have been eliminated.

Note L: Insurance Subsidiaries—During the current fiscal year, the Company formed two wholly owned insurance subsidiaries. To date, said subsidiaries have written policies covering workmen's compensation, general liability and builders' risk up to certain limits for the Company and its subsidiaries. The financial position and results of operations of the insurance companies are included in the consolidated financial statements. No insurance has been written for unrelated parties to date.

UNITED MERCHANTS AND MANUFACTURERS, INC. (JUN)

Notes to Consolidated Financial Statements

Summary of Significant Accounting Policies:

Principles of Consolidation—The consolidated financial statements include the accounts of United Merchants and Manufacturers, Inc. and its subsidiaries, each wholly-owned. Investments in foreign companies which are less than 51% owned ("corporate joint ventures") are carried at cost plus equity in undistributed earnings since acquisition. Intercompany items and transactions have been eliminated in consolidation.

Note C: International Operations—Net assets applicable to foreign subsidiaries are summarized as follows:

	1974	1973
Net Current Assets	$ 57,259,000	$ 46,079,000
Property, Plant and Equipment, less accumulated depreciation and amortization	52,992,000	53,460,000
Deferred Charges and Other Non-current Items—net	5,954,000	3,240,000
	116,205,000	102,779,000
Long Term Debt, less current installments	22,351,000	27,033,000
Net Assets	$ 93,854,000	$ 75,746,000

Investments in corporate joint ventures included in Other Assets aggregate $8,631,000 (1974) and $6,967,000 (1973).

Net income applicable to foreign subsidiaries and corporate joint ventures included in consolidated net income amounted to $15,289,000 (1974) and $3,668,000 (1973) after deducting Federal and foreign income taxes attributable thereto of $10,191,000 (1974) and $2,294,000 (1973). Such net income includes net gains (exchange adjustments) of $76,000 (1974) and $738,000 (1973) attributable to fluctuations in foreign rates of exchange.

Investments in foreign countries are subject to exchange regulations. In addition, as at June 30, 1974 (1) certain Venezuelan subsidiaries were required to maintain in Venezuela an aggregate of approximately $19,700,000 consisting of paid-in capital, capital reserves, retained earnings and foreign credits (including debt to foreign parent or affiliated companies), until indebtedness to banks in Venezuela is liquidated and (2) regulations in certain foreign countries restrict, under certain circumstances, the transfer of funds from such countries and require the maintenance of statutory and working capital reserves aggregating approximately $7,000,000.

USM CORPORATION (FEB)

Financial Review

Principles of Consolidation—The Consolidated Financial Statements include all majority-controlled subsidiaries. All international subsidiaries have fiscal years ending December 31, primarily for the purpose of timely transmission of data for consolidated statements. Appropriate adjustments have been made for distributions and, where possible, for intercompany transactions between December 31 and February 28, USM's fiscal year end, but no allowance has been made for earnings or losses of the subsidiaries occurring between these dates.

International Operations (in part)—The assets and liabilities of consolidated international subsidiaries are translated into U. S. dollars at exchange rates prevailing at the end of their fiscal year with the exception of property, plant and equipment, machinery leased to customers, intangible assets, related depreciation and amortization, and certain deferred charges which are translated at rates of exchange prevailing at dates of acquisition. Due to the significant realignment of international exchange rates in February 1973, assets and liabilities of international subsidiaries at December 31, 1972 were translated into U. S. dollars at exchange rates prevailing at February 28, 1973 with the exceptions noted above. Income and expense accounts, except for depreciation and amortization, are translated into U. S. dollars at various rates of exchange prevailing during the year.

Operations of a multinational corporation such as USM necessarily are sensitive to the fluctuation of international currency exchange rates. While results may be translated into U. S. dollars in a consistent and generally accepted manner, significant differences in exchange rates distort year-to-year comparisons. To make this important comparison more meaningful, we present below last year's international earnings on a pro forma basis after translating prior year's results at this year's rates. This presentation removes the effects of differences in the relative values of currencies due to volatility of the money market (in thousands of dollars):

		1973	
	1974	Pro forma	As Reported
Revenues	$338,332	$287,495	$264,770
Net Earnings......	16,895	13,295	11,227

Revenues from international operations in fiscal 1974 were up $50,837,000, or 18%, from last year on a pro forma basis. Earnings from international operations this year were ahead $3,600,000, or 27% over the prior year, also on a pro forma basis. At the same time, the effective international tax rate declined primarily as a result of reduced provisions for withholding and U.S. taxes on unremitted earnings from international subsidiaries, particularly those in the United Kingdom where corporate income tax laws have changed.

In fiscal 1974, USM received $4,575,000 in net international dividends, whereas in fiscal 1973 such dividends amounted to $15,862,000 which was above normal because USM had postponed repatriation of a significant amount of international earnings during fiscal 1971 and 1972 to avoid certain tax disadvantages.

International net assets were $131,997,000, an increase of $5,456,000, or 4% over last year on a pro forma basis as indicated in the following table (in thousands of dollars):

		1973	
	1974	Pro forma	As Reported
Working capital	$ 89,129	$ 83,805	$ 84,053
Fixed & other assets	124,979	115,939	115,976
Long-term liabilities	(82,111)	(73,203)	(74,991)
Net assets	$131,997	$126,541	$125,038

All Significant Subsidiaries Consolidated

THE ANSUL COMPANY (DEC)

Summary of Accounting Policies

Principles of Consolidation—The consolidated financial statements in this report include The Ansul Company and all of its significant subsidiaries. Such significant subsidiaries are wholly owned except for Lane Limited (our Australian subsidiary) of which we own 73%. The financial statements of Lane Limited and Ansul (Far East) Sdn. Berhad (located in Malaysia) are included in the consolidated financial statements based upon their fiscal years ended on November 30th. Some of our subsidiaries, located outside of the United States, are not consolidated because of requirements in certain countries in which these corporations operate that they eventually become 50% owned by local citizens. Investments in these companies are reflected in the consolidated financial statements at equity in their net assets. Our investment in other affiliated companies is carried at equity in the applicable company's net assets.

Goodwill assigned to companies we acquired in 1974 is being amortized over a 30 year period. All other goodwill which relates to companies acquired prior to 1970 is not being amortized because its life is indeterminable.

Notes to Consolidated Financial Statements

Note 3: Subsidiaries Outside of the United States—Consolidated subsidiaries outside the United States and Canada are principally located in Western Europe and Australia. At December 31, 1974, our consolidated balance sheet included net assets of $11,374,000 attributable to these companies. Consolidated sales and net earnings include sales of $53,855,000 and $40,241,000 and net earnings of $1,799,000 and $1,517,000 in 1974 and 1973, respectively, for these companies.

EX-CELL-O CORPORATION (DEC)

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 inter-company 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.

PENNWALT CORPORATION (DEC)

Pennwalt Accounting Policies

Principles of Consolidation and Translation—All significant wholly-owned domestic and foreign subsidiaries are consolidated. All intercompany transactions are eliminated in consolidation. Investments in nonconsolidated subsidiaries and affiliates are recorded at cost plus equity in net earnings since acquisition. Consolidated income includes the

Company's share of the net earnings of these companies. Deferred income taxes are not provided on unremitted earnings of subsidiaries and joint ventures since such earnings are considered to be indefinitely reinvested.

Foreign monetary accounts (cash, receivables, and liabilities) are translated at rates of exchange in effect at December 31. Other foreign assets are nonmonetary and are translated at the rates of exchange in effect when acquired. Exchange adjustments are charged or credited to income currently. Revenue and expense accounts for each month are translated at the average rate of exchange in effect during the month, except for depreciation and amortization, and inventory charged to cost of goods sold which are translated at historical rates.

Notes to Consolidated Financial Statements

Principles of Consolidation, Etc.—The consolidated financial statements include all significant wholly-owned subsidiaries. The equity of the Company and its consolidated subsidiaries in the net assets of nonconsolidated subsidiaries and joint ventures approximated the carrying value of these investments at December 31, 1974 and 1973. The excess of the Company's cost over the net assets of businesses acquired since November 1, 1970, is being amortized over periods up to forty years. Such amortization amounted to $111,000 in 1974 and $103,000 in 1973.

The Company had international sales of $187,895,000 and $140,700,000 in 1974 and 1973, including $33,700,000 and $25,700,000 attributable to nonconsolidated subsidiaries. Foreign currency exchange adjustment gains of $64,000 in 1974 and $20,000 in 1973 have been reflected in income.

In April, 1974, the Company acquired the remaining (64%) interest in Ozark-Mahoning Company in exchange for 764,122 shares of Pennwalt's common stock. The Company had purchased 36% of Ozark-Mahoning for cash in 1972, and its investment was recorded at cost plus equity in Ozark's net earnings since acquisition. Consolidated sales, net earnings and earnings per share for 1974 were increased by $15,937,000, $1,626,000 and $.02, respectively, due to including Ozark-Mahoning in the consolidated financial statements since April 1, 1974, the date of acquisition of the remaining 64% interest, in accordance with the principles of purchase accounting. Had the 64% of Ozark been acquired as of January 1, 1973, rather than April 1, 1974, consolidated sales would have increased by $19,413,000 in 1973 and $4,235,000 in 1974 with an insignificant effect on earnings per share in each year.

Less Than Wholly Owned Subsidiaries Not Consolidated

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:

December 31	1974	1973
	(000)	
Current assets	$201,208	$171,452
Current liabilities	68,879	33,768
Working capital	132,329	137,684
Investments	87,932	84,196
Properties, plants and equipment, net	296,688	299,328
Other assets and deferred charges	36,983	26,709
	421,603	410,233
Other liabilities	18,173	17,512
	403,430	392,721
	$535,759	$530,405

Revenue from customers of these subsidiaries for 1974 and 1973 was $392,520 and $289,259, respectively.

The portion represented by products manufactured by Alcoa in the U.S. was 45 percent for 1974 and 46 percent for 1973. The percentage of income before taxes on income from such revenues was greater than that realized on consolidated revenues.

W. T. GRANT COMPANY (JAN)

Notes to Financial Statements

Summary of Significant Accounting Policies:

Basis of Consolidation—The financial statements include the accounts of the Company and its wholly-owned subsidiaries. The Company carries its investments in Zeller's Limited (a 50.1% owned Canadian subsidiary) and Granjewel Jewelers and Distributors, Inc. (51% owned) at cost plus equity in net earnings (loss) since acquisition. Zeller's Limited has consistently followed the policy of distributing approximately 40%-50% of current net earnings and permanently reinvesting the remainder. Accordingly, no U.S. deferred income taxes nor Canadian withholding taxes have been provided on such undistributed net earnings. No deferred income taxes have been provided on the equity in net earnings (loss) of Granjewel, as it was intended that its earnings be reinvested in the business. In the event of disposition of Zeller's no tax payment would currently be required on the difference between cost and carrying amount due to available tax loss carryforward and other tax credits.

Note: 2 Investments in Unconsolidated Subsidiaries—Investments in unconsolidated subsidiaries are carried at cost plus equity in net earnings (loss) since acquisition. There is no significant difference between the underlying net equity and such carrying amounts.

Details of the investment accounts are as follows:	January 30, 1975	January 31, 1974
	($ in thousands)	
Common stock of Zeller's Limited (cost $8,893,326)	$32,670	$30,239
Common stock of Granjewel Jewelers & Distributors, Inc. (cost $3,576,240 and $2,040,000 respectively)	1,797	2,361
5½% Convertible Subordinated Debentures of Zeller's Limited ($6,060,000 Cdn.)	5,951	5,951
Convertible Notes of Granjewel Jewelers & Distributors, Inc.	9,346	5,700
	$49,764	$44,251

The Convertible Notes of Granjewel bear interest at 125% of the minimum commercial lending rate of the Morgan Guaranty Trust Company of New York.

The equity in net earnings (loss) of each subsidiary is shown below:

	52 weeks ended January 30, 1975	Year ended January 31, 1974
	($ in thousands)	
Zeller's Limited	$5,186	$4,372
Granjewel Jewelers & Distributors, Inc.	(2,100)	279
	$3,086	$4,651

Equity in net earnings of Zeller's Limited includes dividends received of $2,755,490 and $2,080,782 for the 52 weeks ended January 30, 1975 and the year ended January 31, 1974, respectively, less applicable Federal income taxes of $999,000, in the year ended January 31, 1974, as a result of the inability of the Company to utilize available foreign tax credits due to a net operating loss incurred for Federal income tax purposes.

The following summarizes financial information for the years ended January 31, 1975 and January 31, 1974, for these unconsolidated subsidiaries:

	Zeller's Limited (Canadian $-U.S. $)		Granjewel Jewelers & Distributors, Inc.	
	($ in thousands)			
	1975	1974	1975	1974
Assets	$163,698	$138,671	$27,000	$30,300
Liabilities	96,145	76,680	23,600	25,700
Capital	67,553	61,991	3,400	4,600
Sales	$339,922	$287,017	$46,100	$30,800
Net earnings (loss)	10,602	10,305	(4,200)	550

Because of the net loss incurred by Granjewel and difficulties in obtaining adequate financing sufficient for continued business operations and compliance with terms of loan agreements, it is not presently determinable as to whether such subsidiary will be able to continue as a going concern.

JOY MANUFACTURING COMPANY (SEP)

Accounting Policies

Principles of Consolidation—The consolidated financial statements generally include the accounts of the Company and all wholly owned subsidiaries. Investments in less than wholly owned subsidiaries are carried at equity in net assets. Intercompany transactions are eliminated in consolidation.

Finance-Related Subsidiaries Not Consolidated

BEATRICE FOODS CO. (FEB)

Summary of Significant Accounting Policies

Principles of Consolidation—The consolidated financial statements include all majority owned subsidiaries except Southwestern Investment Company and its subsidiaries which are carried on the equity method (see note 9). Subsidiaries operating outside the United States are included on the basis of fiscal years ending generally on December 31. Current assets and current liabilities of such subsidiaries are translated at rates of exchange in effect at December 31, while long term assets and liabilities are translated at the rates in effect at the dates such assets and liabilities were acquired or incurred. Revenue and expense accounts are translated at the average exchange rates in effect during the year except for depreciation which is translated at historical rates. Effective with the devaluation of the U.S. dollar in February, 1973, the Company adopted the policy of deferring any net unrealized translation gains until the international currency situation stabilizes. In prior years the Company reflected all exchange adjustments in current earnings.

Notes to Consolidated Financial Statements

Note 1: International Operations—The following is a summary of certain financial information relating to the Company's operations outside the United States:

	1974	1973
	(in thousands)	
Current assets	$189,287	$133,212
Plant and equipment (net)	107,717	87,462
Investments in joint ventures	5,728	5,146
Intangibles and other assets	27,961	20,717
	330,693	246,537
Less:		
Current liabilities	122,319	80,120
Other liabilities	31,871	20,047
Minority interests	19,244	15,751
	173,434	115,918
Company's equity in net assets	$157,259	$130,619
Company's equity in net earnings	$ 29,463	$ 19,513

Translation adjustments arising in the current and prior years were immaterial.

THE BUDD COMPANY (DEC)

Notes to Consolidated Financial Statements

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

Principles of Consolidation—The consolidated financial statements include the accounts of the Company and its domestic and Canadian subsidiaries, except for Budd Financial Corporation and The Budd International Corporation which are accounted for by the equity method.

Current assets and current liabilities of foreign affiliates are translated into United States Dollars at the rates of exchange in effect at year end. Long-term assets and long-term liabilities are translated at historical rates. Revenue and expense accounts are translated at the weighted average of exchange rates which were in effect during the year, except for depreciation which is translated at the rates of exchange in effect when the respective assets were acquired. Translation gains and losses are included in consolidated net earnings.

Note 4 (in part): Foreign Operations: The Budd Automotive Company of Canada Limited

The consolidated financial statements include the consolidated accounts of The Budd Automotive Company of Canada Limited (81% owned) and subsidiary. Certain comparative financial data of the Canadian subsidiary is as follows:

	1974	1973
	Canadian Dollars (in thousands)	
Net sales	$119,076	134,662
Net earnings	4,881	8,448
Net current assets	28,001	23,347
Total assets	97,285	87,813
Net equity	36,745	33,296

The Canadian subsidary's long-term debt, translated at rates of exchange in effect when the debt was incurred, amounts to $29,775,000 which would be increased to $30,618,000 using rates of exchange in effect at December 31, 1974.

CONTINENTAL CAN COMPANY, INC. (DEC)

Notes to Financial Statements

Statement of Accounting Policies (in part)—The financial statements include the accounts of all subsidiaries except a wholly owned leasing subsidiary whose financial operations are dissimilar to manufacturing operations of the consolidated group. The leasing subsidiary is accounted for by the equity method. Accounts of foreign subsidiaries have been translated to U.S. dollars as follows: working capital and prepaid items and other assets at year end exchange rates; property, plant and equipment, related depreciation, and other non-current assets and liabilities at rates prevailing at dates of acquisition or origin; income and expenses (other than depreciation) at rates prevailing during the year. Unrealized gains on translations of foreign currencies to U.S. dollars are deferred.

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 consolidated companies are eliminated.

Honeywell's investments in nonconsolidated subsidiaries and companies owned 50% or less are 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, is applied as a reduction of interest expense and the related income taxes are included in the taxes on income.

INLAND STEEL COMPANY (DEC)

Statement of Accounting and Financial Policies

Basis of Preparation of Financial Statements—Majority-owned subsidiaries of the Company are included in the consolidated statements, except Inland Steel Finance Company (see Note 4), which, together with the Company's investments in 20 per cent or more but less than majority-owned companies and raw material ventures and partnerships, are accounted for under the equity method. The excess of cost of such investments over the underlying net assets is being amortized over the periods of the estimated useful lives of the related assets, not exceeding forty years.

Housing and Commercial Development and Construction Income—Subsidiaries of the Company are engaged in the development and construction of residential and commercial properties. 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.

The financial position of the Company's housing subsidiaries, included in the consolidated statements, is separately presented in the notes to the financial statements.

Notes to Consolidated Financial Statements

Note 3: Housing Subsidiaries—The Company's housing subsidiaries have a business cycle extending beyond one year and real estate projects are financed through methods unique to real estate ventures.

In 1974 the housing subsidiaries recorded a net loss of $9,936,000. Included in this is the estimated net loss of $2,843,000 expected from the discontinuance of the modular housing operations.

Below is a summary of financial position at December 31, 1974 and 1973 for the housing subsidiaries.

Housing Subsidiaries	1974	1973
	(dollars in thousands)	
Current assets:		
Cash and marketable securities	$ 3,209	$ 1,090
Construction loans and other receivables	15,034	15,526
Inventories	10,232	9,073
Housing and commercial projects ..	43,699	33,800
Total	$ 72,174	$ 59,489
Less—Current liabilities:		
Accounts payable and other current liabilities	$ 7,064	$ 8,606
Notes payable (1974 includes $5,837,000 payable to Inland Steel Finance Company)	8,023	3,692
Total	$ 15,087	$ 12,298
Working capital	$ 57,087	$ 47,191
Land held for future development..	23,451	17,873
Investments, plant and equipment and other assets	36,864	34,979
Total	$117,402	$100,043
Less—Long-term debt	$ 4,374	$ 3,858
Parent company equity	$113,028	$ 96,185
Represented by:		
Advances from parent company....	$ 90,293	$ 63,854
Capital stock and reinvested earnings	22,735	32,331
Total	$113,028	$ 96,185

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, a partnership. All material intercompany transactions and balances have been eliminated.

Notes to Consolidated Financial Statements

Skaggs-Albertson's Partnership—The Company's 50% interest in the assets, liabilities, income and expense of Skaggs-Albertson's, a partnership, included in the consolidated financial statements are for years ended January 2, 1975 and January 3, 1974, adjusted by advances subsequent to the balance sheet dates. During 1974 and 1973, the partnership contributed approximately 13% and 11% of Albertson's consolidated sales, and approximately 17% and 15% of Albertson's consolidated earnings before taxes on income.

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

	Albertson's 50% Share	
	52 Weeks Ended February 1, 1975	52 Weeks Ended February 2, 1974
Sales and other revenue	$141,411,161	$92,687,152
Cost of sales	111,363,074	72,711,187
Operating and administrative expenses	26,167,622	17,282,669
	137,530,696	89,993,856
Earnings before taxes on income...	$ 3,880,465	$ 2,693,296

The assets and liabilities of the partnership and a 50% owned real estate development company included in the consolidated balance sheet are as follows:

	Albertson's 50% Share	
	February 1, 1975	February 2, 1974*
Assets:		
Current assets	$ 22,362,167	$16,589,409
Other assets	12,455	1,480
Land, buildings and equipment (net)	10,333,593	6,446,000
Deferred costs	889,727	720,811
	$ 33,597,942	$23,757,700
Liabilities and Owner's Equity:		
Current liabilities	$ 11,239,584	$ 8,007,590
Long-term debt	124,247	248,489
Owner's equity	22,234,111	15,501,621
	$ 33,597,942	$23,757,700

*Restated to include 50% owned real estate development company.

Comparative unaudited quarterly amounts for the 50% share of Skaggs-Albertson's partnership are as follows:

	Net Sales (in thousands)		Net Earnings (in thousands)		Earnings Per Share	
Quarter	1974	1973	1974	1973	1974	1973
First	$29,126	$18,327	$530	$272	$.08	$.04
Second	33,550	20,344	556	341	.09	.05
Third	34,623	22,616	554	245	.09	.04
Fourth	43,679	31,000	400	557	.06	.09

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.

Paragraphs 50 to 65 and 66 to 96 of *Opinion No. 16* describe the manner of reporting and disclosures required for a pooling of interests and a purchase, respectively.

Table 1-11 shows that a relatively large number of the survey companies disclosing a pooling of interests did not restate their prior year's financial statements. 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.

TABLE 1-11: BUSINESS COMBINATIONS

	1974	1973	1972	1971
Poolings of Interests				
Prior year's financial statements restated—all prior years in historical summary restated	21	29	32	34
Prior year's financial statements restated—some but not all prior years in historical summary restated	6	22	20	22
Prior year's financial statements restated—historical summary either not presented or not restated	3	4	15	7
Prior year's financial statements not restated	20	34	35	37
Total Companies	**50**	**89**	**102**	**100**
Purchases				
Companies using purchase method to account for business combination	143	163	160	133

POOLINGS OF INTERESTS

AMERICAN HOSPITAL SUPPLY CORPORATION (DEC)

Notes to Financial Statements

Note B: Acquisitions—In 1974, AHSC acquired two companies in exchange for 833,206 shares of AHSC stock, including 800,000 shares issued for Heyer-Schulte Corporation, a manufacturer of implantable medical devices. Both acquisitions were accounted for as poolings of interests and the accompanying financial statements have been restated as follows to include the operations of the companies for periods prior to the respective dates of acquisition.

$ in thousands Year ended December 31	1973	1972	1971	1970
Net sales:				
Previously reported	$829,322	$688,270	$592,880	$522,571
Adjustment for pooled companies	5,014	3,280	1,807	1,213
As reported herein	$834,336	$691,550	$594,687	$523,784
Net earnings:				
Previously reported	$39,859	$35,096	$29,941	$25,798
Adjustment for pooled companies	951	507	230	105
As reported herein	$40,810	$35,603	$30,171	$25,903

Net sales and earnings in 1974 of pooled companies prior to their acquisition were $6,881,000 and $1,249,000 respectively. In addition, AHSC purchased a business in 1974 for approximately $1,020,000 whose operating results are not significant.

In 1973, AHSC acquired fifteen companies of which ten were acquired for shares of its common stock and accounted for as poolings of interests. The accompanying financial statements include the operations of these companies for periods prior to the respective dates of acquisition. The acquisitions of the remaining five companies for cash were treated as purchases for accounting purposes and the accompanying financial statements include the operations of these entities subsequent to the dates of acquisition.

For the ten acquired companies accounted for as poolings of interests, AHSC issued 870,760 shares of its common stock, including 582,454 shares to acquire Wells National Services Corporation, a hospital services company which specializes in patient television and communication systems.

AHSC paid $5,656,000 for the five companies accounted for as purchases in 1973. The operating results of these businesses did not significantly affect reported 1973 earnings.

In 1972, AHSC acquired all the assets and business of Red Top, Inc., a maintenance service company, and two dental laboratories, Davis Laboratory Company and Precision Chrome Lab., Inc. for 174,997 shares of its common stock. In 1971, AHSC acquired the outstanding stock of Etablissements Paul Louis, S.A., a distributor of hospital and laboratory equipment in Belgium and France, and three dental laboratories for 221,525 shares of its common stock. In 1970, AHSC acquired all of the outstanding stock of Laboratorio

Farmacobiologico, S.A. (Farbiosa) Mexico City, G. Delforge & Co., S.A., Belgium, and a dental laboratory for 177,202 shares of its common stock. These acquisitions were accounted for as poolings of interests; consolidated operating results of prior years were not restated because their operations were not significant in relation to the consolidated results.

G. D. SEARLE & CO. (DEC)

Notes to Consolidated Financial Statements

Note 1: Poolings of Interests—During 1973 and 1974, the company exchanged shares of its common stock for the following companies in transactions accounted for as poolings of interests:

Company	Effective Date	Approximate Number of Shares Exchanged
Will Ross, Inc.	December 31, 1973	6,157,000
Oxford Laboratories	May 31, 1974	1,591,000
Tecna Corporation	July 3, 1974	140,000
Gold Cross Hospital Supplies Limited	November 23, 1974	1,162,000

The accompanying financial statements have been retroactively restated to include the operations of these companies.

Prior to 1973, the fiscal years of Will Ross, Inc. and its subsidiaries ended on March 31; the net earnings and other changes in shareholders' investment of these companies from April 1 to December 31, 1972, have been recorded directly in the appropriate shareholders' investment accounts in the accompanying statements. The 1973 financial statements of the Will Ross companies were examined by auditors other than Arthur Andersen & Co.

The accompanying financial statements include the following amounts for the pooled companies for periods prior to the dates of their respective acquisitions by Searle (in thousands of dollars):

	Companies Acquired in 1974			Will Ross April 1 to December 31,
	1974	1973	1973	1972
Net sales	$38,141	$26,398	$156,796	
Net earnings	1,078	2,202	6,843	$5,322
Other increases (decreases) in shareholders' investment:				
Dividends	—	(224)	(2,408)	(1,746)
Common stock issues:				
Exercise of stock options	126	130	59	241
Conversions of debt	57	6	1,093	1,417
Sale of new issues	—	10,718	—	—
Other	—	—	71	—

SQUARE D COMPANY (DEC)

Notes to Consolidated Financial Statements
(Dollars in thousands, except per share)

Note B: Poolings of Interests—The consolidated financial statements include for both years the accounts of companies combined with Square D Company in transactions accounted for as poolings of interests:

	Year Combined	No. of Shares of Square D Common Stock Issued
Nelco Corporation	1973	225,800
Electromagnetic Industries, Inc.	1974	136,902
Electric Products Mfg. Corp.	1974	71,000

Revenues and net earnings of these companies for the period preceding the combinations which are included in financial results for the respective years ended December 31, 1974 and 1973 are:

	1974	1973
Revenues	$ 5,056	$ 1,738
Net earnings	129	143

Revenues and net earnings previously reported for the year ended December 31, 1973 are restated as follows:

	Revenues	Net Earnings
As previously reported	$388,521	$33,701
Pooled companies	10,510	(710)
As restated	$399,031	$32,991

VEEDER INDUSTRIES INC. (DEC)

Notes to Consolidated Financial Statements

Note C: Business Combinations—Effective January 1, 1974 the Company exchanged 44,894 shares of its Common Stock, in a pooling of interests transaction, for all of outstanding shares of Uniform Fasteners.

During 1974 the Company purchased for $1,475,000 in cash the assets of Degen & Company and the capital stock of R.D. Maxwell Co., Inc. on April 16, 1974 and July 1, 1974, respectively. In February, 1973 the Company purchased the capital stock of the A. L. Hyde Company for 67,000 shares ($2,118,854) of its Common Stock (from treasury—66,997 shares ($2,118,778); unissued—3 shares) with an assigned value of approximately $1,701,800. The excess ($416,997) basis of the stock issued has been charged to capital in excess of par value. The excess of the purchase price over the fair value of assets acquired from the purchased companies was not material.

The consolidated financial statements include the accounts of the purchased companies from the dates acquired, and for the years ended December 31, 1974 and 1973 for the pooled company.

Net sales and net income before and after the pooling of interests and purchases are summarized as follows:

	1974	1973
Net Sales:		
Before pooling and purchases	$93,545,976	$74,089,454
Pooling	2,347,443	1,558,993
Purchases	588,469	4,162,245
	$96,481,888	$79,810,692
Net Income:		
Before pooling and purchases	$ 6,350,604	$ 5,156,420
Pooling	315,090	135,886
Purchases	74,734	291,139
	$ 6,740,428	$ 5,583,445

The consolidated results of operations on a pro forma basis as though the purchased companies had been acquired as of January 1, 1973 are as follows:

	1974	1973
Net sales	$97,063,133	$81,156,804
Net income	$ 6,842,573	$ 5,722,608
Net income per share	$4.39	$3.66

PURCHASES

BAUSCH & LOMB INCORPORATED (DEC)

Notes to Financial Statements

Business Acquisitions—As of January 1, 1974, the company acquired the net assets of Standard Optical Company (Pty.) Limited and its subsidiary companies. The group is a South African distributor of ophthalmic products. The purchase price, which amounted to $2,180,000, exceeded the value of net assets acquired by approximately $1,200,000. This excess is being amortized over a forty year period. Total assets of the group at December 29, 1974 were $2,420,000.

During 1973 the company acquired the net assets of a foreign lens manufacturer and a domestic manufacturer of vapor detection products for a total of $1,500,000.

The following supplemental pro forma information shows condensed results of operations for the year ended December 30, 1973 as though the acquisitions had occurred at the beginning of 1973:

	1973 (Unaudited)
Revenue	$243,810,000
Earnings before extraordinary item	11,762,000
Net earnings	10,287,000
Per common and common equivalent share:	
Earnings before extraordinary item	$2.04
Net earnings	1.78

DRESSER INDUSTRIES, INC. (OCT)

Notes to Consolidated Financial Statements

Note M: Acquisitions—On May 31, 1974, the Company acquired substantially all of the assets and assumed substantially all the liabilities of Jeffrey Galion Inc. for a purchase price of $120,000,000 in cash and 416,350 shares of the Company's common stock, which were assigned a value as of May 31, 1974 of $15,613,000. This value was lower than the indicated market value at that date in recognition of the restrictions on transferability of the shares. Jeffrey Galion is a major manufacturer of motor graders, road rollers, rough terrain hydraulic cranes, processing, conveying and mechanical power transmission equipment, and underground coal mining machinery.

On July 1, 1974, the Company acquired the net assets of the Waukesha Division for a cash price of $20,171,000. Waukesha is a manufacturer of a broad range of heavy-duty engines, principally stationary.

These acquisitions were accounted for by the purchase method. Operating results from dates of acquisition have been included in the Consolidated Statement of Earnings. The total purchase price was allocated to the net tangible assets acquired based upon their estimated fair value and included no goodwill.

The following table summarizes, on an unaudited pro forma basis, the combined results of operations of the Company and subsidiaries, as though the above acquisitions were made at November 1, 1972:

	Year Ended October 31,	
	1974	1973
Net sales and service revenues	$1,596,216,000	$1,301,936,000
Net earnings	69,870,000	57,469,000
Earnings per common share	4.75	3.80
Earnings per share on a fully diluted basis	4.02	3.33

Appropriate adjustments have been made in the above pro forma data to give effect to additional interest costs and average shares outstanding as a result of the acquisitions. It is not practical to determine, on a pro forma basis, the effect on 1974 operations if the inventories of the acquired businesses had been changed to the LIFO method (see Note D) as of November 1, 1973.

INTERLAKE, INC. (DEC)

Notes to Consolidated Financial Statements

Note 6 (in part): Acquisitions—In October, 1974 the Company acquired substantially all of the outstanding ordinary and preference shares of Dexion-Comino International Limited, a producer of storage and material handling products with manufacturing operations principally in Europe, for an aggregate cash cost of $22,080,000. The acquisition is being accounted for using the purchase method. The excess of the acquisition cost over the fair value of the net assets acquired, $832,000, is being amortized on a straight-line basis over a 30 year period. The consolidated financial statements include Dexion's operating results for the month of November, 1974 and financial position as of November 30, 1974.

Following is a pro forma summary of the consolidated results of operations for 1973 and 1974, including Dexion's operations for the fiscal years ended October 31, 1973 and 1974, assuming that the acquisition had occurred at the beginning of 1973. Pro forma consolidated earnings have been adjusted to reflect interest on the funds expended to acquire Dexion, depreciation and amortization of the fair value adjustment of acquired assets and goodwill, and a change in accounting methods to conform with the Company's accounting policy for the translation of foreign currencies.

	1974	1973
Net sales	$727,832,000	$557,862,000
Net income	$ 41,137,000	$ 15,868,000
Net income per share of common stock	$11.02	$4.18

GENERAL CIGAR CO., INC. (DEC)

Notes to Consolidated Financial Statements

Note 1: Business Combinations—As of February 8, 1974, the Company acquired Flaks, Inc. in exchange for 69,081 shares of its common stock valued at $610,000. Flaks, located in Denver, Colorado, is a distributor of tobacco products and other sundry items. This transaction has been accounted for as a purchase. The purchase price in excess of net tangible assets acquired, in the amount of $67,000, is included in intangible assets and is being amortized, on a straight-line basis, over a 40 year period. The results of operations of Flaks for 1973 would not be material to the consolidated financial statements.

As of December 28, 1974, the Company acquired Moll Tool and Plastics Corporation, a plastics manufacturer located in Evansville, Indiana, in exchange for 150,518 shares of its common stock valued at $1,205,000. The Company issued into escrow an additional 150,517 shares which are subject to release from escrow based upon Moll's average 1974/1975 pre-tax earnings and the market value of the Company's common stock. These contingent shares are reflected as outstanding shares at December 28, 1974. This transaction has been accounted for as a purchase and the resulting purchase price in excess of net tangible assets acquired will be included in intangible assets upon determination in 1975 and will be amortized on a straight-line basis over a 40 year period. The consolidated results of operations on a pro forma basis as though Moll had been acquired at the beginning of fiscal 1973 are as follows:

	1974	1973
Net sales and other revenue	$319,508	$303,911
Net income	5,314	4,544
Net income per common share	2.14	1.88

NORTH AMERICAN PHILIPS CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 2: Acquisitions—Effective October 1, 1974, a subsidiary of NAPC acquired approximately 84% of the common stock of The Magnavox Company (Magnavox) for an aggregate cash purchase cost of approximately $142,000,000. The transaction has been accounted for as a purchase and accordingly the operations of Magnavox are included in the consolidated statement of income from October 1, 1974. The equity in the net assets of Magnavox exceeded acquisition cost by $18,977,000. Of such amount, $12,552,000 was assigned to specific assets and liabilities and $6,425,000 was allocated to remaining non-current assets acquired on a pro rata basis in accordance with the provisions of Accounting Principles Board Opinion No. 16. The total reduction to the carrying value of net assets acquired based upon their estimated fair value was as follows:

	(Thousands)
Inventories	$ 1,300
Property, plant and equipment	7,372
Excess of cost over net assets of acquired companies	9,074
Deferred debt discount	(1,850)
Unfunded vested pension benefits	1,898
Other	1,183
	$ 18,977

The values assigned to the net assets acquired were as follows:		(Thousands)
Cash and receivables		$117,280
Inventories		163,449
Other current assets		3,257
		283,986
Property, plant and equipment		54,922
Other assets		11,588
		350,496
Less		
Liabilities (including $117,245,000 current)	$178,035	
Minority interest	30,461	208,496
Net assets acquired		$142,000

The net sales and net loss of Magnavox for the period October 1, 1974 to December 31, 1974, after adjustments for estimated fair value and minority interests were $134,692,000 and $4,779,000, respectively. These amounts have been included in the consolidated statement of income of NAPC for the year ended December 31, 1974.

Effective December 31, 1973, certain subsidiaries of NAPC acquired the assets, net of liabilities, and businesses of the Large Lamp and Lustra Division of International Telephone and Telegraph Company and the Colors Department of Tenneco Chemicals, Inc. for cash and notes aggregating approximately $34,500,000. These transactions were accounted for as purchases and, accordingly, the operations of the acquired businesses are included in the consolidated statement of income from January 1, 1974. 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. In May 1973 and December 1974, certain subsidiaries of NAPC acquired all of the capital stock of the S & H X-Ray Company and National Components Industries, Inc. for 57,960 and 298,849 shares, respectively, of NAPC's common stock. These transactions were treated as poolings of interests for accounting purposes and the financial statements have been restated to include the operations of such pooled companies prior to acquisition. The effect on consolidated net sales and net income was not material.

On October 31 and December 31, 1973, the remaining minority interests were acquired in PEPI, Inc. (34%) and in Dialco Corporation (31%) in exchange for 1,561,321 shares of NAPC's common stock, of which 306,630 shares became treasury stock. These acquisitions were accounted for as purchases, and the earnings attributable to the minority interests prior to the respective dates of merger were deducted in determining consolidated net income for 1973. As a result of the PEPI transaction, approximately $9,000,000 excess of equity over cost was first offset against excess cost arising from prior acquisitions of PEPI stock to the extent thereof; the remainder was applied to reduce property, plant and equipment.

The following pro forma data presents the consolidated results of operations of NAPC as if Magnavox, purchased in 1974, and the other business purchased in 1973 had been acquired effective January 1, 1973:

	Year Ended December 31 1974	1973
	(Thousands, except for earnings per share)	
Net sales	$1,379,079	$1,396,767
Income before extraordinary item	23,843	40,200
Net income	24,378	41,823
Earnings per share		
Primary earnings		
Income before extraordinary item	$2.27	$3.84
Net income	2.32	4.00
Fully diluted		
Income before extraordinary item	$2.21	$3.65
Net income	2.26	3.80

ROCKWELL INTERNATIONAL CORPORATION (SEP)

Notes to Financial Statements

Note 3: Acquisitions—The Company completed its acquisition of Collins Radio Company (Collins) in November 1973. The aggregate cost of the acquisition was $115.7 million (including the cost of the Company's investment in 1971 in preferred stock and warrants to purchase common stock). Collins is principally engaged in the manufacture and sale of electronic communication systems and avionics equipment. The acquisition was accounted for as a purchase and the accounts of Collins, after adjustments to reflect the fair values assigned to Collins' assets and liabilities, have been included in the accompanying consolidated financial statements for the full 1974 fiscal year. The excess of the purchase price over the fair value of Collins' net assets amounted to $14.5 million and is being amortized over forty years.

In April 1974 the Company acquired all the outstanding common stock of Admiral Corporation (Admiral) in exchange for a maximum of 2,931,595 shares of the Company's common stock held in treasury. The aggregate cost of the acquisition was $79.9 million using an assigned fair value of $27.00 a share. Admiral is engaged in the manufacture and sale of electronic home entertainment equipment and major household appliances. This acquisition was accounted for as a purchase and the accounts of Admiral, after adjustments to reflect the fair values assigned to Admiral's assets and liabilities, have been included in the consolidated financial statements from April 1, 1974. The excess of the fair value of Admiral's net assets over the cost thereof amounted to $21.4 million and has been allocated proportionately to appropriate noncurrent assets. This excess will be amortized over the remaining lives of such assets, a period averaging approximately ten years.

The following table summarizes on an unaudited pro forma basis the results of operations of the Company combined with Collins and Admiral for the full fiscal years ended September 30, 1974 and 1973. The pro forma amounts give effect to appropriate adjustments for the fair value of the net assets acquired, amortization of the resulting intangible, interest expense (net of tax), intercompany transactions, and the issuance of shares of common stock. In 1974 pro forma results of operations were adversely affected by a generally depressed industry in which Admiral operates, particularly the market for home entertainment products. The table is stated in millions, except for per share amounts.

	1974	1973
Sales	$4,664.0	$4,033.5
Income before extraordinary credit	128.3	140.7
Net income	128.3	145.5
Earnings per common share:		
Primary:		
Income before extraordinary credit	3.87	4.16
Net income	3.87	4.32
Fully diluted:		
Income before extraordinary credit	3.43	3.65
Net income	3.43	3.77

In February 1973 the Company issued 6,664,942 shares of its common stock for all of the outstanding shares of stock of Rockwell Manufacturing Company. The acquisition was accounted for as a pooling of interests and, accordingly, the accompanying consolidated financial statements for 1973 include the accounts of the acquired company as if the companies had been combined throughout 1973.

The Company also purchased several other foreign and domestic businesses for cash of $19.4 million in 1974 and $49.0 million in 1973. The results of operations of these businesses were not material in relation to consolidated results of operations.

A summary of the assets and liabilities recorded through the purchase of businesses in 1974 (including Collins and Admiral) and 1973 is as follows (in millions):

	1974	1973
Working capital	$178.3	$ 8.8
Property	132.8	32.3
Intangibles resulting from acquisitions	22.6	22.0
Investments and other assets—net	16.3	1.8
Long-term debt	(131.4)	(5.6)
Net assets	218.6	59.3
Less carrying value of investments in companies prior to purchase of remaining interests	42.5	10.3
Cost of purchased businesses for the year	$176.1	$49.0

WARD FOODS, INC. (DEC)

Financial Information

Acquisition—Effective April 27, 1974, the Company acquired all of the stock of La Crosse Milling Company for $2,589,000 in cash, common stock and notes payable. The acquisition has been accounted for as a purchase and, accordingly, its operations are included in the accompanying consolidated financial statements from date of acquisition. The excess $864,000 of acquisition cost over the fair value of net assets acquired was assigned to goodwill which is being amortized over 40 years.

Had the acquisition of La Crosse Milling Company taken place at December 31, 1972, on a pro forma basis consolidated net sales for the years ended December 28, 1974 and December 29, 1973 would have been $438,073,652 and $370,640,437, respectively; 1974 earnings from continuing operations before extraordinary item and net earnings would have been $1,072,846 and $1,681,118 ($.30 and $.47 per share), respectively and 1973 earnings from continuing operations and net (loss) would have been $593,968 and ($8,381,727) ($.17 and ($2.40) per share), respectively.

TABLE 1-12: CONTINGENCIES AND COMMITMENTS

	Number of Companies			
	1974	1973	1972	1971
Loss Contingencies				
Litigation	255	255	240	225
Guarantee of indebtedness	140	142	150	148
Possible tax assessment	68	68	76	55
Sale of receivables with recourse	65	67	70	48
Compliance with environmental standards	13	12	23	19
Other—identified	34	33	37	38
Gain Contingencies				
Operating loss carryforward	66	64	60	54
Investment credit carryforward	43	32	44	32
Plaintiff litigation	25	37	19	13
Other—identified	2	6	14	
Commitments				
Plant expansion	95	95	94	79
Purchase or repurchase agreements	62	61	77	73
Additional payments in connection with an acquisition	55	52	67	50
Other	45	46	29	36

CONTINGENCIES AND COMMITMENTS

Statement of Financial Accounting Standards No. 5 (issued in March 1975 by the Financial Accounting Standards Board) defines a contingency as "an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss to an enterprise that will ultimately be resolved when one or more future events occur or fail to occur." Statement No. 5, which will be effective for fiscal years beginning on or after July 1, 1975, will supersede *Accounting Research Bulletin No. 50* as the authoritative pronouncement on accounting for and reporting loss contingencies but reaffirms the provisions of *ARB No. 50* that apply to gain contingencies and to commitments.

Table 1-12 summarizes the various contingencies and commitments (except leases which are summarized in Table 2-29) disclosed in the 1974 annual reports of the survey companies. Examples of contingency and commitment disclosures follow.

LOSS CONTINGENCIES

Litigation

AMERICAN MAIZE-PRODUCTS COMPANY (DEC)

Notes to Financial Statements

Note 1: Litigation—The Company is a defendant, along with other companies in the corn wet milling industry, in a suit instituted by Dimmitt Agri Industries, Inc. ("Dimmitt") in November 1974. This suit alleges a conspiracy on the part of the defendants to manipulate the price of various refined corn products and to deny Dimmitt entry into the market. Dimmitt seeks to recover actual damages of $32,545,244 and requests that such damages be trebled as provided by law. The Company has denied the charges. Pre-trial discovery of relevant evidence is presently in a preliminary stage. It is the opinion of the Company and Company's counsel that the allegations made against it are without merit.

The Company is a co-defendant in an action in which the plaintiff is seeking an injunction regarding pollution of Lake Michigan and of the Grand Calumet River. It is the opinion of the Company and the Company's counsel that the Company will successfully defend the action.

ANDERSON, CLAYTON & CO. (JUN)

Notes to Consolidated Financial Statements

Note 9: The Company, among many if not all other companies selling hybrid seed corn, was named a defendant in class action for damages allegedly incurred by farmers as a result of the leaf blight that affected the 1970 crop year. Specific damages have not been alleged against each defendant, and the lawsuit has not progressed beyond its initial stages. Counsel for the Company says it is impossible at this stage to render any opinion as to the ultimate liability of the Company since discovery has not been commenced. Management of the Company is of the opinion that the outcome of the claims will have no material effect on the Company's financial position or results of operations, and in any event the Company considers its liability, if any, to be adequately covered by insurance.

ASSOCIATED DRY GOODS CORPORATION (JAN)

The Year In Review

Contingent Liabilities—As previously reported, the Federal Trade Commission issued a complaint against the Company on December 15, 1972, alleging that the effect of the acquisition of L. S. Ayres and Company may be to substantially lessen competition or tend to create a monopoly in violation of Section 7 of the Clayton Act. Associated filed an answer denying that the acquisition violated the Clayton Act.

It is Associated's position that this acquisition is not anti-competitive. Both the FTC and Associated have prepared their respective cases, and as of the date of preparation of this report, the matter is still pending.

On August 1, 1974, the Department of Labor instituted suit in U.S. District Court alleging failure on the part of one division of the Company to comply with certain provisions of the Equal Pay Act in three facilities. The litigation is currently in the pre-trial phase and it is anticipated that this phase will continue throughout 1975.

Inasmuch as the Department of Labor alleges no specific amount of damages, it is not possible to estimate the amount of damages for which the Company may be liable, or what the cost to the Company would be in the future if the Department of Labor were to prevail in all of its allegations. In any event, Associated believes it has meritorious defenses to the action.

THE DUPLAN CORPORATION (SEP)

Notes to Consolidated Financial Statements

Note 16: Litigation—In October 1969 Leesona Corporation brought a civil action against the Company seeking a declaratory judgment that the patents under which the Company is licensed by Leesona are valid and enforceable. This action was dismissed and in April 1970 Leesona commenced an action against the Company alleging breach of license agreements and seeking recovery of alleged past due royalties and a court order requiring the payment of future royalties. After repudiating its license with Leesona, the Company commenced an action in November 1969 seeking a declaratory judgment that such patents licensed by Leesona are invalid and for damages because of federal anti-trust violations by Leesona. In July 1971 Leesona interposed a counterclaim for treble damages amounting to approximately $6.7 million based on alleged anti-trust violations for a conspiracy to breach license agreements and to cease paying royalties.

In June 1972 a related action was commenced against the Company by The Permatwist Company and its individual partners. In this action, Permatwist, the original owner of the Leesona patents, has alleged that the Company has maliciously interfered with its contractual relations with Leesona by, among other things, instituting the action against Leesona referred to above, and has violated the anti-trust laws by conspiring to boycott Leesona's machinery and licensing program.

Subsequent to September 30, 1974 the parties in the Leesona and Permatwist actions agreed to settle them on terms which included (i) the release of the Company from any obligations for past or future royalties and (ii) Leesona paying the Company approximately $335,000 in installments over a five year period. An agreement containing the settlement terms is presently being prepared for execution by the parties.

In November 1969 the Company brought a civil action against Deering Milliken Research Corporation after repudiating its license with Deering Milliken. Such action seeks a declaratory judgment of noninfringement, invalidity and unenforceability with respect to patents which the Company was licensed to use by Deering Milliken and seeks damages for federal anti-trust violations by Deering Milliken. Deering Milliken commenced an action seeking a judgment against the Company for royalty payments owing under the license, an injunction against continued infringement of the patents, treble damages suffered because of such infringements and a judgment declaring the enforceability of such license. The Court, on December 18, 1972, January 16, 1973, November 14, 1973 and February 21, 1974, granted motions for summary judgment in favor of the Company holding that thirteen of the twenty-two patents covered by the license were either invalid or not infringed by the Company. No determination has been made by the Court with respect to the remaining nine patents. In the opinion of counsel, such patents are invalid and, therefore, the Company has no liability for the payment of royalties.

HMW INDUSTRIES, INC. (JAN)

Notes to Consolidated Financial Statements

Note 10 (in part): Contingencies and Commitments—Claims asserted against the Company are as follows:

A) In connection with the discontinuance of its Electronics Division and the related cancellation of contracts during the year ended January 31, 1971, a supplier has filed a claim for $216,000 against the Company for breach of contract.

B) On May 29, 1974 the Company was served with a complaint in an action in the U.S. District Court for the District of Connecticut by certain employees of its wholly owned subsidiary, Wallace Silversmiths, Inc. This is a class action alleging violation of Title VII of the 1964 Civil Rights Act, as amended, in which the plaintiffs seek damages in the amount of $300,000 for themselves and the members of their class, punitive damages in the amount of $200,000, and injunctive relief.

C) In connection with discontinuance of the distribution of imported china, crystal and figurines, a claim has been asserted by a supplier for an unspecified amount of damages for breach of an exclusive distribution contract.

Management intends to contest the above claims asserted against the Company and is of the opinion that the liability resulting from such claims, if any, would not have a material effect on the Company's financial statements.

HUDSON PULP & PAPER CORP. (DEC)

Notes to Financial Statements

Contingencies—(1) The Company and others are defendants in actions brought in Maine by The United States of America in Federal Court and by private parties and the State of Maine in State Court. Both actions seek to halt the defendants' river log driving activities and to make them take other actions including the removal of logs sunken during past seasons. A motion for summary judgment to dismiss the Federal Court action was granted by the Federal judge for the U.S. District Court in Maine on March 7, 1973. The United States of America appealed this order to the Court of Appeals which reversed the District Court and remanded the action to the District Court for certain additional factual determinations. The government has recently reactivated the case by filing a motion for Summary Judgment. The Company no longer places logs in the river and, due to the great number of factors involved, it is impossible at this time to estimate reasonably the effect of an order, in the event of a final determination requiring the removal of sunken logs, nor is it possible to estimate reasonably the effect of the reversal by the Court of Appeals on the action pending in State Court. However, it is the opinion of the management of the Company that these actions should not have a material adverse effect on the Company's financial condition.

(2) Based upon the opinions of counsel, management believes that other pending claims and litigation will have no material adverse effect on the accompanying financial statements.

(3) During the year ended December 31, 1974, the Company commenced construction of an air emission control program at its Palatka plant pursuant to approvals previously obtained from the Pollution Control Board of Florida and the United States Environmental Protection Agency allowing the Company to place the program into service in several phases through the end of 1976. At the present time, the Company expects the program to approximate $50,000,000 and it will be financed primarily from outside sources supplemented by internally generated funds.

MAREMONT CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 9 (in part): Commitments and Contingent Liabilities—In November, 1972, Arvin Industries, Inc., a competing manufacturer of exhaust system parts, filed suit against the Company in the United States District Court for the Southern District of Indiana. The complaint alleges several violations of the Federal antitrust laws. In many respects, the complaint repeats the allegations of the Federal Trade Commission's complaint in the proceeding which was settled by the entry of a consent order in January, 1971. (See Note 4.) In addition, the complaint contains charges concerning the divestitures which were made and approved by the FTC in accordance with the consent order. Arvin seeks treble damages, as well as an order requiring the Company to divest warehouse distributors acquired and still retained by it. The original complaint sought damages of $5 million in each of four counts, so that the total alleged damages amounted to $20 million ($60 million trebled).

In January, 1973, the Company filed its answer and counterclaim. The answer denies any violation of the Federal antitrust laws. The Company's counterclaim charges Arvin wtih violation of the Federal antitrust laws arising out of Arvin's dominant position in sales of exhaust system parts to automobile original equipment manufacturers. The counterclaim seeks $25 million in damages ($75 million trebled) and divestiture of a large portion of Arvin assets used in its manufacture of exhaust system parts. In July, 1973, the Court granted the Company's motion to strike from the Arvin complaint all references to the prior FTC proceeding. In August, 1974, in response to the Court's direction, Arvin filed an amended complaint which set forth fourteen separate counts to replace Count III of the original complaint. Thirteen of these counts relate to separate warehouse distributor acquisitions by Maremont. The damages claimed in these thirteen counts amount to a total of $13,512,000 ($40,536,000 trebled). The fourteenth count, which claimed injury from the thirteen acquisitions on a cumulative basis, has been dismissed by the Court.

Discovery by both parties is now proceeding. The Company, based on the opinion of outside counsel, does not believe it will incur any material liability as a result of the Arvin litigation.

METRO-GOLDWYN-MAYER INC. (AUG)

Notes to Financial Statements

Note 9: Contingent Liabilities—For many years the Company, together with other major companies in the industry, has been subject to numerous anti-trust suits brought by various motion picture exhibitors, producers and others, many of which have been settled. From time to time, the Company is also subject to litigation for breach of contract and similar matters incidental to its business activities. It is not possible to determine the ultimate cost to the Company of suits now pending. However, in the opinion of management, the liability of the Company under such actions is not material in relation to its financial position or results of operations.

In April, 1974, an action entitled *"California Electric Construction Co. v. MGM Grand Hotel, Inc., et al."* was filed. Plaintiff, which furnished labor and material for certain electrical work in connection with construction of the MGM Grand Hotel, alleges that defendants breached the related construction contract, resulting in increased costs to plaintiff. Plaintiff also alleges misrepresentation concerning the amount of a competing bid for the electrical work. The complaint seeks foreclosure of plaintiff's mechanic's lien on the Hotel's real property, compensatory damages in an amount to be specified (in excess of $7,300,000) and punitive damages of $10,000,000. Defendants have filed motions to dismiss certain of the tort causes of action and will file additional motions directed to the remaining tort cause of action. In the opinion of Company's legal counsel, the motions already filed and to be filed shall prevail and their success will have the effect of eliminating the claim for punitive damages. With respect to the claim for compensatory damages, discovery has begun, but due to the complex nature of the lawsuit extensive further investigation is required. Accordingly, counsel for Company is not yet able to express an opinion with respect to the claim for compensatory damages. However, management believes that the lawsuit will not result in liability in an amount which will be material in relation to the Company's financial position or results of operations.

MSL INDUSTRIES, INC. (DEC)

Notes to Consolidated Financial Statements

Note 8: Litigation—On September 6, 1974, an action against MSL was commenced in the United States District Court for the Southern District of New York by Esther Krieger (*Krieger v. MSL Industries, Inc., 74 Civ. 3853*), seeking damages of approximately $1,400,000 under Section 10(b) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 thereunder, based on allegations that MSL knew that Alleghany Corporation was considering making a tender offer for its common shares at a price in excess of the conversion price of MSL's 4½% Convertible Subordinated Debentures due October 1, 1984, at such time as MSL called such debentures for redemption in August, 1974. Based upon preliminary investigation of the matter, legal counsel has indicated that it appears that the facts do not support the allegations of the complaint.

On February 18, 1975, an action against the Company was commenced in the United States District Court for the Northern District of Illinois by Marvin Coyne (Coyne v. MSL Industries, Inc., 75 Civ. 523) under Section 10(b) of the Securities and Exchange Act of 1934 and Rule 10b-5 thereunder. The action alleges that MSL's offer to purchase the Company's shares at $25 per share on January 14, 1974 was false and misleading in several respects, including the failure to disclose that earnings for 1974 would increase substantially over those in 1973. The plaintiff alleges he was a holder of 1,000 shares who tendered his shares in response to the offer and is seeking damages as a class action for all holders who similarly tendered their shares, in the amount of approximately $4,750,000. Legal counsel for the Company has not yet had an opportunity to review the matter. Management is of the opinion that the action is without merit and will have no material effect upon the Company's financial condition or results of operations.

POLAROID CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 10: Contingency—In October, 1974, the Company, ten of its directors and its independent certified public accountants were served with a complaint in a purported class action filed in the United States District Court for the Southern District of New York by a stockholder of the Company. In general, the complaint charges that the Company's 1972 Annual Report and subsequent reports and releases contained alleged untrue statements and omissions of allegedly material facts in violation of federal securities laws and the common law. The complaint seeks an injunction and damages in an unspecified amount. It is the opinion of the Company and its counsel that the action has no merit, and all parties to the action intend vigorously to defend against it.

THE RUCKER COMPANY (DEC)

Notes to Financial Statements

Note 13: Litigation—The Company is the defendant in one civil action commenced in 1972 in which a subcontractor seeks to recover approximately $2,300,000 for alleged extra work performed at the request of the Company. The Company has denied all claims for extra compensation, alleged such claims to be barred by the statute of limitations, counterclaimed for approximately $450,000 in damages resulting from the subcontractor's performance delays and filed a complaint against its customer for indemnification against the subcontractor's claims for extra compensation, and approximately $700,000 for damages arising out of customer-imposed delays. In 1974, the customer answered asserting that all claims for extra compensation are barred by the statute of limitations, and counterclaimed against the Company for breach of contract, seeking to recover approximately $2,500,000 in damages allegedly incurred because of delinquent deliveries by the Company and alleged deficiencies in design and material furnished by the Company as well as the Company's failure to indemnify the customer against certain repair expenses. The Company denied the customer's claims and filed a cross claim against the subcontractor seeking indemnification for the damage claims of the customer. The dispute is in the discovery stage and no trial date has been set.

In addition, the Company is involved in various patent, contractual, performance and warranty and product liability litigation and claims which are considered normal to the Company's business. All material product liability litigation or claims for damages for injuries to persons or property are covered by product liability insurance. The results of the litigation, and claims, against the Company are not presently determinable. However, in the opinion of management, the amounts of losses that might be sustained, if any, would not materially affect the Company's financial position, or operations.

WM. WRIGLEY JR. COMPANY (DEC)

Notes to Financial Statements

Litigation—In January of 1970 a group of mint growers, located in the States of Washington, Oregon, Idaho and Montana, filed a class action in the United States District Court, Western District of Washington, against a dealer in mint oils and the five largest United States purchasers of mint oils, including the Wm. Wrigley Jr. Company. One such purchaser has settled the claim against it and has been dismissed as a defendant; the other defendants are appealing the dismissal order. The mint growers' complaint alleges violations of certain Federal antitrust laws and seeks an injunction and treble damages which plaintiffs' counsel claims to be in the millions of dollars. The mint oil purchasers, including the Wrigley Company, have filed antitrust counterclaims against plaintiff mint growers charging them, among other things, with price-fixing. Company legal counsel are of the opinion that the claim against the Wrigley Company is without merit, that its counterclaim is meritorious and that the final outcome should not materially affect the Wrigley Company's consolidated financial statements, although any such lawsuit involves some risk and various costs to the Wrigley Company, including litigation expenses which must be incurred in defending it.

Guarantee Of Indebtedness

AMAX INC. (DEC)

Notes to Financial Statements
(Dollars in Thousands)

Note 17: Contingent Liabilities and Guarantees—At December 31, 1974, AMAX and its consolidated subsidiaries were contingent guarantors of notes and other liabilities aggregating $30,000, principally in connection with the 50%-owned aluminum smelter operated by an affiliate of Alumax Inc. In addition, AMAX has guaranteed liabilities of $17,000 applicable to Botswana RST Limited which could, in certain circumstances, be increased $11,000; also see Botswana RST on page 19.

Contractual obligations for plant construction and the purchase of real property and equipment amounted to approximately $308,000 and $144,000 at December 31, 1974, and 1973.

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Botswana RST Limited (29.8% Equity)—The principal asset of Botswana RST Limited (BRST) is an 85% interest in Bamangwato Concessions Limited (BCL) which is developing nickel-copper ore deposits at Selebi-Pikwe, Botswana. The remaining 15% of BCL is owned by the Botswana Government. AMAX and the Anglo-American Corporation/Charter Consolidated Group (AAC/Charter Group) each owns about 30% of BRST; the remaining 40% is publicly held.

BCL began mining operations in December, 1973. The surface treatment plant was commissioned in February, 1974. Due to a series of technical problems, an acceptable rate of nickel-copper matte production has not yet been attained. Operations are now expected to approach rated capacity of 46,000 metric tons of matte per year by early 1976. Ore will be mined at the rate of two million metric tons per year from the Pikwe open-pit and underground mines.

Total funds required for the project (excluding infrastructure) were estimated in September, 1974 by BCL to be approximately $290 million, compared with an estimate of $150 million in early 1972. At December, 1974, $244 million had been invested. AMAX and the AAC/Charter Group have given certain lenders, who have lent approximately $145 million, completion guarantees which will be satisfied when the project meets specified operation requirements for prescribed periods. AMAX's investment in BRST, as of December 31, 1974, was $15.9 million in equity and $33.6 million in loans. Substantial additional loans, to be shared equally by AMAX and the AAC/Charter Group, will be required to complete the project. AMAX's equity investment in this project is covered by political risk insurance from Overseas Private Investment Corporation, an agency of the United States Government.

Also see Note 17 to the Financial Statements for guarantees and commitments.

BORG-WARNER CORPORATION (DEC)

Notes to Financial Statements

Contingent Liabilities—Borg-Warner Corporation has guaranteed $101 million of receivables sold to its financial services companies at December 31, 1974 and $53 million at December 31, 1973. Included in the amount at December 31, 1974 is $40 million of receivables financed under a continuing agreement entered into in December, 1974.

The company has also guaranteed borrowings of $75.8 million of its financial services companies and $31.4 million of other unconsolidated subsidiaries and affiliates at December 31, 1974. These guarantees were $54.9 million and $36.2 million respectively at December 31, 1973.

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.

THE SIGNAL COMPANIES, INC. (DEC)

Notes to Financial Statements

Note 16: Contingencies—At December 31, 1974, the Company is contingently liable for obligations (approximately $95,000,000) of others to third parties which arose principally from sales of collateralized truck finance contracts and notes receivable. The Company has guarantees and indemnifications against loss on certain of these contingencies (approximately $29,000,000).

Sales in 1974 and 1973 of approximately $185,000,000 and $158,000,000 are subject to renegotiation by the United States Government. The Company believes that renegotiable profits are not excessive and, accordingly, no provision has been made for renegotiation refunds. Renegotiation clearances have been received for the sales through 1970.

There are various lawsuits and claims pending against the companies. In the opinion of the companies' counsels, none of the actions will result in any material liability.

Proposed Tax Assessments

FAIRCHILD CAMERA AND INSTRUMENT CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 2: Federal Income Tax Assessment—As previously reported, the Internal Revenue Service had completed examinations of the Company's Federal income tax returns for the years 1964 through 1969 and was in the process of examining the 1970 and 1971 returns. During the current year, the Internal Revenue Service completed the examinations of the Company's income tax returns for the years 1970 and 1971.

In connection with the above examinations, the Internal Revenue Service has proposed numerous adjustments. The most significant adjustments proposed for the 1964 through

1969 examinations relate to proposed increases in inventory valuation and costing and proposed reallocations of income and expense between the Company and its foreign subsidiaries. The Internal Revenue Service did not raise any significant new issues in connection with its examination of the returns filed for 1970 and 1971 and the additional adjustments proposed for these years result from the application of many of the same issues raised during the 1964 through 1969 examinations.

During 1974, the Company adopted an improved method of inventory costing which is intended to comply with new Federal income tax regulations relating to this issue. The cumulative effect of the change in inventory costing, as of the beginning of 1974, is not material. As a result of such election, the inventory costing issues raised by the examining agents are effectively eliminated from the original proposed assessments. In addition, certain of the remaining 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 29, 1974 the remaining unresolved adjustments proposed by the Internal Revenue Service for the years 1964 through 1971 would result, if the Service prevails, in a maximum additional payment (including interest) of approximately $11 million 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 or intends to file its protests with the Internal Revenue Service and is contesting and will defend vigorously against all significant adjustments proposed including, if necessary, recourse to the courts.

The Company's tax returns for years subsequent to 1971 were prepared on bases substantially consistent with those used in prior years.

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 of issues resulting from Internal Revenue Service examinations of the Company's tax returns for 1964 and subsequent years will not have a material effect on the consolidated financial condition of the Company.

PHILLIPS PETROLEUM COMPANY (DEC)

Notes to Financial Statements

Note 7 (in part): Lease Rentals, Commitments, and Contingent Liabilities—At December 31, 1974, the Company was contingently liable for $137,191,000 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. In connection with the generation in foreign transactions over a period of time several years ago of a cash fund, part of which was used for political contributions, events subject to U.S. taxation may have occurred which were neither reflected on the books of the Company nor as to which taxes were paid. Following voluntary disclosures in October 1973 to the Internal Revenue Service, it commenced an investigation to determine whether there may have been violations of the tax fraud and allied provisions of the Internal Revenue Code. That investigation is continuing, and has not been limited to the circumstances surrounding the generation of the cash fund and the making of political contributions. A number of suits are pending in various courts in which the parent company or a subsidiary appears as plaintiff or defendant, including a federal antitrust proceeding seeking to force divestiture of the properties acquired from Tidewater Oil Company in July 1966. In this suit the court has ruled that such acquisition violated the antitrust laws and some divestiture will be required, and, has directed the Company to submit a plan of divestiture to the court for its approval by March 24, 1975.

While the aggregate contingent liability may be appreciable, the Company is of the opinion that any such liability for which provision has not been made will not have a materially adverse effect on its financial position.

SAFEWAY STORES, INCORPORATED (DEC)

Financial Review

Income Taxes (in part)—In November 1974, the Company received from the Regional Commissioner, Western Region, Internal Revenue Service a Notice of Deficiency of Federal Income Taxes for the years 1963 through 1969 amounting to $6.3 million. Included are taxes of $5.2 million resulting from disallowing deductions for the Company's contributions to the U.S. Employee Retirement Plan. The Company plans to pay the taxes of $6.3 million plus interest of $2.9 million and file claims for refund in the appropriate court.

For the years 1970 and 1971, the Internal Revenue Service has proposed a deficiency of Federal Income Taxes of approximately $5.3 million. The proposed deficiency is presently being discussed at the Appellate Division of the Internal Revenue Service. There was no deficiency proposed for those years resulting from the Company's contributions to the U.S. Employee Retirement Plan.

All retirement plan contributions and substantially all of the other deductions which may ultimately be disallowed will be carried forward as timing differences and claimed as deductions in future years.

Management believes that adequate provision has been made for payment of interest and taxes for all past years for deductions which cannot be carried forward and claimed in future years. Any possible additional deficiencies in excess of those provided for will not result in any material adverse effect on consolidated income or financial position.

SEABOARD ALLIED MILLING CORPORATION (MAY)

Notes to Consolidated Financial Statements

Note 5: Federal Income Taxes—No provision has been made in the accounts for Federal income taxes which would be payable if the undistributed earnings of the Bahamian subsidiary were distributed to the parent company since management of the Company intends to permanently invest such earnings in foreign operations. Should such accumulated earnings be distributed, the resulting Federal income taxes (computed at current rates) would amount to approximately $2,815,000 of which $705,000 is applicable to 1974, $540,000 is applicable to 1973 and $1,570,000 is applicable to periods prior to 1973.

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 principal 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. Settlement offers have been negotiated with the conferee of the Appellate Division of the Service, which, if approved by reviewing authorities, would result in settlement of this controversy for approximately $35,000, plus interest. Provision for such settlement offer has been made in the accounts.

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 examination has been received; however, should the same adjustments proposed by the examining agent for the three years ended May 30, 1970 be asserted for the years under examination and for the two years ended June 1, 1974, estimated additional Federal income taxes of $335,000 for 1971, $230,000 for 1972, $310,000 for 1973 and $26,000 for 1974 may be proposed.

TEXASGULF INC. (DEC)

Notes to Consolidated Financial Statements

Note 3 (in part)—The Internal Revenue Serivce has examined the company's tax returns for the years 1958 through 1965. A revenue agent's report previously received for the period 1966 through 1968 is now in the process of being amended by the Service. Concurrently, the returns filed for the years 1969 through 1971 are being examined. The Service has challenged or is proposing adjustments to the company's treatment of several items in the tax returns filed for the years 1958 through 1971. Should the Service prevail income reported to shareholders for the years 1974 and 1973 would be reduced by approximately $9,050,000 and $4,600,000 respectively and prior years' income would be reduced approximately $16,600,000 after applicable reductions of deferred income taxes provided in prior years; deferred income tax credits of $3,400,000 would be provided which would be amortized to income in future years; payments of U.S. Federal income taxes and interest in the amount of $42,650,000 would be required and the amount of recoverable U.S. Federal income tax would be reduced by $2,550,000. Numerous issues have been raised, the most significant of which pertains to the company's treatment of a tax paid to Ontario on income from the Kidd Creek mine. The company has claimed this tax as a credit against U.S. Federal income taxes. The Service asserts this tax should be a deduction in arriving at U.S. taxable income. The company intends to contest all major issues and expects to prevail.

Compliance With Environmental Standards

PHOENIX STEEL CORPORATION (DEC)

Notes to Financial Statements

Note 10: Commitments and Contingencies—The company is presently in the process of installing air pollution control equipment at its Phoenixville plant to comply with an order of the Department of Environmental Resources of the Commonwealth of Pennsylvania. The cost yet to be incurred for the installation of this equipment cannot presently be determined but is estimated to be in the range of $1 million to $3 million.

The company has obtained a variance for a period of one year from air pollution control requirements with respect to certain limited operations at its Claymont plant. If the variance is not extended beyond this one-year period, the company could be required to install equipment costing as much as $6,000,000 to bring the emissions from these operations within the specified limits.

RAYBESTOS-MANHATTAN, INC. (DEC)

Notes to Consolidated Financial Statements

Note K (in part): Commitments and Contingent Liabilities—The Company is subject to environmental, health and safety regulations of federal, state and local authorities. All of the Company's recent construction projects have been designed to comply with present and anticipated standards. The standards most significant to the Company establish levels of allowable airborne concentrations of asbestos fibers. Due to the fact that additional regulations are being developed and that interpretation of these standards is still in a state of evolution, management is unable to predict their ultimate effect on the Company. Although capital expenditures may be required, management believes that they will be within the Company's capabilities and to some extent may be justified by production economies. As a matter of corporate policy, the Company continues to endeavor through research and development and through the application of engineering controls to reduce asbestos fiber levels in its plants.

REPUBLIC STEEL CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 1: Environmental Factors—Reserve Mining Company, 50% owned by the Corporation, provided approximately 52% of the iron ore used by the Corporation in 1974. In February, 1972 the United States, which was subsequently joined by three states and certain environmental groups, brought suit in the United States District Court for the District of Minnesota against Reserve alleging that Reserve's discharge of taconite tailings into Lake Superior and discharges into the air violate various Federal and state laws and constitute a health hazard.

On March 14, 1975 the Eighth Circuit Court of Appeals rendered its decision on Reserve's appeal of an earlier District Court decision. The appeals count found that while Reserve's discharges into the air and water violated Federal and state laws and give rise to a potential threat to the public health, no harm to the public health has been shown to have occurred to this date, the danger to health is not imminent and that no reason exists which requires that Reserve terminate its operations at once. Further, the court ruled that Reserve is entitled to a reasonable time period to convert to on-land disposal of tailings and should take reasonable immediate steps to reduce its air emissions.

The District Court has not yet ruled on a request by the State of Minnesota for substantial fines under state laws. Counsel for Reserve is of the opinion that the preponderance of evidence should militate against substantial fines.

Reserve has applied to the State of Minnesota and the Federal government for permits for an on-land disposal site for its tailings and installation of air pollution control equipment at an estimated cost of $243,000,000. While the Corporation can give no present assurance that the permits will be granted, Reserve and the Corporation, on the basis of information supplied them by engineering consultants, believe the proposed abatement plan to be feasible from an environmental and engineering standpoint.

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. The Corporation cannot now predict with any degree of certainly 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.

Proposed Government Regulations

ATLANTIC RICHFIELD COMPANY (DEC)

Notes to Consolidated Financial Statements 1974

Note 13 (in part): Other Commitments and Contingencies—Since mid-July, 1973, certain legal actions have been brought against the major integrated petroleum companies, including the Company, alleging, among other things, violations of the anti-trust laws. These suits and other suits presently pending against the Company seek monetary damages and other significant relief. Subject to the uncertainties inherent in all litigation, and in light of the investigations to date and the current state of the law, it is the opinion of counsel for the Company that it is not likely that these cases will result in the payment by the Company of monetary damages which in the aggregate would be material in relation to its net assets.

The environment for the domestic and international petroleum industry, including the Company, is now highly uncertain. The Company is confronted by the need for significant quantities of capital to finance its capital program. In 1975, over two-thirds of this program is scheduled for exploration and the development and generation of new energy production. The U.S. government has proposed a windfall profits tax and certain members of Congress have proposed the removal of the statutory depletion allowance. These actions, especially in concert, would have a materially adverse effect on the Company's earnings, cash flow and ability to attract the necessary financing for this capital program. The breadth and duration of U.S. government economic controls, the impact of recent actions and proposals by certain foreign governments, relating to reversion of concessions, participation in ownership, expropriation of property, tax increases and retroactive tax claims, etc., have had and will continue to have an adverse effect on the results of Company operations.

CONTINENTAL CAN COMPANY, INC. (DEC)

Notes to Financial Statements

Other Matters—In 1971, a group of non-integrated corrugated box manufacturers filed a complaint against the Company and several other companies, charging improper pricing policies. The total amount of damages claimed is not specified but is alleged to be substantial. In 1972, the Company was served with a complaint in an action brought against it and other paper manufacturers in which a group of pulpwood producers, claiming to sue on behalf of a class, allege a conspiracy among paper manufacturers and pulpwood dealers pursuant to which the paper manufacturers will only buy pulpwood through the dealers. The complaint claims treble damages, but in no specific sum. The Company has filed answers denying these charges. General counsel has advised the Company that, in their opinion, the actions referred to above are without merit, and, in any event, any damages recovered by the plaintiffs would not be material in amount.

In recent years proposed legislation which would tax or restrict the sale or use of cans and bottles for soft drinks and beer has been introduced in various state and local legislatures. In general, this type of legislation has not been enacted and the Company does not anticipate the enactment of any significant legislation of this type. However, if such legislation were to be widely adopted and held to be constitutional, it could have an adverse effect on the can and glass industries.

Other

ALLIED CHEMICAL CORPORATION (DEC)

Notes to Financial Statements

Commitments and Contingencies (in part)—The Company is a 50% partner in Allied-General Nuclear Services, which is building a plant at Barnwell, S.C., to process spent fuel from nuclear power plants to recover unburned uranium and plutonium for recycling and to facilitate the disposal of radioactive waste contained therein. The separations and uranium hexafluoride portions of the plant are currently scheduled to be in operation in July 1976, although delays in schedules in connection with nuclear projects are not uncommon. Operation of the plant is dependent upon receiving certain licenses from the United States Nuclear Regulatory Commission (the "NRC", formerly the Atomic Energy Commission) and an Atomic Safety and Licensing Board is holding a contested hearing covering both the environmental impact of the plant and the issuance of an operating license. Also, it has been announced that a public hearing will be held with respect to the Atomic Energy Commission's Generic Environmental Statement, Mixed Oxide Fuel (commonly referred to as "GESMO"). The results of the Barnwell proceeding and of the GESMO review cannot now be determined and, if not successfully concluded on a timely basis, could have an adverse financial impact on the Company. It is currently estimated that the Company's 50% share of capital expenditures for the separations and uranium hexafluoride portions of the plant will aggregate approximately $125 million, of which the Company had already invested $78,910,000 at December 31, 1974. Subject to receipt of an Internal Revenue Service ruling, a portion of this investment may be financed by pollution control revenue bonds. The partnership has postponed plans to build additional facilities for plutonium oxide conversion and waste solidification pending governmental policy decisions in these two areas. These additional facilities, if built, will require substantial additional capital expenditures by the Company.

The Company has various other lawsuits, claims, commitments and contingent liabilities arising from the conduct of its business. However, they are not expected to have any material adverse effect on the financial position or results of operations of the Company.

BLISS & LAUGHLIN INDUSTRIES INCORPORATED (DEC)

Financial Review

Contingent Liabilities—At December 31, 1974 contingent liabilities not recorded in the consolidated financial statements are as follows:

A note receivable of the Company was sold with recourse in 1971. The note, which is not in default, is due in varying installments to December 1, 1980 with the December 31, 1974 balance being $4,838,000. The Company is also contingently liable at December 31, 1974, as guarantor of short-term bank loans of $537,000 of its nonconsolidated subsidiary, BLI Mortgage Company.

BURLINGTON INDUSTRIES, INC. (SEP)

Notes to Consolidated Financial Statements

Note H: Commitments and other matters—Commitments for property, plant and equipment expenditures amounted to approximately $62,000,000 at September 28, 1974.

During 1974 the Company made a provision of $11,300,000 to cover anticipated losses on purchase commitments due to decline in raw cotton market prices.

Effective January 1, 1975, the Company has guaranteed the vested portion of all Company contributions, or if greater all credits at December 31, 1973, to the accounts of members of the Profit Sharing Retirement Plan for hourly-paid employees. Also beginning that date, the Company has guaranteed earnings on its contributions to members' accounts equivalent to compound interest at a rate to be approved by the Company from time to time (6% for calendar year 1975). The Company's aggregate contingent liability to the Plan members as of January 1, 1975 is estimated to be $3,300,000, with $460,000 to be paid in calendar 1975, assuming that the market value of the Plan's assets at December 31, 1974 remains the same as at the date the guarantee was announced. No provision for these contingent liabilities was recorded in the accounts of the Company at September 28, 1974.

Certain items in the 1973 financial statements have been reclassified to place them on a comparable basis with the classifications used in 1974.

GETTY OIL COMPANY (DEC)

Notes to Financial Statements

Note 13: Other Material Events—On December 18, 1974, an oil storage tank ruptured causing an oil spill at Mitsubishi Oil Company, Limited's refinery located in Mizushima, Japan. An undetermined quantity of the spilled oil found its way into the Seto Inland Sea, causing reported damage to fisheries and marine farming industries. The refinery was shut down following the spill. The government ordered continuation of the shutdown pending completion of an investigation. As of February 7, 1975, operations had not resumed.

Getty Oil owns a 48.7 percent interest in Mitsubishi Oil and accounts for its interest by the equity method. As Mitsubishi Oil's financial results are reflected by Getty Oil three months following the close of Mitsubishi Oil's fiscal terms, losses due to the oil spill did not effect Getty Oil's 1974 consolidated net income. With no reliable appraisal of damage yet available, Getty Oil cannot at this time estimate the effect the oil spill may have on its 1975 consolidated net income.

At December 31, 1974, the company's carrying value of its investment in Mitsubishi Oil was $6,045,000. In addition, at December 31, 1974, Mitsubishi Oil had trade and notes payable to the company in the amount of $143,324,000. Based on information presently available to the company, it is management's opinion that Mitsubishi Oil will honor its obligations to Getty Oil.

HALLIBURTON COMPANY (DEC)

Notes to Financial Statements

Note 11: Ebasco Services Incorporated (Ebasco). On April 24, 1973, the United States Department of Justice filed a complaint seeking the divestiture of Ebasco which was acquired for cash in January 1973. A preliminary injunction to which the Company consented has been entered requiring the Company to hold separate the assets, personnel and business operations of Ebasco and generally to maintain Ebasco's complete integrity as a separate entity pending final judgment. The Company is contesting the complaint and is conducting settlement negotiations which have included discussions of divestiture of Ebasco over a period of years, but the ultimate outcome of this suit and the settlement negotiations is not now determinable. The results of Ebasco's operations are included in the Company's consolidated statements from January 1, 1973. If such operating results were excluded, the consolidated net revenues and net income of the Company for 1974, on a pro forma basis after elimination of added interest cost of $3,256,000 and amortization of goodwill of $1,324,000, would be $2,922,484,000 and $143,040,000 ($7.45 per share), respectively.

HONEYWELL INC. (DEC)

Notes to Financial Statements
(Dollars in Thousands)

Note 12: Contingencies—Honeywell has substantial U.S. Government contracts and subcontracts, the prices on which are subject to renegotiation or redetermination. Management anticipates that refunds, if any, will not have a material effect on net income.

Honeywell has guaranteed $46,600 of its nonconsolidated subsidiaries' and affiliates' debt.

Certain foreign subsidiaries are contingently liable for receivables discounted and repurchase commitments with banks and other financial institutions.

The French tax authorities are in the process of examining income tax and value added tax returns of Compagnie Honeywell Bull S.A. for the years 1970 through 1973 and have proposed certain adjustments which the management of the subsidiary intends to contest. In the opinion of management, the proposed adjustments will be resolved in a manner which will not have a materially adverse effect on the accompanying consolidated financial statements or on the operating loss carryforwards reported in Note 10.

Certain debt securities, which may have been forged or false, were purportedly issued in the name of Honeywell Bull (Schweiz) A.G., a Swiss subsidiary of Compagnie Honeywell Bull S.A. The exact amount of these securities has not yet been determined but it is believed to approximate $10 million. Based on information presently available, it is the opinion of management and legal counsel that losses, if any, in connection with this matter will not have a materially adverse effect on Honeywell's consolidated financial position.

NATIONAL DISTILLERS AND CHEMICAL CORPORATION (DEC)

Notes to Financial Statements

Note 12: Contingencies—The Company has claims against others, and there are claims by others against it, in a variety of matters arising out of the conduct of the Company's business. Actions against the Company include a class action entitled *Kors vs. National Distillers and Chemical Corporation, et al.* pending in the United States District Court for the Southern District of New York. Plaintiff, on behalf of himself and the purported class, seeks alternatively recision or an unspecified amount of damages with respect to National's exchange in late 1973 (see Note 2) of Almaden common stock owned by National for outstanding shares of National common stock based on claimed violations of the Securites Act of 1933 and the Securities Exchange Act of 1934. National, Almaden and the other defendants in the case have answered denying the allegations of the complaint. The case is still in a preliminary stage. In the opinion of National's management, the liability, if any, which might arise from this case would not have a materially adverse effect on National's financial position.

During the period May 15, 1973 through December 31, 1974, the Company's natural gas liquids were sold at prices believed to be consistent with regulations, if applicable, of the Federal Energy Administration. However, the bringing by the FEA of claims under such regulations against another producer (in pending contested proceedings) that overcharges were made during such period and the seeking of refunds to customers and possibly statutory penalties raises the possibility that similar claims might be made against the Company. In the opinion of special counsel, based on facts applicable to the Company, it is unlikely that such action would be successful; however, if it were, the Company estimates that the maximum amount of its liability would be approximately $4,000,000 for 1973 and $20,000,000 for 1974. In such event, reported sales and pre-tax profits for those years would require appropriate reductions and net income would be reduced by approximately 50% of any such reductions.

GAIN CONTINGENCIES

Operating Loss or Investment Credit Carryforwards

CITATION MANUFACTURING COMPANY, INC. (JUN)

Notes to Financial Statements

Note 6: Income Taxes—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. The Company is contesting the additional assessments and, while the final outcome is undeterminable at this time, management believes that final assessments will not be material. The Company has net operating losses based on income tax returns as filed which are available to offset against future taxable income as follows:

Expiration Date	Amount
June 30, 1975	$ 11,600
June 30, 1976	133,400
June 30, 1977	32,400
June 30, 1978	370,000
June 30, 1979	577,000
	$1,124,400

The provision for state income taxes consists primarily of taxes paid to those states where a minimum tax is applicable. Included in the 1973 provision was approximately $144,000 for the settlement of prior years' tax claims made by various states.

The Company has operating loss carry-forwards for tax purposes in the approximate amount of $10,200,000 at December 31, 1974 expiring $2,300,000 in 1977; $4,800,000 in 1978; and $3,100,000 in 1979.

Tax benefits in the amount of $109,000 in 1974 and $410,800 in 1973 have been reflected in the accompanying statement of operations as credits against deferred income taxes previously provided. To the extent to which the loss carry-forward benefit is realized in the future, the credits recognized in 1974 and 1973 will be reinstated.

CONSOLIDATED PACKAGING CORPORATION (DEC)

Notes to Financial Statements

Note 6: Federal Income Taxes—The Company and its Subsidiaries file a consolidated federal income tax return. No federal income tax is payable because of available net operating loss carryforwards from prior years. The provision for income taxes includes $200,000 in 1974 and $150,000 in 1973 for state income taxes.

Operating loss carryforwards of approximately $2,700,000 are available to reduce future taxable income. Such carryforwards are subject to examination by the Internal Revenue Service and if not previously utilized approximately $530,000 expires in 1975 and $2,170,000 in 1976. In addition, the Company has recorded certain expenses for financial statement purposes which will be deductible for federal income tax purposes in future years amounting to $2,900,000 at December 31, 1974.

The Company has investment tax credit carryovers of $660,000 which are available to reduce future federal tax liabilities, if any. Such carryovers expire if not previously utilized as follows: 1975, $130,000; 1976 through 1980, $325,000; 1981, $205,000.

FALSTAFF BREWING CORPORATION (DEC)

Notes to Financial Statements

Note 8: Income Taxes—The provision (credit) for income taxes for the years ended December 31, 1974 and 1973 consists of the following:

	1974	1973
Current:		
Federal	$ —	$ 50,000
State	132,000	238,800
Total	$ 132,000	$ 288,800
Deferred—Federal	$ 109,000)	$(410,800)

For 1974, there was no provision for current Federal income taxes due to net loss. The 1973 provision for current Federal income taxes was due to the recapture of investment credit on assets retired.

MARHOEFER PACKING COMPANY, INC. (OCT)

Notes to Consolidated Financial Statements

Note 8: Federal Income Taxes—The Company's federal income tax returns have been examined through fiscal year ended October 30, 1971. The Company has available net operating loss carryovers of approximately $2,430,000 to offset otherwise taxable income in future years. These carryovers expire as follows:

1976	$ 3,000
1977	$1,300,000
1978	$ 397,000
1979	$ 730,000

Investment tax credits of approximately $54,000 at November 2, 1974 are also available for direct reduction of federal income taxes during future years. These credits expire as follows:

1978	$ 1,300
1979	$ 19,000
1980	$ 7,700
1981	$ 26,000

Plaintiff Litigation

AMERICAN BEEF PACKERS, INC. (MAY)

Notes to Consolidated Financial Statements

Note 8 (in part): Commitments and contingencies—The Company is presently the plaintiff in litigation in connection with a loss on livestock and a patent infringement on egg processing patents, part of which are owned by a subsidiary. Management and counsel have no estimate of the ultimate recoveries to be realized. The amounts of recovery, if any, will be recognized in future periods.

WALT DISNEY PRODUCTIONS (SEP)

Notes to Consolidated Financial Statements

Note 3 (in part): Taxes on Income—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. On February 19, 1974 the United States Supreme Court denied the government's petition for review and the judgment is now final. The judgment involves the Company's claim for a refund with respect to its income tax return for fiscal year 1962 amounting to approximately $100,000 plus interest. In addition, the Company received a favorable decision by the United States District Court on July 11, 1974 in a suit claiming tax refunds aggregating approximately $6,600,000, exclusive of interest, with respect to films placed in service during fiscal years 1963 through 1969. On September 6, 1974 the government filed a notice of appeal with respect to this decision. In December 1973, the Company filed a claim for a tax refund for fiscal year 1970 of approximately $970,000, exclusive of interest and subsequently filed a suit in the United States District Court in support of that claim. These claims will not be reflected in the Company's accounts until collection is assured.

GENERAL DYNAMICS CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note A (in part): Summary of Significant Accounting Policies—Claims Against the U.S. Government—In prior years, the Corporation provided for substantial cost overruns on fixed-price ship contracts at its Quincy Shipbuilding Division. Prior to the final determination of the provision for cost overruns on these contracts, the Corporation had determined that claims, which eventually aggregated over $240 million, would be filed against the U.S. Navy for added effort imposed on the Corporation beyond that provided for in the existing contracts. In order properly to state the provision for cost overruns at the time, but recognizing the unusual complexity of the claims and therefore, the uncertainty of the precise amounts ultimately collectible, $68 million was estimated to be recoverable for the purpose of calculating the final provision. As a result of negotiations through 6 February 1975, the Corporation has collected $74 million on the claims ($6 million of which is included in earnings before Federal income taxes for 1974). In addition, the Corporation has received provisional payments of $9 million (included in accounts payable in the 31 December 1974 balance sheet) on the remaining unnegotiated claims totaling $58 million. Amounts resulting from future negotiations will be recorded in the period final settlement is reached.

In 1973, the Pomona Division filed claims totaling $51.1 million with the U.S. Navy on certain missile contracts. These claims were for added effort imposed on the Corporation by the U.S. Navy beyond that provided for in the existing contracts. Because of the uncertainty of the amounts to be recovered in connection with these claims, no revenue will be recorded until final settlements are reached.

HMW INDUSTRIES, INC. (JAN)

Notes to Consolidated Financial Statements

Note 10 (in part): Contingencies and Commitments—Claims asserted by the Company are as follows:

A) The Company has requested approximately $960,000 in relief from the Department of the Army under Public Law 85-804 based on representations made by Government personnel during the acquisition of certain assets from the Company by the Army on July 29, 1971.

B) The Company has instituted legal action seeking an injunction and damages for the alleged infringement of the Pulsar Time Computer patents.

Management is unable to determine the amounts, if any, which may be realized from these asserted claims.

NORTHROP CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note L (in part): Litigation and contingent liabilities—In an action filed in Canada, the Corporation claims $17,500,000 against the Canadian Government and the Canadian Commercial Corporation. Approximately $9,000,000 is based upon the claim that the Canadian Government sold 20 CF-5 aircraft to Venezuela when Venezuela was not an authorized sales territory under a license agreement granted to the Canadian Government by the Corporation. The balance of the claim is mainly for royalties admittedly due from Canada and for design services performed by the Corporation in reconfiguring the F-5 into a Canadian version and a Dutch version. No portion of the above claim has been recognized in the income of the Corporation. The Canadian Government has filed counterclaims against the Corporation totaling $26,883,000. Counsel for the Corporation believes these counterclaims are substantially without merit.

WARNER-LAMBERT COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 6 (in part): 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. The trial date was postponed and no new date has been set.

Other

AMPCO-PITTSBURGH CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 3 (in part): Investments—Pursuant to a Stock Purchase Agreement, between the Corporation and A.V.C. Corporation, all of the common and preferred stock held in Modulus Corporation was sold on October 10, 1974 for $2,243,937, resulting in an extraordinary credit of $1,060,000 ($.37 per share) net of applicable income taxes of $547,437, of which $72,356 is deferred. A portion of the cash proceeds ($241,189) is being held in escrow and will be released, one-third in 1975 and two-thirds in 1976, upon satisfaction of certain warranties. The Corporation may receive an additional payment not to exceed $321,574, contingent upon the sum of the net income of Modulus Corporation for the years 1975 and 1976. No recognition has been given to this contingent payment in the determination of the extraordinary credit.

CYCLOPS CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 8: Contingencies—The Company announced in July, 1974 that following extensive evaluation, it would not undertake a major capital modernization program, estimated to cost in excess of $100 million, for the Portsmouth, Ohio plant of its Empire-Detroit Steel Division. At this time, various alternatives relative to the future of this facility are still being studied.

Depending on the outcome of these studies, there could be a nonrecurring gain or loss, the potential magnitude of which is not presently determinable. However, the long-term economic impact on the Company should be favorable under any of the alternatives being considered.

LESLIE SALT CO. (DEC)

Financial Review

Commitments and Contingencies (in part)—Options extending through 1976 have been granted to a non-profit organization for the acquisition of 38,000 acres of the Company's San Francisco Bay Area real property. Exercise of the options is contingent on the attainment of approvals of various public agencies. If the options are exercised concurrently, the Company would realize gross proceeds aggregating $17.9 million as well as clarification of permitted uses with respect to this and other real property not subject to these transactions.

KENNECOTT COPPER CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 13: Divestiture of Peabody Coal Company—By order of the Federal Trade Commission, the Company is required to divest itself of Peabody Coal Company and its subsidiaries which it acquired in 1968. Legal efforts to retain Peabody ended during 1974 when the United States Supreme Court declined to accept the Company's petition for review of the case and the Commission declined to reopen the matter.

The Company has entered into conditional letters of intent for the sale of Peabody with several prospective purchasers. These letters of intent are contingent upon certain factors including approval of any purchaser by the Federal Trade Commission, the arrangement of satisfactory financing by the purchasers and a detailed review of Peabody's operations by prospective purchasers prior to negotiation of a definitive sales contract. The sales price and other terms of sale vary among the several agreements entered into to date, however, in each case such price is presently in excess of Peabody's net assets of approximately $771,627,000 included in Kennecott's consolidated balance sheet of December 31, 1974.

For the years 1974 and 1973 the consolidated statements of income reflect Peabody sales of $504,104,000 and $381,251,000 and earnings before income taxes, minority interests, extraordinary items and shutdown expenses during strikes of $29,304,000 and $7,131,000. In addition, the earnings exclude investment credits and other tax credits generated by Peabody which Kennecott has utilized as a reduction of its consolidated U.S. income taxes but which could not have been so utilized by Peabody on a separate company basis. (Refer to Note 9 for information regarding Peabody's reserved production payment.)

COMMITMENTS

Capital Expenditures

AMERICAN MAIZE-PRODUCTS COMPANY (DEC)

Notes to Financial Statements

Note H (in part): Commitments—As commented upon in the "Letter to Shareholders," in November, 1974, the Board of Directors approved in principle the construction of a corn wet milling plant in Decatur, Alabama. The estimated cost of such plant is approximately $35,000,000. At December 31, 1974, the Company had not entered into any contractual obligations with respect to such plant.

In connection with a planned expansion at its Hammond plant of approximately $10,700,000, the Company had entered into contractual obligations for plant construction and the purchase of equipment amounting to approximately $3,500,000 at December 31, 1974. In addition, at the same date, the Company had other contractual obligations for capital expenditures of approximately $2,300,000.

ATLANTIC RICHFIELD COMPANY (DEC)

Notes to Consolidated Financial Statements 1974

Note 13 (in part): Other Commitments and Contingencies—On December 31, 1974, a wholly owned subsidiary of the Company discontinued its participation in a project covering the construction of a 125,000 barrel a day plant and related facilities for the production of synthetic crude oil from Canadian tar sands. The decision was made principally because of deteriorating economics of the project caused by rapid inflationary increases in capital and operating costs and uncertainty as to future prices to be received for the synthetic crude oil. The Company recorded a consolidated net write-off, after tax, of $21.7 million in December, 1974.

At December 31, 1974, the commitments of the Company for construction of facilities, etc. amounted to approximately $3,100,000,000, including amounts for the Company's projected share of the construction of the Trans-Alaska pipeline including lease commitments for facilities and equipment, three tankers, investment on the North Slope of Alaska, and manufacturing facilities, but excluding Canadian tar sands development. The uncertainties inherent in such projects may result in curtailment, postponement or cost escalation of certain of these commitments.

CITY STORES COMPANY (JAN)

Notes to Financial Statements

Note M (in part): Commitments and Other Comments—At February 1, 1975, the Company had commitments for the purchase or construction of store properties and fixtures (approximately $4,650,000) and for the purchase of computer equipment (approximately $1,300,000). Such commitments will be fully financed through a 7⅜% twenty year installment purchase agreement for the store property, a 2% over prime nine year financing lease for the store fixtures and a 1% over prime five year chattel mortgage for computer equipment. Estimated maturities of the aforementioned obligations in the next fiscal year will be approximately $150,000.

ELECTRIC HOSE AND RUBBER COMPANY (AUG)

Notes to Financial Statements

Note 12 (in part): Commitments and contingencies—Commitments for the purchase of property, plant and equipment for the Nebraska facilities (including unexpended amounts relating to projects substantially under way) amounted to $1,200,000 at August 31, 1974. In addition, the Company has entered into an agreement for the construction of manufacturing facilities in Olney, Texas, contracted in the amount of $1,000,000.

GRANITEVILLE COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 10 (in part): Contingent Liabilities and Commitments—On October 23, 1973, the Board of Directors approved proposed expenditures approximating ten million dollars for the expansion of production facilities. Such commitment was in addition to approximately five million dollars approved during the period for additions to and replacement of plant and equipment. Approximately $2,400,000 was expended in the current period for the expansion project with estimated future requirements as follows:

1975	$6,000,000
1976	2,000,000
	$8,000,000

SAFEWAY STORES, INCORPORATED (DEC)

Financial Review

Commitments—The Company has commitments under contracts for the purchase of land and for the construction of buildings. Portions of such contracts not completed at year-end are not reflected in the financial statements. Such unrecorded commitments amounted to approximately $58,575,000 at year-end 1974 as compared to $83,757,000 for 1973.

Financing Agreements

INLAND STEEL COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 10: Commitments and Contingent Liabilities—The Company is a participant in certain iron ore mining and pelletizing ventures and is committed to pay a specified share of all costs, including interest and payments on long-term debt. The Company's portion of the principal payments of one of these ventures will approximate $1,000,000 annually over the next 17 years. The financing agreement relating to the expansion of another venture will require principal payments by the Company of approximately $3,800,000 per year from 1975 through 1981.

Contingent liabilities of subsidiaries, including mobile home floor plan financing and letters of credit maintained by housing subsidiaries, approximated $14,738,000 at December 31, 1974.

For the years 1962 through 1969, several issues concerning the Federal income tax returns of the Company and its subsidiaries are under consideration by the Internal Revenue Service, either as a result of claims for refund by the Company or as proposed adjustments arising in the regular examinations of the Company's returns. While the ultimate resolution of the Company's contest of these issues cannot be precisely determined at this time, appropriate tax provisions have been made with respect to these years so that final determination of its Federal income tax liabilities for these years will not materially affect the consolidated financial position of the Company.

The Company is involved in various lawsuits, including environmental suits affecting the East Chicago steel plant and certain land of the Company held for future development. It is the opinion of management that this litigation will be resolved without material effect on the consolidated financial position of the Company.

INTERLAKE, INC. (DEC)

Notes to Consolidated Financial Statements

Note 9: Commitments—With respect to the Company's interest in two mining joint ventures, the Company is required to take its ownership proportion of production for which it is committed to pay its proportionate share of the operating costs of these projects, either directly or as a part of the product price. Such costs include, as a minimum and regardless of the quantity of ore received, annual interest and sinking fund requirements of the funded debt of these projects of approximately $3,500,000 through 1983, and lesser amounts thereafter through 1991.

Noncancelable leases for pollution control facilities have been capitalized. All other lease commitments, considered in the aggregate, are not material in relation to the operations of the Company.

KAISER ALUMINUM & CHEMICAL CORPORATION (DEC)

Notes to Financial Statements
(Thousands of Dollars)

Note 14 (in part): Commitments and Contingencies—The Corporation has financial commitments, including purchase agreements, tolling arrangements, sales contracts, guarantees, and commitments to construct pollution control facilities; and is a joint venturer in real estate projects.

Long-term contracts include agreements for the tolling of bauxite into alumina by Queensland Alumina Limited (Australia) (32.3% owned), under which the Corporation is obligated to pay its proportionate share ($108,000) of the debt of Queensland Alumina Limited as well as certain other costs and expenses; for the acquisition of alumina from Alumina Partners of Jamaica (36.5% owned), under which the Corporation is obligated to pay its proportionate share ($89,500) of the debt as well as its share of the operating costs of the partnership; for the tolling of alumina into aluminum by Volta Aluminium Company Limited (Africa) (90% owned); and for the supplying of alumina and aluminum with other affiliates. In addition, the Corporation has guaranteed certain debts of affiliates and former affiliates and has commitments to make additional investments in and advances to affiliates.

Purchase Of Inventories

CROWN CENTRAL PETROLEUM CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note K: Contingencies and Commitments—In connection with a planned refinery to be built in the Baltimore Harbor area, a wholly-owned subsidiary had 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 subsidiary has filed suit to have such contract declared null and void and/or cancelled and to recover the $1,000,000 on the grounds that such lands were subject to certain material encumbrances and/or defects. In the opinion of management and legal counsel for the Company, the Company has no liability under such contract, although the probability of recovery of the deposit by the subsidiary cannot be determined at this time.

The Company has a contract with The Nigerian National Oil Corporation for the purchase of 30,000 barrels per day of crude oil during 1975 and the first nine months of 1976, subject to price renegotations on a quarterly basis. The Company has provided an unconditional letter of credit in an amount up to $11,430,000 for performance under this contract.

CUMMINS ENGINE COMPANY, INC. (DEC)

Notes to Consolidated Financial Statements

Note 10 (in part): Leases, Commitments, and Contingent Liabilities—A major U.S. supplier may require the Company to acquire, at book value ($1.9 million at December 31, 1974), one of its subsidiaries which supplies the Company with engine blocks and other castings.

The contract with a foreign engine parts supplier requires that the Company take minimum quantities at prices negotiated annually, or pay 45% of the difference between purchases and the minimum. Should the Company terminate the agreement, it will pay the supplier book value of plant and equipment acquired for the manufacture of these parts.

Commitments for additional plant, property and equipment for 1975 totaled approximately $33,000,000 at December 31, 1974. In addition, there is a further commitment of $15,000,000 to equip the new components plant by December 31, 1977.

Additional Payments Based on Future Earnings Of Acquired Companies

AKZONA INCORPORATED

Notes to Financial Statements

Note 2 (in part): Acquisitions and other changes—In connection with the purchase of Armak Company and Armira Corporation in January, 1971, the Company is committed for contingent payments to a maximum of approximately $7,250,000, based upon earnings of the businesses through 1975. As of December 31, 1974, the Company has paid or accrued approximately $5,100,000. Such additional payments are included with property, plant and equipment and are depreciated over the remaining useful life.

CUTLER-HAMMER, INC. (DEC)

Notes to Consolidated Financial Statements

Note 4 (in part): Acquisitions—Under the terms of a purchase agreement for the acquisition of a subsidiary in 1971, the original purchase price may be incrementally increased by an additional $3,200,000 for achievement of a given cumulative level of sales through 1976. As of December 31, 1974, there are no requirements for payment under this provision of the agreement, and it is estimated by the Company that future payments, if any, will not be significant.

Sales Agreement

LEHIGH PORTLAND CEMENT COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 9: Commitments and Contingencies—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 book value of the equipment, which is depreciated on an accelerated basis, aggregated $4,900,000 at December 31, 1974.

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 guaranty covers the venture's line of credit with a bank for $2,500,000. Loans outstanding under the line at December 31, 1974, totaled $484,000. The joint venture has obtained construction loan commitments in the amount of $1,200,000. Loans outstanding under the commitments at December 31, 1974 totaled $1,029,000.

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. An additional down payment of $225,000 was received during 1974. These payments have been included in deposits and other non-current items in the accompanying consolidated balance sheets. If the sale is not consummated, which is currently uncertain, the down payment is not refundable. In consideration of Lehigh's extending the original closing date, the purchase price has been increased to $6,985,000 and in addition the buyer is paying Lehigh approximately $61,000 a month in option consideration which is nonrefundable.

The balance of the sales price under the amended agreement is due at the closing, scheduled to occur no later than September 30, 1975. 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.

The company is expanding the production capacity of its Mitchell, Indiana cement plant. The project is expected to be completed in 1976 and is estimated to cost approximately $12,700,000. Expenditures on the project to December 31, 1974 aggregated approximately $400,000.

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.

TABLE 1-13: SUBSEQUENT EVENTS

	1974	1973	1972	1971
Companies Disclosing Subsequent Events Listed Below:				
Debt incurred reduced or refinanced	48	28	28	24
Business combinations pending or effected	23	44	51	45
Litigation	20	9	21	14
Sale of assets	13	19	37	22
Employee benefits	12	15	11	14
Stock splits or dividends	8	13	23	27
Other	29	24	58	25

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. *Section 560 of Statement on Auditing Standards No. 1* sets forth criteria for the proper treatment of subsequent events.

Table 1-13 classifies disclosures of subsequent events included in the 1974 annual reports of the 600 survey companies.

Examples of subsequent event disclosures follow.

Contingency

AMERICAN HOSPITAL SUPPLY CORPORATION (DEC)

Notes to Financial Statements

Note H: Food and Drug Administration Matters:

1. Initial Recall

On January 14, 1975, the McGaw Laboratories Division halted production of irrigating solutions at its Milledgeville, Georgia plant and expanded a recall of these solutions which it had initiated in November of 1974. A provision of $600,000 after taxes has been charged in the 1974 financial statements to reflect the estimated costs associated with the recall.

2. Subsequent Events

On February 13, 1975, following advice from the Food and Drug Administration on the previous day raising questions as to the adequacy of some Milledgeville sterilization equipment and related procedures, AHSC agreed to halt production of intravenous solutions and related sterile drug products at its Milledgeville plant and to recall all such products which were manufactured at that location. No contamination has been found in the Milledgeville intravenous solutions nor have there been reports of patient harm or adverse reaction to any of these products.

The cost of the recall (excluding the effect of suspended shipments) is estimated to be $3 million after taxes and will be charged against 1975 first quarter operations.

As of February 13, 1975, the FDA is continuing its evaluation of McGaw's manufacturing procedures at the Glendale, California plant which remains in operation. It is not possible at this date to predict the outcome of this evaluation or the impact of the Milledgeville suspension on 1975 operations. It is the opinion of management and its counsel that the ultimate resolution will not have a material adverse effect on the financial position of AHSC.

Litigation

THE AMERICAN SHIP BUILDING COMPANY (SEP)

Notes to Consolidated Financial Statements

Note 6: SEC Action—In August, 1974, the Company and its chief executive officer pleaded guilty to charges of conspiring to make corporate political campaign contributions and of arranging a corporate political contribution to a Congressional candidate. Fines of $20,000 and $15,000 were imposed upon the Company and its chief executive officer respectively. In April, 1974, in a related proceeding, the Company's executive vice president pleaded guilty and was fined $2,500 on charges of being an accessory after the fact to an illegal $25,000 corporate contribution to the presidential re-election campaign in 1972.

In October, 1974, in a proceeding relating to the corporate political campaign contributions, an action filed by the Securities and Exchange Commission against the Company and its chief executive officer was terminated by entry of settlements by consent. Without admitting or denying the allegations of the complaint and without trial or adjudication of any issue of fact or law, the Company and its chief executive officer each consented to the entry of a judgment and order of the Court permanently enjoining each from violations of the reporting and proxy provisions of the Securities Exchange Act of 1934 and from making inaccurate entries in the books and records of the Company.

In October, 1974, in connection with the Commission action, the Board of Directors adopted a resolution establishing a Special Review Committee consisting of a chairman unaffiliated with the Company (Allan Kenneth Shaw, a retired banker), and two independent members of the Board of Directors (Messrs. Sobel and Nederlander), to review the Company's books and records with respect to any unauthorized expenses charged thereon since September 1, 1970, and then to report promptly to the Board of Directors its findings and recommendations. The Board of Directors, after independent review of the report, will take such action as it deems necessary and appropriate to implement the Committee's findings and recommendations, which will be advisory rather than mandatory; no member of the Board of Directors who the Committee finds participated in the activities alleged in the complaint will participate in the Board of Directors' consideration of the report. As of December 17, 1974, the Committee had not completed its review. The Committee's report also will be filed with the Court and with the Commission, on or before February 4, 1975, unless an extension of time for such filing is requested by the Committee and is consented to by the Commission. The Commission will review the Committee's report and the Board of Directors' action thereon, and may determine to seek other or further relief from the Court.

The Board of Directors has not yet determined whether the Company will seek reimbursement for its fine, or for the legal fees and expenses paid on behalf of its employees and itself from any persons in connection with the foregoing legal proceedings. These legal fees and expenses aggregated approximately $400,000 and have been expensed in the 1974 consolidated statement of income. The return of the $25,000 corporate contributions to former President Nixon's re-election campaign in 1972 has been requested, together with the return of $75,000 contributed by Mr. Steinbrenner with his personal funds. As of December 17, 1974, neither the corporate funds nor Mr. Steinbrenner's personal funds have been returned. The Board of Directors has not yet determined whether the Company will seek reimbursement of corporate funds used for political contributions to Congressional campaigns. Such matters will be considered by the Committee and by the Board of Directors, in connection with its independent review of the Committee's report.

Mr. Steinbrenner also entered into an undertaking to reimburse the Company, if and as determined by the Board of Directors after its review of the Committee's report. Pursuant to Mr. Steinbrenner's instructions in January, 1974, the Company has been setting aside one-half of his net salary as a contingent reserve for his reimbursement, if any.

The Company's Federal income tax returns for the three fiscal years ended September 30, 1972, are now under examination by the Internal Revenue Service Intelligence Division. The potential financial liabilities arising from a finding that those deductions and any comparable deduction taken for the fiscal year ended September 30, 1973, should be disallowed, would be approximately 50% of the aggregate amount of the payments so deducted, although the actual liability may be more if the Internal Revenue Service were to seek to impose additional penalties and were successful.

MCA INC. (DEC)

Notes to Consolidated Financial Statements

Note 4 (in part): Income Taxes—The Company filed suit on February 19, 1975 in the Federal District Court to seek a refund of approximately $13,000,000 of federal income taxes, plus interest, for the period 1962 through 1970. The suit is based on the Company's previously filed refund claims in which it took the position that it was entitled to the investment tax credit on eligible theatrical and television films under the Revenue Act of 1962. Another film producer brought suits on this matter which have been decided in the producer's favor; the application of the decisions in those cases to the Company's suit has not been established. If the Company succeeds, the suit also could establish the existence of investment tax credit carryovers aggregating a maximum of approximately $32,000,000, subject to various applicable statutory limitations. The Company has not reflected the refund claims, any interest thereon, or the application of the investment tax credit carryovers in its accounts and presently does not intend to do so until the matter has been favorably and finally resolved. The Company intends to use a portion of the carryovers from the years 1962 through 1970 in its 1974 federal income tax return; the effect would be that approximately $9,000,000 of the amount shown as income tax liability on the Balance Sheet would not be currently payable.

Except for the above mentioned refund claims, the Company's federal income tax returns have been settled through 1971 and all assessments have been paid.

NABISCO, INC. (DEC)

Notes to Financial Statements

Litigation—On January 22, 1975 a verdict for damages in the amount of $3.3 million was awarded by a jury to Ralston Purina Company arising out of a lawsuit initiated in June, 1973 in connection with a contract entered into by a subsidiary of Nabisco to acquire a manufacturing facility from Ralston Purina Company in 1972.

In the opinion of management and outside counsel, the Company is not liable for damages in this action and valid legal grounds exist to warrant a reversal of this judgment. No provision has been reflected in the accounts.

Various other legal actions, governmental proceedings and claims are pending against the Company and certain of its subsidiaries. Although the amount of liability at December 31, 1974 with respect to such matters cannot be ascertained, in the opinion of Nabisco management the ultimate liability, if any, from all pending legal and government proceedings and other claims will not materially affect Nabisco's financial position or the results of its operations.

OCCIDENTAL PETROLEUM CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 16: Events subsequent to date of auditors' report—On March 10, 1975, Nelson Bunker Hunt filed an action in the United States District Court for the Southern District of New York against Occidental, seven major international oil producers and two other Libyan producers. The plaintiff's concessionary interest in Libya was nationalized and his claims arise out of a mutual assistance agreement made in 1971 which is no longer in effect. The plaintiff claims to have been damaged by unreasonable restraint of trade relating to an alleged course of conduct followed by the seven major international oil companies in connection with their operations both in Libya and the Persian Gulf as well as to an alleged failure of all the defendants to comply with their obligations under the mutual assistance pact to supply oil and to request Libya to provide Hunt with similar terms of settlement and to an alleged concurrence in a limitation on the resale of the crude oil to be supplied to Hunt under the pact. The plaintiff has not fully defined his damages but claims treble damages for loss of profit of not less than $125 million for crude oil allegedly covered by the pact, or for loss of profit on reserves nationalized by Libya which is claimed to be 5,500,000,000 barrels. The pact provides for liquidated damages for any crude oil that may not have been delivered. It is the opinion of Occidental's special counsel that Occidental has meritorious defenses to the various claims and should not incur any material liability with respect thereto.

Legislation has been passed by Congress and awaits action by the President which would substantially reduce statutory depletion for oil and gas production in the United States. Included in property, plant and equipment in the accompanying balance sheet at December 31, 1974, are unamortized costs for domestic oil and gas properties of approximately $67,000,000, which have been capitalized for financial reporting purposes, but which have been deducted for income tax purposes. Should such legislation become law, a deferred tax liability relating to a substantial portion of these capitalized costs could be required based on statutory rates because of the reduction in the depletion allowance. If this legislation becomes law, and until the accounting requirements which will result from this legislation are determined, it is not known to what extent a deferred tax liability would have to be provided for financial reporting purposes and whether or not retroactive accounting will be required. If retroactive accounting is required, the effect on income for 1973 and 1974 would not be material.

Credit Agreements

BROCKWAY GLASS COMPANY, INC. (DEC)

Notes to Financial Statements

Note 9: Subsequent Event—On January 31, 1975, the Company entered into a new unsecured $36,000,000 Credit Agreement with several banks. Under a revolving credit arrangement, the banks agree to lend to the Company during the following three years sums evidenced by Revolving Credit Notes, not to exceed $36,000,000 bearing interest at the prime rate from time to time of the major lending bank.

At the expiration of the revolving credit arrangement, or at any time prior thereto when the Company shall be indebted to the banks for the full amount of the commitment, the Company may replace all of the Revolving Credit Notes then outstanding (or such lesser amount thereof as the Company may request) with Term Notes. The Term Notes will mature in five consecutive equal annual installments, payable in each year, commencing in 1979. Such Term Notes will bear interest to January 31, 1980, at ¼ of 1% above the prime rate from time to time of the major lending bank and ½ of 1% above such prime rate thereafter.

The Credit Agreement also 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 revolving credit arrangement.

The Credit Agreement requires the Company to make certain representations at the date of each borrowing under the revolving credit arrangement and at the time of execution of the Term Notes.

The Credit Agreement provides, among other conditions, a restriction on the payment of cash dividends under which, if the Credit Agreement had been in effect at December 31, 1974, $14,929,000 of retained earnings at that date would be free of this restriction.

MONSANTO COMPANY (DEC)

Notes to Financial Statements
(Dollars in millions, except per share)

Bank Credit Agreements—On March 1, 1973, the Company arranged with 16 banks for domestic short-term bank credit facilities of $100.0. Interest on loans under these facilities would have been related to the prime commercial rate of each bank. No borrowings were made under these loan arrangements.

On January 15, 1975, the credit facilities discussed above were replaced by new domestic credit facilities aggregating $230.0 with 19 banks. These arrangements provide $115.0 under a revolving credit-term loan agreement plus an additional $115.0 of short-term lines of credit. Loans under the revolving credit-term loan agreement will bear interest related to the prime commercial rate of the agent bank, First National City Bank, New York; loans under the short-term lines of credit will bear interest related to the prime commercial rate of the various banks. No borrowings were made under either of these loan arrangements through February 14, 1975.

THE SHERWIN-WILLIAMS COMPANY (AUG)

Notes to Consolidated Financial Statements

Note H: Subsequent Events—On September 3, 1974, the Company entered into a $75,000,000, seven-year credit agreement with a group of nine banks. The agreement establishes a three-year standby credit, permitting the Company to borrow and repay as its requirements dictate during the period ending October 3, 1977. On that date, the Company will have the option to convert all or any part of the outstanding borrowings to a four-year term loan.

On October 11, 1974, the Company sold at a substantial gain its titanium dioxide pigment operations located at Ashtabula, Ohio.

Capital Stock

BAKER OIL TOOLS, INC. (SEP)

Notes to Financial Statements

Note 3 (in part): Shareholders' Equity—In October 1974 nonqualified options for 127,423 shares of common stock were granted and, the Board of Directors authorized, subject to shareholder ratification, 1) an additional 250,000 shares for granting under the stock option plans and, 2) an Employee Stock Purchase Plan under which up to an aggregate of 250,000 shares of the Company's common stock would be authorized for sale to employees. The number of shares subject to each option under the Stock Purchase Plan is determined on the date of grant and reflects the employee's annual contribution, of up to 10 percent of regular pay, divided by 85 percent of the fair market value of a common share at the date of grant. Grants of options under the Plan are to be made annually, and each option is to be exercised one year from the date of grant at a price to be the lower of 85 percent of the fair market value on the date of grant or the date of exercise.

BATES MANUFACTURING COMPANY, INCORPORATED (DEC)

Notes to Consolidated Financial Statements

Note 10: Common Stock Subscription Offering—As a result of the settlement in October 1974 of a stockholders' derivative and class action commenced in May 1973, and amended in July 1974, in the United States District Court for the Southern District of New York against Bates, certain of its Directors, Arcs Equities Corp. and Federated Capital Management Associates, Inc., as referred to in Note 4, the Company issued to holders of shares of its common stock of record at the close of business on February 14, 1975 transferable warrants evidencing rights to subscribe for an aggregate of 244,652 additional shares of common stock from the Company's treasury at $14.25 per share, at the rate of one share for each three shares so held of record. The subscription rights offering was completed on March 6, 1975 with a total of 230,428 shares of common stock subscribed for pursuant to the basic subscription privilege. The remaining balance of 14,224 shares of common stock was allotted among oversubscriptions on a proportional basis.

FALSTAFF BREWING CORPORATION (DEC)

Notes to Financial Statements

Note 4: Proposed New Issue of Preferred Stock—On March 10, 1975, the Company entered into an Agreement with a private investor, which, if approved by the Company's shareowners, at its annual meeting on April 28, 1975, will provide $10,000,000 in cash, by means of selling to the investor 100,000 shares of a new issue of Class A convertible preferred stock at a par value of $100 per share. The Agreement also provides, among other things, for the guarantee by the investor of up to $10,000,000 of accounts payable, which by reason thereof, the investor will be given a five year option to purchase an additional 100,000 shares of a new Class B non-voting convertible preferred stock at par value of $100 per share. The present common shareowners will be extended the right to purchase, at par, one share of the new Class A convertible preferred stock for each 40 shares of common stock presently owned, with the further right to purchase at par one additional share of the Class B convertible preferred stock for each share of Class A convertible preferred stock held at the time the aforementioned option granted to the investor is exercised.

Both classes of preferred stock will be convertible at any time into 22.5 shares of the Company's common stock. Dividends will be at the rate of $6 per share, but only payable to the extent that the net earnings of the Company, after deducting therefrom reserves established by the Board of Directors for capital improvements and other corporate purposes, shall be sufficient for such payment. The voluntary and involuntary liquidation preference will be $100 per share. Each share of Class A convertible preferred stock will have 45 votes. The Class B convertible preferred stock is to be non-voting.

NATIONAL STEEL CORPORATION (DEC)

Notes to Financial Statements

Note I: Subsequent Events—The Corporation has made tentative arrangements with several insurance companies for an 85% owned subsidiary, National Steel Pellet Company, to borrow $200,000,000 (with interest at 10%) for the purpose of expanding its iron ore pelletizing facility in Minnesota. Such arrangements provide for the repayment of the debt in fourteen equal annual installments during the years 1980 through 1993. In addition, on February 19, 1975 the Board of Directors of the Corporation approved a major expansion program providing for the construction of steel producing facilities at an estimated cost of approximately $1,000,000,000.

At the February 19, 1975 meeting, the Board of Directors adopted, subject to shareholder approval, a stock option plan for officers and key employees of the Corporation. The plan authorizes the Executive Committee of the Board of Directors to grant qualified and/or nonqualified options (for terms up to five and ten years respectively) to purchase a maximum of 700,000 shares of Capital Stock at prices not less than the fair market value of such shares on the dates the options are granted. The plan also provides that the Committee may grant stock appreciation rights to the holders of the options. Such rights are exercisable only to the extent the related option is exercisable and if the rights are exercised the related option must be surrendered to the Corporation. The rights entitle the holder to receive an amount from the Corporation measured by the excess of the fair market value of the Corporation's Capital Stock over the option price. Payment of such amount may be in shares of Capital Stock or at the Committee's discretion, in cash or partly in cash and partly in shares.

Other

THE BENDIX CORPORATION (SEP)

Notes to Consolidated Financial Statements

Subsequent Event—During November 1974, the Federal Trade Commission (FTC) gave final approval to an agreement to settle a challenge by the FTC of the acquisition of the net assets and business of Fram Corporation (Fram), acquired by the Corporation in June 1967. Under this agreement, certain operations of the Corporation and Fram will be transferred to a new company (the New Company) within six months. The New Company will be divested by the Corporation within two years by transferring the stock of the New Company to the stockholders of the Corporation or by selling the stock of the New Company to the public, or a combination thereof. See "Divestiture," page 25. (The financial data contained in such section on page 25 is unaudited.)

Financial Review (Page 25)

Divestiture—Pursuant to an agreement with the Federal Trade Commission, which settled the challenge to the Corporation's 1967 acquisition of Fram Corporation and for which final approval was obtained in November 1974, certain operations of the Corporation and of Fram Corporation are to be transferred to a new company (the New Company) within six months. The New Company is to be divested by the Corporation within two years by transferring the stock of the New Company to the stockholders of the Corporation or by selling the stock of the New Company to the public, or a combination thereof. Under the agreement the Corporation will generally be prohibited from competing in the United States with the New Company for two years after the divestiture. In addition, under the agreement the Corporation will not be permitted, for a ten-year period, to acquire any corporation engaged in the manufacture or sale in the United States of aerospace filters, liquid separators and, with certain exceptions, automobile parts sold in the automotive aftermarket.

The operations which are to be transferred to the New Company had, on a combined basis, for the year ended September 30, 1974 net sales of $86.5 million and income before headquarters administrative costs and United States and foreign taxes on income of $7.4 million. As of such date total assets and the Corporation's net investment allocable to such operations were approximately $56.9 million and $44.8 million, respectively. The Corporation will assure that, at the time of transfer, the net investment in operations transferred to the New Company will be at least $42 million. These operations principally consist of those segments of the Corporation's automotive business in the United States which manufacture and sell starter drives, carburetors, fuel pumps, electric clutches, flame arrestors, Zenith filters, private label filters for passenger cars, air handling filters and industrial filtration products, and the portions of the Corporation's automotive operations which distribute such products and certain other products to the automotive aftermarket in the United States. The New Company would also include one minor division, presently in the Aerospace-Electronics Group, which manufactures and sells aerospace filters and filter water separators.

EVANS PRODUCTS COMPANY (DEC)

Notes

Subsequent Events—During January, 1975, the Company sold thirty-four of its distribution warehouses for approximately its investment of $18,500,000. These warehouses generated revenues of $108,117,000 and $110,488,000 for 1974 and 1973 respectively, and operating earnings before allocations and taxes of $723,000 in 1974 and $4,716,000 in 1973.

During March, 1975, the Company sold all the outstanding capital stock of its ship chartering subsidiary for approximately $8,000,000. The transaction will result in a gain before income taxes of approximately $7,150,000. The ship chartering subsidiary generated revenues of $14,171,000 and $10,311,000 for 1974 and 1973 respectively, and had operating earnings before allocations and taxes of $4,327,000 in 1974 and $2,801,000 in 1973.

Also, during February, 1975, the Company reached agreement in principle to sell an office building under construction for $15,000,000, an amount which will approximate the Company's investment.

A portion of the proceeds from the sale of the warehouses, the ship chartering subsidiary, and the investment in an office building under construction is subject to the provisions of agreements with lenders as indicated under Senior Long-Term Debt.

M. H. FISHMAN CO. INC. (DEC)

Balance Sheet

	1974 Historical	1974 Pro Forma Adjustments (Note C)	1974 Pro Forma	1973 Historical
Current Liabilities:				
Administration expenses ($600,000), priority claims ($560,214) and amount due to unsecured creditors ($9,344,702) upon confirmation of proposed Plan of Arrangement		$10,504,916	$10,504,916	
Notes payable—banks				$ 2,000,000
Current portion of long-term debt—Note H	$ 8,000		8,000	148,500
Accounts payable and accrued expenses	699,035		699,035	10,570,966
Deferred Federal income taxes				81,479
Other taxes	584,051		584,051	1,068,321
Total Current Liabilities, excluding liabilities deferred (1974-historical) shown below	1,291,086	10,504,916	11,796,002	13,869,266
Liabilities Deferred Pursuant to Proceedings Under Chapter XI of the Bankruptcy Act	26,550,049	(26,550,049)		
Long-term Debt—Note H	106,546		106,546	1,288,438
Deferred Federal Income Taxes	85,000		85,000	197,702
Long-term Amounts Due to Unsecured Creditors		5,729,402	5,729,402	
Total Liabilities	28,032,681	(10,315,731)	17,716,950	15,355,406
Shareholders' Equity—Note I:				
Preferred Stock—no par value				
Authorized and unissued—500,000 shares				
Common Stock—$1 par value				
Authorized—3,000,000 shares				
Issued—1,224,720 shares	1,224,720		1,224,720	1,224,720
Reserved for issuance to unsecured creditors—508,000 shares		508,000	508,000	
Additional Paid-in Capital (no change during the years)	4,280,537		4,280,537	4,280,537
Credit Arising from Forgiveness of Indebtedness		9,707,731	9,707,731	
Retained Earnings/(Deficit)	(4,077,744)		(4,077,744)	7,135,575
	1,427,513	10,215,731	11,643,244	12,640,832
Commitments and Contingency—Note L				
	$29,460,194	($ 100,000)	$29,360,194	$27,996,238

Notes to Consolidated Financial Statements

Note A: Bankruptcy Proceedings and Proposed Plan of Arrangement—On December 27, 1974, the Company and 20 of its operating subsidiaries filed Petitions for Arrangement under Chapter XI of the Bankruptcy Act in the United States District Court for the Southern District of New York ("Court"). In April 1975, the Creditors' Committee approved in principle the Company's Plan of Arrangement; the Plan is to be submitted to the creditors at large for acceptance, which requires consent of a majority (in number and amount) of the creditors. In addition the Plan requires Court confirmation.

The Plan provides for the payment of administration expenses and priority claims in full upon confirmation and for the following to unsecured creditors in full settlement of their respective claims:

1. 35% of their claims, payable in cash upon confirmation;
2. 2%, payable February 15, 1976;
3. 21%, payable 3½% annually for 6 years, commencing April 15, 1976; if annual earnings (as defined) do not exceed specified levels, then ½% annually (a maximum of 3%) may be deferred to succeeding years ("deferred payments"). To the extent unpaid at the end of six years, the deferred payments are to be made commencing April 15, 1982 at not more than 1% a year for three years;
4. Cash equal to 50% of annual net income in excess of $875,000 for six years commencing with 1975 up to an aggregate maximum of 2% of unsecured claims;
5. Issuance of approximately 508,000 shares of the Company's previously unissued Common Stock to be allocated based upon the amount of the claims.

The payment in 2. above is collateralized by refundable income taxes; to the extent such refunds exceed $542,000, they are to be used to prepay the deferred payments in 3. above. The contingent payments in 4. above are to be prepaid, upon confirmation, from the cash savings (as defined) to the Company resulting from a reduction of claims of equipment lessors and landlords below an aggregate of $5,000,000.

The Plan also provides, among other matters, that the Company will not pay dividends, purchase its Common Stock, borrow funds, mortgage its assets or liquidate its operations without the consent of the Creditors' Committee.

Note C: Basis of Preparation of Financial Statements and Pro Forma Adjustments—The Company incurred a substantial loss during 1974 and has continued to incur operating losses subsequent to December 31, 1974. Management believes that the sustaining of losses during the early part of the year is common in the retail industry. Management anticipates that the Plan of Arrangement (see Note A) will be accepted by the creditors and confirmed by the Court during 1975. The accompanying financial statements have been prepared primarily on a going concern basis which contemplates, among other things, the realization of assets in the ordinary course of business. The ability of the Company to continue as a going concern is dependent upon (i) acceptance by creditors and confirmation by the Court of the Plan and (ii) the ability of the Company to achieve profitable operations.

Pro forma adjustments have been applied to the accompanying historical balance sheet as at December 31, 1974 to give pro forma effect to the terms of the Plan as if it were effective on such date. Accordingly, based on liabilities recorded at December 31, 1974, the accompanying pro forma balance sheet includes (i) administration expenses, priority claims and amounts due to unsecured creditors upon confirmation ($10,504,916), including a prepayment of the deferred payments referred to in Item 3. of Note A ($248,260, representing estimated "excess" tax refunds at December 31, 1974), as current liabilities; (ii) the fixed payments referred to in Items 2. and 3. of Note A ($5,729,402) as noncurrent liabilities; (iii) the assumed issuance of 508,000 shares of Common Stock (at par value) and (iv) a credit arising from the forgiveness of indebtedness (net of $700,000, representing management's present estimate of administration expenses to be incurred, principally during 1975). The payments referred to in Item 4. of Note A have not been included as a liability in the pro forma balance sheet because of their contingent nature. Management expects to pay the current portion shown in (i) above from cash as at December 31, 1974 and from the realization of other current assets. Interest on the amount shown in (ii) above will be imputed upon confirmation of the Plan based upon interest rates then in effect.

The caption "Liabilities Deferred Pursuant to Proceedings Under Chapter XI of the Bankruptcy Act" (adjusted in connection with the pro forma adjustments) consists of:

Taxes withheld and accrued	$ 503,622
Notes payable—banks	6,163,411
Estimated lease rejection costs—(see Note D)	6,500,000
Accounts payable and accrued expenses	13,383,016
	$26,550,049

JOHNS-MANVILLE CORPORATION (DEC)

Other Financial Information

Subsequent Event—On January 21, 1975, a landslide occurred at the Company's asbestos open pit mining operation at Asbestos, Quebec, Canada. The landslide will reduce the level of mining operations at this location for a period of up to nine months. Although alternative means of recouping the lost production are now under investigation, there will be a definite reduction in asbestos fiber tonnage in 1975. Due to many unresolved factors concerning rehabilitation of the slide area, the effect on production and earnings for 1975 cannot be determined at this time.

MELVILLE SHOE CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 7: Event Subsequent to Date of Financial Statements—In February, 1975 the Company reached an agreement in principle with S.S. Kresge Co. (Kresge), the minority interest owner in the Company's leased shoe department operations, whereby Kresge will increase its equity interest owned at December 31, 1974 from 25% to 49% through additional investment over the next four years. The Company and Kresge will also share investment on a 51-49% basis in all new K-Mart shoe operations to be opened during the next ten years. License agreements for existing and new stores will have a term of 25 years, subject to meeting performance standards based on sales and profitability. The first ten years of the agreement will not be subject to performance standards. There will be no change in the present rental provisions. This arrangement is subject to approval of a final agreement, which when signed, will be effective January 1, 1975, and in addition, its implementation will require either an amendment to the 4⅞% Debentures due 1980, or the purchase and/or call of such Debentures.

RICHFORD INDUSTRIES, INC. (DEC)

Notes to Consolidated Financial Statements

Note 11: Subsequent Events—On January 10, 1975, the Company refinanced an existing mortgage loan ($34,000 at December 31, 1974) for $360,000. The mortgage loan is collateralized by land and building and is payable in monthly installments approximating $50,000 annually including interest.

On February 25, 1975, the Company sold a subsidiary in the Packaging Products Division. The selling price of $270,000 approximating its carrying value at equity. is payable $25,000 in cash and the balance in ten equal annual installments with interest. Net sales of the subsidiary for the two years ended December 31, 1974 and 1973 were $2,243,595 and $2,490,853 and the net loss was $19,021 and $27,013 respectively ($.02 per share in both years).

On March 19, 1975, the Company sold to a bank, without recourse, a portion of its foreign accounts receivable. Pursuant to agreement, the Company may sell an aggregate amount of such accounts receivable not exceeding $2,000,000 on a revolving basis.

At December 31, 1974 "Other assets" included $42,450 ($49,650 at December 31, 1973) due from a former officer of the Company whose employment was terminated effective as of March 28, 1975. $29,650 of such amount represents the unpaid balance of the purchase price for 7,000 shares of the Company's stock issued and sold pursuant to a Purchase Agreement dated April 1, 1972 and collateralized by such shares. An additional amount of $12,800 represents the balance due under a promissory demand note dated March 22, 1973. Management and counsel of the Company concur in the opinion that the Company's claim for all amounts due is continuing, valid and enforceable.

SPENCER COMPANIES, INC. (MAY)

Consolidated Balance Sheets

	Pro-forma 1974 (Note 15) (Unaudited)	1974	1973
Current assets:			
Cash	$ 3,339,969	$ 3,391,807	$ 2,638,690
Receivables (Notes 2 and 7)	2,589,252	3,134,802	8,284,139
Recoverable income taxes	3,148,148	3,148,148	—
Inventories (Notes 3 and 7)	13,369,553	14,692,040	17,680,771
Prepaid items	243,298	265,480	300,259
Total current assets	22,690,220	24,632,277	28,903,859
Fixed assets (Note 4):			
Cost	4,665,254	7,076,916	7,194,737
Less accumulated depreciation	2,831,345	4,259,512	3,986,514
Net fixed assets	1,833,909	2,817,404	3,208,223
Other assets:			
Investment and advances—Andrea Shoe Corporation	708,085	—	—
Other investments (Note 5)	127,772	127,772	688,567
Receivable on properties sold	2,305,506	2,305,506	2,432,398
Sundry (Note 5)	1,026,355	1,093,390	703,997
Total other assets	4,167,718	3,526,668	3,824,962
Excess of cost over book value of net assets at acquisition	1,359,969	1,551,142	1,571,265
	$30,051,816	$32,527,491	$37,508,309
Liabilities and Stockholders' Equity			
Current liabilities:			
Notes payable, principally to banks (Note 6)	$ 800,000	$ 1,087,372	$ 891,084
Liability to finance company (Note 7)	—	488,489	1,063,291
Current maturities of long-term debt (Note 8)	456,346	758,378	461,963
Accounts payable	5,595,344	6,260,835	9,349,806
Accrued taxes	610,859	412,388	943,668
Other accrued liabilities	568,415	920,315	901,716
Total current liabilities	8,030,964	9,927,777	13,611,528
Long-term debt, net of current maturities (Note 8)	5,981,539	7,453,507	8,108,239
Deferred installment gains	257,392	257,392	286,424
Stockholders' equity:			
Capital stock (Notes 9 and 10):			
Common stock	2,069,013	2,069,013	1,988,549
Capital in excess of par value	4,036,904	4,036,904	4,215,536
Retained earnings	9,799,703	8,906,597	9,547,900
Total	15,905,620	15,012,514	15,751,985
Less common stock in treasury at cost, 13,726 shares in 1974 and 27,726 shares in 1973	123,699	123,699	249,867
Net stockholders' equity	15,781,921	14,888,815	15,502,118
	$30,051,816	$32,527,491	$37,508,309

Note 15: Subsequent Event—The company's Puerto Rican affiliate, Andrea Shoe Corporation, was a 100% owned subsidiary as of June 1, 1974 and its accounts were consolidated in the company's financial statements and income tax returns at and prior to that date. However, Andrea adopted the Plan of Recapitalization dated June 3, 1974 whereby 1) the Parent (Spencer) agreed to contribute to the capital of Andrea $2,000,000 of debt owed to it by Andrea, without issuance of additional shares of Andrea common stock, and 2) an agency of the government of Puerto Rico agreed to accept shares of Andrea common stock representing 50% equity in Andrea in cancellation of $2,115,371 of debts.

Since Andrea is no longer a majority owned affiliate, the company's financial statements for periods ending after June 3, 1974 will account for Spencer's investment therein by the equity method. Under this method, the 50% decrease in ownership reduces the company's share of Andrea's deficit and thereby increases the company's consolidated retained earnings.

Because of the significant impact of this recapitalization on the financial condition of the company, its effect is reflected in the balance sheet columns headed "Pro-forma 1974 (unaudited)." Accordingly, such pro-forma statement reflects deconsolidation of Andrea's assets and liabilities as of June 1, 1974 as though the Plan were then effective, and substitutes the equity method of accounting for the 50% investment in Andrea.

THE RATH PACKING COMPANY (SEP)

Notes to Financial Statements

Note 6: Purchase of Certain Meat Business Assets and Obligations Assumed Subsequent to September 28, 1974—Effective November 4, 1974 the company consummated transactions pursuant to an agreement (dated October 24, 1974, as amended October 30, 1974) with Stark, Wetzel Foods Inc. and two banks which provided for the acquisition by the company of certain of the assets and property relating to the meat processing and distribution business of Stark, Wetzel. The company purchased specified assets, principally inventories and equipment and assumed certain obligations, including those arising under collective bargaining agreements with labor unions. Concurrently, the company entered into a revised lease agreement for the land, buildings, equipment and related facilities used by the acquired business.

The two banks also agreed to participate in borrowings made by the company under the financing agreement (Note 2) up to an aggregate amount of $4,000,000, which increases the credit available to the company by that amount.

The acquisition will be accounted for by the purchase method. Accordingly, the results of operations of the acquired business will be included with those of the company for periods subsequent to the date of acquisition.

On the basis of preliminary studies, it is contemplated that the purchase cost will be assigned as set forth below. The purchase cost includes assumption of liabilities of approximately $1,506,000 (of which $1,270,000 arises from the excess of vested benefits of the Stark, Wetzel pension plan over trust assets) and the forgiveness by the company of $200,000 of trade receivables from Stark, Wetzel.

Inventories	$2,228,000
Machinery, equipment and vehicles	537,000
Trademarks, noncompete agreement, etc.	134,000
Leasehold rights and improvements	1,572,000
	$4,471,000

The lease for land, buildings and equipment has an original term of ten years and provides renewal options for three additional five-year periods. Required annual rentals are $1,344,000 for the first three years, $1,140,000 for the next two years and $780,000 for the final five years, aggregating $10,212,000 during the original term. Annual rentals during the three renewal periods are $480,000, $360,000 and $300,000, respectively. In addition, the company bears the cost of property taxes, insurance and repairs. At the expiration of the original term and during any renewal period, the company may purchase the leased property at its then fair market value.

The labor agreements provide, among other things, for separation benefits similar to those of the company (Note 5) which, assuming discontinuance of all operations, would aggregate approximately $1,200,000.

The acquired business reported unaudited net sales of $84,858,000 and a net loss of $1,280,000 for the year ended October 5, 1974. Assuming that the acquisition had been made as of the beginning of the most recent fiscal year, the combined results of operations of the company and such business for that period, on an unaudited pro forma basis, would have been as follows: net sales—$474,041,000; net loss—$672,000; net loss per share—$.56.

Management believes that the results of operations of the acquired business for the year ended October 5, 1974 are not indicative of anticipated results of that business for periods subsequent to its acquisition by the company because of significant changes made or to be made in the acquired business, including reduced rental payments and reductions in or elimination of substantial executive and clerical position costs.

THE SUPERIOR OIL COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 9: Subsequent Events—On January 27, 1975 the Company purchased from Austral Oil Company Incorporated 835,700 shares of unissued Austral common stock (giving Superior a twenty percent interest in Austral), at $17 per share, for a total cash consideration of $14,206,900. In addition, Superior received a warrant from Austral to purchase 240,000 shares of Austral common stock at $25 per share, exercisable for a five-year period beginning January 27, 1977. The Company has agreed to loan to Austral, at Austral's option exercisable on January 27, 1977, up to $6 million for 5 years, payable at maturity with interest at the prime rate.

To finance the purchase of the Austral common stock the Company sold 610,000 shares of Texaco Inc. capital stock for $14.1 million, realizing a gain of $4.1 million.

The Company, jointly with others, participated in the February 4, 1975 Federal offshore lease sale. Successful bids were submitted on ten tracts in the Padre Island and Mustang Island areas, offshore Texas. Bids on the tracts totaled $25,780,434 and the Company's share amounted to $13,500,015 (Superior $8,600,378 and Canadian Superior $4,899,637). In order to finance the lease acquisitions and provide additional working capital, Superior borrowed $12,000,000 in March 1975.

BACKLOG INFORMATION

Eighty-two companies presented backlog information. Many companies do not have a backlog since they produce for inventory rather than to order. Examples of presentations of backlog information follow.

ALPHA PORTLAND INDUSTRIES, INC. (DEC)

Financial Review (Page 8)

Working capital amounted to approximately $23,800,000 which was $5,200,000 lower than last year. A principal factor causing this decline was that, in accordance with present maturity schedules, the portion of long-term debt due currently at the end of 1974 increased by $3,000,000 over 1973. A much greater portion of the 1974 working capital is represented by inventories, reflecting principally the continuing high cost of carrying required supplies of fuel.

Important new construction contracts were added during 1974 with the backlog of construction work almost doubling since last year. A comparison of the work under contract at the two year-ends is as follows:

	Backlog of Contracts, December 31	
	1974	1973
Highways	$ 67,673,000	$ 1,309,000
Bridges	11,501,000	15,257,000
Subways	91,497,000	45,684,000
Pollution Control	121,758,000	81,422,000
Heating, ventilating and airconditioning	25,683,000	15,847,000
Other	3,928,000	4,781,000
Total	$322,040,000	$164,300,000

AMSTED INDUSTRIES INCORPORATED (SEP)

The Year in Review (Page 8)

Record Backlog—AMSTED's backlog of orders at September 30, 1974 was at an all-time high of $367,000,000, more than double the $151,000,000 a year earlier. The largest increase was in orders for components for new freight cars. While the backlogs for other products have not changed as dramatically, they are for the most part up substantially from a year ago. This record backlog is encouraging despite uncertainties relating to inflation and the downturn in the general economy that has already occurred.

THE BABCOCK & WILCOX COMPANY (DEC)

To the stockholders (page 2)

Orders were $2,103,331,000 compared with $1,884,344,000 a year ago. This represents increased bookings for tubular products, steam generating systems, refractories and other industrial products. Commercial nuclear orders for the year were down slightly. Orders for all types of utility steam generating equipment were down in the second half of the year, reflecting the cutback in utility construction plans during that period.

The backlog was $4,114,714,000 at the end of 1974 compared with $3,288,551,000 on December 31, 1973. The company expects that about 29% of the current backlog will be shipped in 1975, 52% in 1976 through 1978 and 19% thereafter. Approximately 52% of the backlog is nuclear business.

CUTLER-HAMMER, INC. (DEC)

Year-End Review (Page 11)

Order Backlog (as of December 31)	
1972	$146,800,000
1973	$158,700,000
1974	$186,900,000

These backlog figures include only the funded portion of government contracts, as has been the Company's continuing policy. In addition, the AIL Division has government contracts with future delivery planned over a period of years and for which funds are appropriated annually. The unfunded portion of these contracts amounted to an additional $36,800,000 as of December 31, 1974. Of the total backlog it is estimated that approximately 85 percent will be shipped in 1975 and the balance in future years.

EX-CELL-O CORPORATION (NOV)

Financial Review (Page 9)

Orders and Backlog—Our November 30, 1974 backlog of open orders amounted to $374,408,000 and was the highest backlog in the history of the Company. The previous record year end total was set on November 30, 1973 when our backlog was $275,071,000. The 1974 year end total represents an increase of $99,337,000, or 36 percent, over the 1973 total.

It is gratifying to note that this strong backlog is reflected in each of our four product groups. All four groups ended the year with a higher backlog of orders than at the previous year end with percentage gains ranging from 77 percent for aerospace and electronic products to ten percent for expendable tools and accessories. Open orders for packaging equipment to be leased to our customers are not included in the backlog figures.

HAZELTINE CORPORATION (DEC)

Products & Markets

	Revenues ($ Millions) 1974	1973	Backlog ($ Millions Dec. 31) 1974	1973
Industrial Products Division (IPD).............	$35.4	$20.2	$17.2	$13.1
Computer Peripheral Equipment (CPE) —Sales	18.6	13.1	2.1*	7.2*
—Rentals	3.6	.3	1.2*	—*
Color Products	1.7	1.9	1	.2
Savin Word MasterTM and other custom manufacturing....	11.5	4.9	13.8	5.7
Government Products Division (GPD)..........	$58.7	$55.7	$60.8	$64.1
Air Traffic Control (ATC)	2.2	5.0	.4	.5
Displays	35.2	21.2	31.9	44.9
E-2C Command and Control Display System				
AWACS Command and Control Display System				
Scan Converter Tactical Display System				
Digital Video Display Systems				
Communication, Detection and Identification (CDI)....	16.1	25.9	25.6	13.1
Anti-Submarine Warfare (ASW)	4.6	3.0	2.6**	5.2
Other	.6	.6	.3	.4
Sales and Rental Revenues and Year Backlog............... Not including Patent Income	$94.1	$75.9	$78.0	$77.2

*At December 31, 1973, the sales backlog included orders from rental customers at *selling prices* in effect with an independent leasing company. At December 31, 1974, the backlog of orders from rental customers is stated at *manufacturing cost*. The rental backlog does not include $2.7 million of rental revenues contracted to be received with respect to rental equipments delivered before December 31, 1974.

**Does not include $7 million contract received in March 1975, mentioned in "President's Message."

LITTON INDUSTRIES, INC. (JUL)

Business Backlog (Page 54)

The backlog of company orders believed to be firm at the end of fiscal 1974 follows:

Business Area	1974	1973
	(thousands of dollars)	
Defense and Marine Systems.......	$2,947,514	$3,234,538
Other Product Groups	571,914	490,195
Total	$3,519,428	$3,724,733

The Defense and Marine Systems backlog indicated above contains $2,515,000,000 for two major ship programs (LHA and DD). Of this amount, $1,371,000,000 has been funded and $1,144,000,000, representing unfunded target prices, escalation accruals and change orders, is to be funded. Incremental funding on these contracts is anticipated during fiscal year 1975.

The ships being constructed under these Navy contracts are scheduled for delivery over extended future periods. Because the contracts are accounted for on the percentage of completion basis, the backlog totals cannot be segregated on the basis of scheduled deliveries. Substantially all of the company's backlog not related to these two contracts is expected to be filled during fiscal year 1975. It should also be noted that many of the company's operations do not work from backlogs.

ROCKWELL INTERNATIONAL CORPORATION (SEP)

Financial Review (Page 32)

Backlog—Rockwell's total backlog at September 30, 1974 of $3.6 billion is 26 per cent higher than 1973's $2.86 billion. The backlog of commercial and funded aerospace orders was $2.71 billion with funded government orders accounting for 75 per cent of the total.

Commercial orders, particularly in the Automotive, Utility & Industrial and Consumer operations, consist of relatively short and frequently renewed commitments. Government procurement agencies, when ordering the type of products which Rockwell supplies (basically through Aerospace and Electronics operations), issue contracts covering longer periods of time and are classified as either funded, which include amounts which have been allotted under contracts; or unfunded, which are orders that include portions of the prices (or estimated prices) that have not been funded. Typically, only a portion of the price of a large government contract is funded at the time work commences.

Approximately 71 per cent of the total Aerospace and Electronics backlog at September 30, 1974 relates to work expected to be performed during the 1975 fiscal year, while nearly all of the backlog of the company's other operations relates to work which is to be performed during the 1975 fiscal year. Historically, backlog has been of greater significance in the Aerospace and Electronics business than in that of the company's other operations.

WHITE MOTOR CORPORATION (DEC)

Financial Review (Page 12)

Unfilled Orders—The unfilled order position at the end of 1974 was $529.3 million compared to $659.3 million at the end of 1973. Year-end unfilled orders were as follows:

	Unfilled Orders For Complete Units (As of December 31)			1974	Unfilled
			Increase	Complete Unit	Orders % of 1974
($ in millions)	1974	1973	(Decrease)	Shipments	Shipments
Truck	$206.3	$444.9	(53.6)%	$ 706.5	29.2%
Industrial and Construction	266.5	119.1	123.8	169.6	157.1
N. American Farm	56.5*	95.3	(40.7)*	228.6	24.7
	$529.3	$659.3	(19.7)	$1,104.7	47.9

Truck unfilled orders had decreased at year end to $206.3 million. Industrial and Construction increased to $266.5 million. North American Farm Equipment unfilled orders were $56.5 million at year end; however, as previously explained in "Order Intake" farm equipment orders were on retail sales allocations(*). Due principally to truck order cancellations continuing into 1975, the unfilled order position for the corporation at February 28, 1975, declined to $422.2 million.

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.

Two of the survey companies presented supplementary information adjusted for price-level changes. Eleven other companies disclosed, usually in sections of the annual report not covered by the auditors' opinion, the percentage or dollar impact of inflation on assets 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. Examples of discussions of the impact of economic conditions on financial results follow.

Supplementary Information Adjusted for Price-Level Changes

McCORMICK & COMPANY, INC. (NOV)

Real Estate (Page 11)

This year we are including the consolidated financial statements of Maryland Properties, Inc. and subsidiaries in our annual report for the first time. These statements are presented on both a historical basis and with historical cost restated to reflect the November 30, 1974 purchasing power of the dollar. The latter form of financial presentation was first recommended for use as supplementary information in published financial statements by the Accounting Principles Board of the American Institute of Certified Public Accountants in 1969. In December 1974, the Financial Accounting Standards Board issued its exposure draft *Financial Reporting in Units of General Purchasing Power*, providing detailed guidelines for the preparation and usage of this type of information.

This restatement in terms of current purchasing power more appropriately measures real estate activities during an extended period of inflation. The restatement of land and building values (along with the recomputation of depreciation) provides a more meaningful measure of asset values than do historical costs. Real estate assets which have been acquired over the years have been financed for the most part by obligations requiring us to make payments in current (lower value) dollars. These statements reflect a purchasing power gain which has occurred.

Income and Retained Earnings

	1974 Stated In		1973 Stated In	
	Historical Amounts	Units of General Purchasing Power (Note 1)	Historical Amounts	Units of General Purchasing Power (Note 1)
	(In Thousands)		(In Thousands)	
Income:				
Sales of land, buildings, general contracting, etc.	$ 7,415	$ 7,749	$ 8,381	$ 9,702
Rentals:				
Parent and affiliates	1,107	1,156	956	1,101
Others	4,754	4,963	4,103	4,722
Interest	150	157	99	114
Miscellaneous	207	216	249	286
Total	13,633	14,241	13,788	15,925
Expenses (excluding depreciation of property and amortization of financing and leasing costs):				
Cost of sales of land, buildings, general contracting, etc.	6,315	6,644	6,722	8,805
Interest	2,977	3,109	2,801	3,225
Building operating expenses and property taxes	1,319	1,415	1,054	1,225
Selling, general and administrative	1,026	1,072	1,112	1,280
Miscellaneous	60	63	72	82
Total	11,697	12,303	11,761	14,617
Operating income before depreciation and amortization	1,936	1,938	2,027	1,308
Provision for:				
Depreciation	1,029	1,385	928	1,289
Amortization of financing and leasing costs	129	165	137	184
Total	1,158	1,550	1,065	1,473
Net general purchasing power gain		4,562		2,742
Income before income taxes and equity in net income (loss) of joint venture	778	4,950	962	2,577
Provision for income taxes (Note 7)	398	436	358	382
Income before equity in net income (loss) of joint venture	380	4,514	604	2,195
Equity in net income (loss) of joint venture, less related income taxes of $33,000 in 1974 and $24,000 in 1973 (includes net general purchasing power gain of $319,000 in 1974 and $204,000 in 1973) (Note 3)	(33)	286	(24)	180
Net income	347	4,800	580	2,375
Retained earnings (deficit) at beginning of year	(117)	11,034	(697)	8,659
Retained earnings (deficit) at end of year	$ 230	$15,834	$ (117)	$11,034

Note 1: Presentation of Financial Statements in Units of General Purchasing Power—The financial statements in historical amounts are stated in terms of numbers of dollars at which the transactions took place regardless of the purchasing power of those dollars. The financial statements stated in units of general purchasing power give effect to the decline in the purchasing power of the dollar by expressing the historical amounts of transactions and balances at their equivalent number of dollars at November 30, 1974. Such financial statements, when considered in relation to the basic financial statements in historical amounts, are a useful tool in evaluating the impact of inflation on the Company's financial position and operating results. The Gross National Product Implicit Price Deflator index was used to restate the historical dollars to the units of general purchasing power at November 30, 1974. The units of general purchasing power do not purport to represent selling price, replacement cost or any other measure of the current value of the assets or the prices at which transactions would take place currently.

The same accounting principles used in preparing financial statements in historical amounts were used in preparing financial statements in units of general purchasing power. In the restatement to units of general purchasing power, the guidelines contained in the Financial Accounting Standards Board's Exposure Draft dated December 31, 1974, on "Financial Reporting in Units of General Purchasing Power," were applied.

Maryland Properties, Inc.:

We have examined the consolidated balance sheet of Maryland Properties, Inc. and subsidiaries as of November 30, 1974 and 1973, and the related statements of consolidated income and retained earnings and changes in consolidated financial position for the years then ended, as stated in historical amounts and in units of general purchasing power (see Note 1 to financial statements). Our examination was made in accordance with generally 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 stated in historical amounts present fairly the financial position of the companies at November 30, 1974 and 1973 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.

Also, in our opinion, the aforementioned financial statements, stated in units of general purchasing power, when considered in relation to the basic financial statements in historical amounts, present fairly in all material respects the information shown therein.—*Auditors' Opinion.*

SHELL OIL COMPANY (DEC)

Price Level Adjusted Financial Information (Page 29)

The nation's high rate of inflation has caused concern over the adequacy of traditional accounting and financial reporting procedures. Conventional financial statements reflect the historic flow of dollars without regard to changes in the purchasing power of the currency. Because of this, Shell has prepared supplementary financial information adjusted for changes in the general price level. Summarized price level financial information for the years 1974, 1973 and 1972, and the related report on them by the Company's independent accountants, Price Waterhouse & Co., appear in the Annual Report Statistical Supplement.

While the inroads of inflation affect most all the financial data, the impact on revenues and depreciation is particularly noteworthy. When refined product sales revenues are viewed on a constant dollar basis, unit revenues gradually declined from 1953 to 1972 by 34 percent providing true savings to the consumer. In 1973 and 1974 prices rose sharply because of factors previously mentioned. However, much of the recent increase was only recovery of the higher prices of purchased crude oil and refined products from which Shell neither benefited nor was it able to control. Excluding passthrough of increased costs of purchased crude oil and refined products, the 1974 price per unit was 15 percent below the prices prevailing in 1953 on a constant dollar basis. The inadequacy of historical cost depreciation to reflect the cost of fixed assets in terms of current dollars is clearly indicated in that 1974 earnings are reduced $151 million when depreciation is expressed in current dollars. The holding of "monetary" liabilities such as debt or payables in excess of monetary assets such as cash or receivables results in a monetary gain. Such monetary gains in 1973 and 1974 about offset the negative impact of other items so that net income in current dollars is relatively unchanged. There is nevertheless significant impact on investment ratios. This historical return on shareholders' equity of 20 percent in 1974 is reduced to 14 percent. Similarly, return on total capital is reduced from 16 percent to 12 percent when all items are price-level adjusted.

Supplementary Price Level Adjusted Financial Information

The accelerating decline in the value of the U.S. dollar has focused attention on the inadequacies of traditional measurements of income and wealth. Financial statements prepared under generally accepted accounting principles report the actual number of dollars received or expended without regard to changes in the purchasing power of the currency. Investments made over extended periods of time are added together as though the dollars involved were common units of measurement. Amortization of these prior period costs is deducted from current period revenues in calculations of net income. As shown in the chart above, the dollar's value has changed materially and this change should be considered for a proper assessment of economic progress.

Individual business enterprises are affected differently by inflation. Holders of monetary assets, such as cash or receivables, lose purchasing power during inflationary periods since these assets will purchase fewer goods and services in time. Conversely, holders of liabilities benefit during such periods because less purchasing power will be required to satisfy their obligations. Rates of return and other financial ratios are also influenced greatly by the age of the investments and subsequent changes in the value of the dollar. For example, a capital asset acquired in 1965 for $1 is restated to $1.60 in terms of 1974 dollars in the 1974, 1973 and 1972 supplementary information and depreciation is similarly restated. Such historical financial information adjusted for changes in the purchasing power of the dollar is believed to provide a useful measure of financial performance.

Explanatory Note

The accompanying supplementary price level adjusted financial information, expressed in terms of December 31, 1974 dollars, is based on the historical dollar financial information which is also presented in adjoining columns for comparative purposes. Both the supplementary and historical financial information presented here should be read in conjunction with the notes and other financial statement information in the Annual Report. The supplementary price level information reflects adjustments only for changes that have occurred in the general purchasing power of the dollar as measured by the Gross National Product Implicit Price Deflator. The amounts shown, therefore, do not purport to represent appraised value, replacement cost, or any other measure of the current value of assets. The Accounting Principles Board Statement No. 3 and a Proposed Statement of Financial Accounting Standards, which give general guidance on how to prepare and present price level financial statements, reflect deferred income taxes as nonmonetary items. For purposes of Shell's general price level restatement, such balances were classified as monetary items because Shell believes that when reversals of such tax differences take place, they give rise immediately to taxable income and to additional taxes payable in current dollars at that time. Had Shell followed the nonmonetary treatment for deferred income taxes, restated net income would have been $23.5, $12.5, and $1.2 million less in 1974, 1973 and 1972 and restated shareholders' equity would have been $102.1, $78.6 and $66.1 million less for these years.

(Millions of dollars except per share amounts)

	Current Dollars* 1974	1973	1972	Historical Dollars 1974	1973	1972
Summary Statement of Income						
Revenues	$8,866.7	$6,614.4	$5,876.1	$8,493.0	$5,749.6	$4,849.8
Costs and expenses:						
Depreciation, depletion, etc.	654.2	626.5	585.4	502.9	441.7	396.8
Income, operating and consumer taxes.	1,320.2	1,236.2	1,163.6	1,264.5	1,074.6	960.4
Interest & discount amortization on indebtedness	63.5	69.9	72.0	60.8	60.8	59.4
Other costs & expenses	6,317.3	4,426.2	3,866.1	6,044.3	3,839.8	3,172.7
Income before purchasing power gain or loss on monetary items	$ 511.5	$ 255.6	$ 189.0	$ 620.5	$ 332.7	$ 260.5
Purchasing power gain (loss) on:						
Long term debt	117.0	82.9	36.4	—	—	—
Other monetary items	(5.1)	(4.8)	2.2	—	—	—
Net income	$ 623.4	$ 333.7	$ 227.6	$ 620.5	$ 332.7	$ 260.5
Summary Balance Sheet						
Current assets	$2,161.7	$1,953.4	$ 1,925.2	$2,072.2	$ 1,713.1	$1,596.1
Investments & long term receivables	129.5	110.3	106.1	116.0	91.7	84.1
Properties, plant & equipment (net)	5,146.6	4,906.7	4,923.3	3,905.3	3,526.9	3,438.9
Deferred charges	42.3	61.4	67.5	35.4	49.5	52.5
Current liabilities	1,272.6	1,097.4	1,113.4	1,272.6	981.6	928.2
Long term debt	976.6	1,119.0	1,230.3	976.6	1,000.9	1,025.6
Deferred credits—federal income taxes	320.0	339.5	351.4	320.0	303.6	292.8
Shareholders' equity	$4,910.9	$4,475.9	$4,327.0	$3,559.7	$3,095.1	$2,925.0
Per Share Data†						
Net income	$ 9.25	$ 4.95	$ 3.38	$ 9.21	$ 4.94	$ 3.86
Cash dividends	$ 2.56	$ 2.76	$ 2.91	$ 2.45	$ 2.40	$ 2.40
Ratios (see definitions on page 36)						
Return on shareholders' equity	13.9%	7.7%	5.3%	20.0%	11.4%	9.2%
Return on total capital	11.7%	6.6%	5.0%	16.0%	9.2%	8.0%
Net income: revenues**	7.7%	5.9%	4.6%	8.1%	6.7%	6.3%
Dividends: net income	27.7%	55.7%	86.1%	26.6%	48.6%	62.1%
Debt: total capital	16.6%	20.0%	22.1%	21.5%	24.4%	26.0%

*Based on purchasing power dollars at December 31, 1974.
†Per weighted average share outstanding each year.
**Excluding consumer excise and sales taxes.

Report of Independent Accountants

To the Board of Directors and Shareholders of Shell Oil Company:

We have examined the financial statements of Shell Oil Company appearing in the Annual Reports to Shareholders for the years 1974, 1973 and 1972, which are covered by our reports dated February 4, 1975 and February 4, 1974. Those financial statements do not reflect the changes in the general purchasing power of the U.S. dollar from the time transactions took place. We have also examined the supplementary information for the years 1974, 1973 and 1972 restated for effects of changes in the general price level as described in the Explanatory Note on page 4. In our opinion, the supplementary Summary Statement of Income, Summary Balance Sheet and Per Share Data shown above present fairly the historical financial information restated in terms of the general purchasing power of the U.S. dollar at December 31, 1974 in accordance with guidelines, consistently applied, recommended in Accounting Principles Board Statement No. 3 and a Proposed Statement of Financial Accounting Standards, except for the treatment, with which we concur, of deferred income taxes as monetary items.

Impact of Inflation on Assets Or Operating Results

THE CLEVELAND-CLIFFS IRON COMPANY (DEC)

Chairman's Letter to Shareholders (Page 3)

Economic Environment—The pressures of a cost inflation environment severely increased the need for greater efficiency throughout all of our operations. We have expanded research efforts designed to reduce overall costs through process improvements. In addition, increases in iron ore prices were implemented during the year to help restore profit margins, and Great Lakes freight rates were raised to cover the substantially higher operating costs experienced throughout our 14-vessel fleet.

Although we believe 1974's record results are an important sign of continued growth, it also is apparent that they must be examined within the context of the inflationary climate in which they occurred. To provide greater perspective for the impact inflation has had on our performance, we adjusted 1974 earnings, excluding the sale of listed securities, to reflect the purchasing power level of 1966. In terms of 1966 real dollars, this year's earnings would equal $16.4 million and would compare to the $16.1 million reported in 1966.

CONTINENTAL OIL COMPANY (DEC)

Financial Review (Page 7)

Consolidated Earnings—Consolidated net income increased 35.0% in 1974 following a gain of 42.6% in 1973. Earnings and rates of return for the last three years are shown below. Earnings per Common share are based on the weighted-average number of shares outstanding and rates of return are based on the average of beginning and end of year investment.

	1974	1973	1972
Consolidated Net Income ($ millions)	$327.6	$242.7	$170.2
Earnings per Common Share	$ 6.47	$ 4.81	$ 3.38
Return on Stockholders' Equity	17.0%	14.1%	10.7%
Return on Borrowed and Invested Capital	13.4%	11.8%	9.0%

Impact of Change in Inventory Valuation Method—Earnings for 1974 were reduced by $71.0 million or $1.40 per Common share due to the adoption, effective January 1, 1974, of the last-in, first-out (LIFO) method of valuing Eastern Hemisphere petroleum inventories, which previously had been valued by the first-in, first-out method. Under the LIFO method, already used for domestic petroleum and chemicals inventories, the cost of goods sold more closely approximates the replacement cost at the time of sale. Had the change in inventory valuation method been made January 1, 1973, earnings for 1973 would have been reduced by approximately $50 million or $.99 per Common share. Had the change been made January 1, 1972, earnings for 1972 would not have been materially affected.

Effect of Price Level Adjustments—The Financial Accounting Standards Board has issued an exposure draft of a proposed standard, "Financial Reporting in Units of General Purchasing Power." Preliminary application of this standard to state financial results in year-end 1974 dollars instead of historical dollars reduces earnings for 1974, 1973, and 1972 by approximately 8%, 4%, and 5%, respectively. Based on these lower earnings and higher stockholders' equity in year-end 1974 dollars, the returns on stockholders' equity for 1974, 1973, and 1972 are decreased to approximately 12%, 10%, and 7%, respectively.

Analysis of Revenues and Expenses—Revenue and expense items are tabulated on pages 50 and 51, respectively, of the Ten-Year Financial Review, and material variances for the last three years are analyzed on page 57.

KOPPERS COMPANY, INC. (DEC)

Some Particular Effects of Inflation (Page 5)

Replacement Costs Calculated—To illustrate the magnitude of this problem, we have calculated the cost of replacing Koppers plants, equipment and property at today's prices, using appropriate, generally accepted construction cost indices for various types of Koppers facilities.

The original cost of the property, plants, and equipment now owned by Koppers was $441 million. It would require approximately $800 million, nearly double the original cost, to replace these same assets today. The present tax law permits the recovery of only the original dollars expended for capital assets—not the replacement value of the fixed assets or any other value that takes into account the effect of inflation. The resulting higher taxes paid erode the capital structure of the Company to the detriment of consumers, shareholders and the nation's economic welfare. Recognition of this problem by the Federal tax system is critical to American industry.

Uniform Depreciation Accounting Desirable—To avoid any misunderstanding, we would call attention to the fact that Koppers adopted straight-line depreciation in 1968 to determine earnings for financial reporting purposes. The reasons for this change in accounting practice were explained in Koppers 1968 Annual Report. For tax purposes, Koppers employs an accelerated depreciation schedule as permitted by current tax law.

Unfortunately, this provision, which once served to ameliorate the problem discussed above, has been largely negated by double-digit inflation. The basic problem of inadequate depreciation is that earnings are overstated for both financial reporting and income tax purposes. Should a solution to the problem of inadequate depreciation be permitted by tax law and accounting principles, we believe that all companies should then be required to account for depreciation for financial reporting purposes on the same basis as is used for income tax purposes.

S. S. KRESGE COMPANY (JAN)

Measuring inflation: Traditional accounting methods have been developed in the years after World War II primarily to measure net income. For most of those years, price level changes have been moderate and the inflationary effect on net income from year to year has been fairly insignificant. Inflation has been more severe recently than expected, and we believe rather high inflationary rates will prevail for quite awhile.

The Financial Accounting Standards Board recently recommended study of price-level accounting methods, and the Securities and Exchange Commission asked corporations to estimate "inflationary profits" in inventories earlier in the year.

Using methods discussed in a recent FASB memorandum, the effect of inflation on our gross profit was about $39 million.

R. H. MACY & CO., INC. (JUL)

To the Shareholders (Page 2)

Inflation in the cost of goods sold reduced earnings by $0.33 per share in fiscal 1974 as compared with $0.10 per share last year. These amounts were calculated from the increase in the appropriate Bureau of Labor Statistics index used in determining the value of our fiscal year-end Lifo (last-in, first-out) inventory. Approximately 57% of R.H. Macy & Co., Inc. inventories are valued on the Lifo basis.

The Lifo method used by R.H. Macy & Co., Inc. and some other retailers has the effect of eliminating inflationary effects from earnings and from inventory value. Thus, profits and balance sheet inventory values are stated on a conservative basis, both for financial and tax reporting purposes.

In addition to inflation in the cost of goods sold, fiscal 1974 earnings were adversely affected by substantial increases in interest rates and by higher pension costs due to considerable declines in the market values of pension fund equity investments. For the year, the aggregate cost of the increases in the inflation in the cost of goods sold, interest rates, and pension costs was $0.85 per common share higher than fiscal 1973.

Fundamentally, these costs are related to the "double-digit" levels of inflation and short-term interest rates which are the basic economic concerns in the United States and throughout the world.

The strength and pervasiveness of inflation are evidenced by the Consumer Price Index which in July 1974 was 11.8% higher than the July 1973 level. At the same date, the special index compiled for the department store industry by the Bureau of Laobr Statistics for Lifo valuation was 9.4% greater than the July 1973 index.

It is clear that a point has been reached in the nation's economy when public policy as a whole must be directed toward bringing down the inflation rate. Along with other countries, the United States has for many years given too high a priority to vigorous growth and full employment without proper consideration for price stability and improvement in the long-term low rate of productivity.

Notes to Financial Statements

Note 1: The Lifo inventory amount at August 3, 1974 and July 28, 1973 was less than the Fifo amount of such inventory by $12,904,421 and $6,705,310, respectively.

Inflation in the cost of goods sold reduced net earnings by $3,223,538 in fiscal year 1974 and $942,007 in fiscal year 1973. These amounts were calculated from the increase in the appropriate Bureau of Labor Statistics index used in determining the value of the fiscal year-end Lifo inventory.

PHILLIPS PETROLEUM COMPANY (DEC)

To the Stockholders (Page 2)

Inflation, which in effect is like another tax, severely affected the petroleum industry in 1974 in substantially higher costs of labor, equipment, and materials. Inflation also has seriously distorted the ways in which a business assesses its financial status. Your Company's recorded net income has increased during most of the past 10 years as more and more capital was invested in the business, and in 1974 was 215% higher than in 1965. But in terms of 1965 dollars, the 10-year increase was 105%—less than half as great—representing an annual compounded earnings growth of only 7.5%.

ST. JOE MINERALS CORPORATION (DEC)

To the Shareholders (Page 3)

Our return on equity capital improved from 16% to 30% this past year. This return is deceptively high as it is based on largely depreciated assets which your company has developed over the years in mining properties and surface installations.

Depreciation under current accounting and tax principles is inadequate to maintain and expand production facilities in an inflationary era. In 1974, for example, St. Joe's depreciation came to $18 million. However, on the basis of today's replacement costs (rather than historical costs), depreciation should have been $45 million. In the same vein, the maintenance of an adequate depletion allowance for mining companies and the institution of a larger investment tax credit are essential tax measures for the survival and growth of the U.S. mining industry.

General Reference To Effects Of Inflation

THE BARDEN CORPORATION (OCT)

President's Message to the Shareholders (page 2)

Inflation experienced throughout the world in 1974 has had its effect on Barden, too. Segments of our product lines underwent price increases at approximately three different times, most recently in October, 1974. Although the total impact of our price rises was less than 10 per cent, our average labor rates increased by at least that amount, and in many cases our material and fuel costs rose over 30 per cent. Inflation in the United Kingdom was nearly doubled that of the U.S.A. and has challenged the skill of our U.K. management all year.

BORG-WARNER CORPORATION (DEC)

The ups and downs of an extraordinary kind of year (Page 3)

What does it all mean?

After adding and subtracting the impact of these various changes, it would be tempting to congratulate ourselves on a

1974 net performance that topped 1973 by 25 to 30 cents per share on a comparable basis.

Doing so, however, would ignore the ravages of inflation which are still very much with us in spite of the actions taken to minimize their impact.

The size of the LIFO adjustment attests to the magnitude of increased costs to Borg-Warner. The higher material, labor, and overhead costs reflected in the change to LIFO represents only part of the inflation burden.

Our other costs, including interest on our debt, have taken similar and equally dramatic jumps during the year.

Within the last two years, inflation has taken an especially heavy toll. If we use the GNP deflator, which in the case of Borg-Warner is probably a conservative measure, it costs more than $1.25 to buy what we could get for $1.00 only two years ago.

Of course, we have raised our own prices during this period in an effort to recover some of our higher costs. But the drop in our return on sales from 4.6 percent in 1972 and 1973 to 2.9 percent in 1974 tells the story of our success and the impact of inflation.

INTERNATIONAL PAPER COMPANY (DEC)

Financial Review (Page 20)

Capital spending for replacement, modernization and expansion of plants and equipment in the wood products and pulp and paper products area, as well as for acquisition of additional timberlands, rose to a new high of $413 million in 1974. These expenditures included $167 million for timber and land acquisitions, $49 million for timber leases and $27 million for pollution control, with the balance for modernization and expansion of plants and equipment. Only small amounts of the 1974 capital spending were attributable to the major plant expansions at the Texarkana and Androscoggin mills since these projects were undertaken near the end of the year.

The increase in capital spending in 1974 reflected, in part, the dramatic inflation in the cost of timber and land, and of all other capital items. The accompanying chart on the cost of new mill capacity, expressed as cost per daily ton, shows how much more it costs today to replace existing facilities or to build additional capacity. Obviously, returns would be much lower if based on the high cost of new capacity.

The accounting profession is seeking ways to measure the impact of inflation on earnings. The Financial Accounting Standards Board has proposed that supplemental income statements be prepared to show the impact of price-level accounting—that is, the adjustment of assets, depreciation and long-term debt by an inflation index. While a step forward, this would not resolve the asset valuation problems of the forest products industry because there has been much more appreciation in its most important asset —timberlands—than is reflected in general measures of inflation.

LIBBEY-OWENS-FORD COMPANY (DEC)

Letter to Shareholders (Page 2)

Beyond the current problems of recession, escalating cost increases and energy shortages, we hold concern about the effect of accelerated inflation on the capital formation problems of American industry. Depreciation allowances that are based upon the original capital investment in productive facilities become woefully inadequate during periods of high inflation. It is a common experience to find the cost of replacing the equivalent productive capabilities of worn-out machinery to be two to four times that of the original cost. The difference must be made up of new commitments of after-tax money that can come from only three places: reinvested earnings that are not paid out in dividends, increased borrowings, or the sale of new equity shares.

The serious shortfall in depreciation allowances in recent years of high inflation is a prime reason for reduced stock market values and increased borrowings that characterize U.S. industry, and in addition places upward pressures on interest rates. Further, this serious depreciation shortfall is not recognized in the accounting practices demanded by taxing authorities so that the reported earnings of business in a time of accelerated inflation become highly illusory to the public.

In my judgment, the inflationary cost increases for capital equipment that occurred in 1974, and which will have to be met eventually for the replacement of facilities now in place, represent a call on current and future earnings. That situation applies to most industrial corporate situations and constitutes a long-term problem that is not peculiar to LOF alone. Raising the investment credit to 10 or 12 percent on new capital investment falls far short of offsetting the problem.

MONSANTO COMPANY (DEC)

Financial Review
(Dollars in charts and tables in millions, except per share)

Major Operating Expenditures

Major operating expenditures increased significantly as a result of increasing rates of inflation in both the United States and abroad.

	1974	1973
Purchased Raw Materials	$1,194.4	$648.4
Energy and Utilities	195.0	130.1
Wages, Salaries and Employee Benefits	803.3	693.3

During 1974, the prices of Domestic raw materials and energy and utilities increased at rates of 80.0 per cent to 49.4 per cent, respectively. Wages, salaries and employee benefits for the average United States employee rose approximately 11.5 per cent during the year.

Section 2: Balance Sheet

BALANCE SHEET TITLE

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

TABLE 2-1: BALANCE SHEET TITLE

	1974	1973	1972	1971
Balance Sheet	526	527	522	530
Statement of Financial Position	58	57	58	49
Statement of Financial Condition	16	16	20	21
Total Companies	**600**	**600**	**600**	**600**

BALANCE SHEET FORMAT

Balance sheet formats include the account form, the report form, and the financial position form. The account form shows total assets on the left-hand side equal to the sum of liabilities and stockholders' equity on the right-hand side. The report form shows a downward sequence of either total assets minus total liabilities equal to stockholders' equity or total assets equal to total liabilities plus 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: BALANCE SHEET FORMAT

	1974	1973	1972	1971
Account form (*123,352,543)	424	490	578	577
Report form (*36,207,652)	163	94		
Financial position form (*16,238,570)	13	16	18	20
Other	—	—	4	3
Total Companies	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

TABLE 2-3: CASH — BALANCE SHEET CAPTIONS

	1974	1973	1972	1971
Cash	466	466	462	477
Cash includes certificates of deposit or time deposits	75	79	66	59
Cash combined with marketable securities	56	55	72	64
Total Companies	**600**	**600**	**600**	**600**

CASH

Table 2-3 shows that a majority of the survey companies present cash as a single item and use the caption *cash*. Two hundred and fifty-five companies referred to compensating balances in 1974 as compared to 125 companies in 1973. Examples of captions for cash and cash items follow. Examples of disclosures concerning compensating balances are presented below and in connection with Table 2-28.

ALAN WOOD STEEL COMPANY (DEC)

	1974	1973
Current assets:		
Cash	$ 1,522,566	$ 1,518,390
Certificates of deposit, including accrued interest of $106,156	18,606,156	—
Accounts receivable, less allowance for doubtful accounts: 1974—$317,712; 1973—$278,724	16,362,629	14,365,665
Inventories (Notes 1 and 2):		
Finished and semi-finished products	7,273,082	9,429,393
Raw materials and supplies	9,033,994	9,096,799
	16,307,076	18,526,192
Prepaid expenses	884,016	909,756
Total current assets	$53,682,443	$35,320,003

ANHEUSER-BUSCH, INCORPORATED (DEC)

	1974	1973
	(In Thousands)	
Current Assets:		
Cash (including certificates of deposit of $48,460,000 in 1974 and $30,179,000 in 1973) (Note 2)..............	$ 48,984	$ 38,227
Marketable securities (short-term), at cost which approximates market...............	39,619	21,851
Accounts and notes receivable, less allowance for doubtful accounts of $979,000 in 1974 and $881,000 in 1973	50,955	48,004
Inventories, at lower of cost or market (Note 3)—		
Finished goods	8,364	5,528
Work in process	24,176	19,290
Raw materials and supplies...	80,109	42,887
Total current assets	$252,207	$175,787

Note 2: Credit Agreement—In June, 1974, the company entered into a $125,000,000 revolving credit agreement with sixteen banks for the period June 28, 1974, to December 31, 1976. Interest on any borrowings the company might choose to make would be at the prime rate during that period. The company has agreed to pay a fee of ½ of 1% per annum on the unused portion of the commitment. Total commitment fees paid on the unused line of credit amounted to $320,000 for 1974.

Any outstanding borrowings under the agreement at December 31, 1976, would be repaid over the six-year period commencing August 31, 1978, with the final payment on May 31, 1984. Outstanding borrowings during that period would bear interest at rates varying from ¼% to ¾% above the prime rate.

Since the effective date of the agreement, the company has maintained compensating balances with the banks in the aggregate amount of $12,500,000. No funds were borrowed from the banks during 1974.

BAYUK CIGARS INCORPORATED (DEC)

	1974	1973
	($000 omitted)	
Current assets		
Cash, including time deposits, $3,239 (1974); $2,769 (1973)—Note 6	$ 6,381	$ 5,081
Accounts receivable, less allowances for doubtful accounts, $330 (1974); $339 (1973).	3,958	4,673
Inventories at lower of cost or market—Note 2............	14,915	14,553
Prepaid expenses................	676	658
Total current assets	$25,930	$24,965

Note 6 (in part): Notes payable, lines of credit and cash balances ($000)—Time deposits of $3,239 at December 31, 1974 bear interest at the rate of 9.6% and are held by the company's Puerto Rican subsidiaries. These funds may not be transferred to the parent company without the incurrence of United States federal income tax except under the conditions described in Note 7. However, such funds may be used in Puerto Rican operations, including the purchase of products from the parent company.

BRUNSWICK CORPORATION (DEC)

	1974	1973
	($000)	
Current Assets:		
Cash (Note 8)	$ 36,719	$ 11,050
Bank time deposits (Note 8).....	2,825	8,501
Notes and accounts receivable—		
Installment notes...............	61,670	60,958
Unearned interest..............	(12,085)	(11,686)
Accounts.........................	130,033	105,093
Allowance for possible losses on receivables	(11,111)	(10,660)
	168,507	143,705
Inventories (Note 3).............	260,864	188,694
Prepaid expenses.................	6,193	4,280
Prepaid income taxes	2,800	1,600
Total current assets	$477,908	$357,830

Note 8 (in part): Long-term Debt—The Company has a revolving credit agreement with a group of 16 banks providing for maximum credit to September, 1976, of $200,000,000 (increased from $100,000,000 in 1973) which may then be converted to a four-year term loan payable in equal quarterly installments through September, 1980. Interest is at the prime rate to September, 1975; then ¼% over prime to September, 1976; and ½% over prime thereafter. A commitment fee of ½% per annum is payable on any unused portion of the revolving credit to September, 1976. Activity during the years was as follows:

	1974	1973
	(in thousands)	
Maximum borrowed................	$200,000	$76,000
Average borrowed..................	134,000	48,000
Interest rates (prime):		
Average during year	11.0 %	8.7%
At year end	10.25%	9.9%

The Company has an informal arrangement with the banks whereby it is required to maintain collected demand deposits averaging, on an annual basis, 15% of the revolving credit commitment to the Company. At December 31, 1974, approximately $21,000,000 of the cash and bank time deposits in the balance sheet ($28,000,000 in accounts at banks) was on deposit for this purpose.

BOISE CASCADE CORPORATION (DEC)

	1974	1973
	(expressed in thousands)	
Current Assets:		
Cash and short-term investments (Note 2)	$92,672	$186,751

Note 2: Cash, Short-term Investments and Notes Payable—Cash and short-term investments consisted of the following:

	December 31 1974	1973
	(expressed in thousands)	
Cash on hand and demand deposits	$55,709	$40,623
Time deposits and certificates of deposit	25,998	126,812
Short-term investments, at cost, which approximates market	10,965	19,316
	$92,672*	$186,751*

*Does not include cash and short-term investments of the realty business in liquidation of $60,571,000 and $55,156,000 (Note 4).

The Company has arrangements with various banks under which compensating balances on certain loans and commitments must be maintained. Included in these loans and commitments are: (1) long-term bank loans which require 15% average compensating balances; (2) unsecured short-term lines of credit with United States banks aggregating $30,000,000 which require 15% compensating balances, whether drawn or not; and (3) a revolving credit agreement of $200,000,000 (Note 10) which requires compensating balances equal to 10% of the unused commitment, and an additional 10% of any outstanding borrowings. The average amount of compensating balances maintained during 1974 was approximately $31,000,000.

At December 31, 1974, the Company had unused short-term lines of credit aggregating $37,661,000 from a total available of $48,321,000. Of the unused lines of credit, $30,000,000 is domestic, and the balance of $7,661,000 is available for the Company's foreign operations.

THE BUDD COMPANY (DEC)

	1974	1973
	($000)	
Current Assets:		
Cash (note 2)	$ 14,462	$ 14,952
Marketable securities, at cost which approximates market	—	3,633
Accounts receivable, less allowance for doubtful accounts of $838,000 in 1974 and $526,000 in 1973	119,854	90,439
Inventories (note 3)	128,654	100,413
Prepaid expenses	6,707	4,738
Total current assets	$269,677	$214,175

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. Generally, the lines of credit are reaffirmed annually but can be withdrawn at any time at the option of the banks. In December, 1974, the Company established a $50,000,000 revolving credit agreement, replacing an equal amount of short-term lines of credit (see Note 6). Pertinent data relative to the compensating balances and lines of credit is as follows:

	1974	1973
	(in thousands)	
Total lines of credit at end of period (excluding $50,000,000 revolving credit agreement in 1974)	$47,000	83,000
Amount of available borrowings under the lines of credit at end of period	40,000	70,000
Compensating balances required on the Company's books to support the lines of credit:		
Average for year	8,100	8,000
End of year	1,000	8,500
Average amount of short-term debt outstanding during the period	38,000	7,500
Related weighted average interest rate	11.3%	9.3%
Maximum amount of short-term debt outstanding at any time during the period	$69,500	28,000

The Canadian subsidiaries have additional lines of credit aggregating $10,000,000 with several banks which do not require compensating balances.

THE GILLETTE COMPANY (DEC)

	1974	1973
	($000)	
Current Assets:		
Cash	$ 24,822	$ 27,707
Time deposits and certificates of deposit	17,693	69,197
Marketable securities, at cost which approximates market value	1,386	3,155
Receivables, less allowances of $9,723 ($6,984 in 1973)	294,468	224,237
Inventories, at the lower of cost or market:		
Raw materials and supplies	108,110	63,599
Work in process	47,953	33,128
Finished goods	172,239	102,106
Total Inventories	328,302	198,833
Total Current Assets	$666,671	$523,129

GULF OIL CORPORATION (DEC)

	1974	1973
	(Millions of Dollars)	
Current assets		
Cash and marketable securities (Note 2)	$1,766	$1,056

Note 2: Cash and Marketable Securities

	Millions of Dollars December 31	
	1974	1973
Cash	$ 180	$ 135
Time deposits and certificates of deposit	845	602
Marketable securities	741	319
	$1,766	$1,056

Marketable securities are stated at cost which approximates market.

Note 2: Compensating Balances—In connection with the financing of the acquisition of Peabody Coal Company compensating balances aggregating approximately $30,000,000 are being maintained with a group of banks. Withdrawal of such amounts is not legally restricted and in many instances such balances constitute normal working funds in the account.

HARSCO CORPORATION (DEC)

	1974	1973
Current assets:		
Cash:		
Demand deposits	$10,369,000	$ 9,279,000
Time deposits	5,826,000	8,102,000
Marketable securities (quoted market value: 1974, $1,650,000; 1973, $2,340,000)	1,578,000	2,047,000
Notes and accounts receivable, less allowance for uncollectible accounts (1974, $2,311,000; 1973, $1,300,000)	79,429,000	71,241,000

KENNECOTT COPPER CORPORATION (DEC)

	1974	1973
Current assets:		
Cash (Note 2)	$ 49,013,748	$ 60,847,486
U.S. Government and other short-term securities, at cost (approximates market)	71,184,035	80,109,385
Accounts receivable	196,036,996	189,996,431
Inventories (Note 3):		
Ores, concentrates, metals and metal products	147,786,624	118,985,150
Coal	4,091,497	5,107,642
Materials and supplies	137,953,801	94,539,655
	$606,066,701	$549,585,749

UNITED BRANDS COMPANY (DEC)

	1974	1973
	($000)	
Current Assets:		
Cash (Note 5) (includes cash received on December 31, 1974 from sale of subsidiary—Note 4)	$ 98,976	$ 20,986
Marketable securities, at the lower of cost or market	540	20,363
Trade receivables, less allowance for doubtful accounts of $4,446 (1973—$4,332)	125,210	136,368
Other receivables	38,355	33,767

Note 4 (in part): Sold or Discontinued Operations—Following purchases under a tender offer and a recapitalization on May 3, 1974 the interest of the Company in Foster Grant Co., Inc. was increased to 70% of total equity, representing 80% of voting power. The accounts of Foster Grant were consolidated with those of the Company as of January 1, 1973 in recognition of the fact that Foster Grant became a majority-owned subsidiary during the first six months of 1973. For federal income tax purposes, the Company is advised that Foster Grant may be included in its consolidated 1974 income tax return. On December 31, 1974 the Company sold its interest in Foster Grant for approximately $69,000,000 in cash. On a separate return basis, the federal income tax liability of Foster Grant for the period May 4 to December 31, 1974 was approximately $6,500,000.

Note 5: Compensating Bank Balances and Short-Term Bank Borrowings—The Company maintains lines of credit with a group of domestic banks for borrowing funds on a short-term and a long-term basis. The Company has agreed to maintain an average compensating balance of approximately 10% of the unused lines of credit and of approximately 15% to 20% of the amounts borrowed. The Company has complied with these compensating balance arrangements. At December 31, 1974 the aggregate compensating balance requirement adjusted for float was approximately $17,433,000.

With respect to short-term borrowings during 1974, the maximum amount outstanding at a month end was $77,302,000 (1973—$62,117,000). The average month end outstanding borrowing was approximately $63,912,000 (1973—$50,500,000) with an average interest rate of approximately 11% (1973—8%). The average interest rate on outstanding borrowings at December 31, 1974 was approximately 11% (1973—10%). At December 31, 1974 the Company had unused lines of credit of $41,900,000 for short-term bank borrowings.

MARKETABLE SECURITIES IN CURRENT ASSETS

Chapter 3A of *ARB No. 43* states in part:

9. The amounts at which various current assets are carried do not always represent 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 . . .

Auditing Interpretation–Evidential Matter for the Carrying Amount of Marketable Securities, issued in January 1975, provides guidance as to the classification and valuation of marketable securities. The Interpretation states in part:

.04 *Classification of Securities*—The classification of marketable securities as either current assets or noncurrent assets is an important consideration in evaluating their proper carrying amounts. Whether marketable securities are properly classified depends to a large extent on management's intent. If management intends to dispose of the securities in the next fiscal year, the securities are classified as a current asset. Marketable securities that represent an excess of funds available for operations, but which management does not intend to dispose of, are often classified as current assets since management can sell them at any time at their option.

.07 *Investments Classified as Current Assets.* Marketable securities, such as stocks and bonds, properly classified as current assets should be written down to market at the balance sheet date to reflect declines that are not temporary. . . . When marketable securities classified as a current asset have a market value lower than cost, retention of the cost basis requires persuasive evidence that indicates a recovery in the market value will occur before the earlier of the scheduled maturity or sale date of the securities or within a one-year period from the balance sheet date. Generally, such evidence would be limited to substantial recovery subsequent to the year end. . . .

Table 2-4 shows the valuation bases at which marketable securities are included in the balance sheet.

TABLE 2-4: MARKETABLE SECURITIES — VALUATION

	1974	1973	1972	1971
Cost				
Approximates market	228	220	224	201
No reference to market ..	31	44	45	54
Market value disclosed ..	17	25	25	31
Lower of cost or market	15	10	7	11
Market value	7	7	4	4
	298	306	305	301
Valuation basis not disclosed	66	70	73	76
	364	376	378	377
Companies not showing marketable securities as current assets	236	224	222	223
Total Companies	**600**	**600**	**600**	**600**

At Cost—Approximates Market

ACF INDUSTRIES, INCORPORATED (DEC)

	1974	1973
Curret Assets:		
Cash	$ 8,905,000	$ 8,549,000
Marketable securities—at cost, which approximates market	202,000	1,770,000
Receivables—less allowance for doubtful accounts of $1,024,000 (1973—$880,000)..........	76,195,000	60,574,000
Inventories—Note 2		
Raw materials and supplies...	71,039,000	47,049,000
Work-in-process	38,566,000	30,345,000
Finished goods	29,625,000	25,070,000
	139,230,000	102,464,000
Prepaid expenses.................	1,764,000	1,718,000
Total current assets	$226,296,000	$175,075,000

BATES MANUFACTURING COMPANY, INCORPORATED (DEC)

	1974	1973
Current Assets:		
Cash (including certificates of deposit 1973, $5,800,000)...	$ 4,862,571	$ 8,865,826
Commercial paper, at cost, which approximates market........	6,389,535	—
Notes and accounts receivable —Less allowances 1974, $700,371; 1973, $317,897	20,194,767	10,562,461
Inventories (Note 2)	16,303,849	17,188,385
Prepaid expenses................	285,191	277,554
Total current assets	$48,035,913	$36,894,226

CHOCK FULL O'NUTS CORPORATION (JUL)

			1974	1973
Current assets:				
Cash			$ 1,982,493	$2,368,514
	1974	1973		
Marketable securities (notes 1(b) and 4):				
At cost—preferred and common stocks:				
Public utilities	$17,171,353	$15,620,355		
Industrials	866,168	930,133		
	18,037,521	16,550,488		
Provision for decline in market value	(7,400,000)	—		
	10,637,521	16,550,488		
Due from brokers for securities sold (subsequently reinvested)	—	1,169,461		
Amount classified as non-current	—	(10,000,000)	10,637,521	7,719,949
Receivables:				
Trade			14,197,715	3,292,045
Refundable income taxes			1,306,640	—
Other (1974 includes $1,000,000 subsequently received from seller of Rheingold)			1,701,012	482,908
			17,205,367	3,774,953
Less allowance for doubtful accounts			376,194	82,831
			16,829,173	3,692,122

Note 1b: Marketable Securities and Dividend Income—Marketable securities as of July 31, 1973 were carried at cost. The decline in value ($485,610) between cost and market value as of such date was considered by management to be the result of temporary market conditions and accordingly, a provision for such decline in value was not deemed appropriate at that time. As unfavorable market conditions developed throughout fiscal 1974, it was deemed appropriate to recognize the loss in value in fiscal 1974 and accordingly, a provision for such decline in the amount of $7,400,000 has reduced marketable securities as of July 31, 1974 to their approximate market value.

Dividends are recorded as income as of declaration date.

Note 4a (in part): Notes Payable to Bank—The amount outstanding at July 31, 1973 represented borrowings from the Chase Manhattan Bank (N.A.) under a loan agreement which provided that the proceeds of the borrowings would be used to purchase or carry marketable securities listed on national securities exchanges. Such borrowings were evidenced by unsecured notes maturing on September 26, 1975. In view of the provision that such borrowings were limited to investments in marketable securities, the consolidated balance sheet at July 31, 1973 classified $10,000,000 of the Company's marketable securities as a non-current asset. During fiscal 1974, the Company prepaid such borrowings with the proceeds from short-term borrowings from First National City Bank ($2,200,000) and a broker margin loan account ($7,800,000), which borrowings are discussed in the succeeding paragraphs.

CHEMETRON CORPORATION (DEC)

	1974	1973
	($000)	
Current Assets:		
Cash	$ 6,327	$ 8,731
Marketable securities	2,271	192
Receivables:		
Customers, less allowances for collection losses: 1974, $1,398; 1973, $1,322	74,831	56,600
Sundry debtors	6,543	1,081
Inventories (note 1)	81,438	77,082
Prepaid expenses	1,777	2,570
Total Current Assets	$173,187	$146,256

Summary of Significant Accounting Policies

Marketable Securities—Marketable securities are valued at cost, which approximates market value at the respective balance sheet dates. Securities not intended for resale or not readily marketable are included in other investments.

THE CLEVELAND-CLIFFS IRON COMPANY (DEC)

	1974	1973
Current Assets		
Cash	$ 8,919,000	$ 8,228,000
Short-term securities, including certificates of deposit —$5,995,000 (1973 —$6,918,000)—at cost and accrued interest (approximates market)	22,087,000	39,078,000

FREEPORT MINERALS COMPANY (DEC)

	1974	1973
Current assets:		
Cash	$ 3,074,000	$ 4,376,000
Marketable securities—principally short-term obligations of U.S. Government, states and municipalities or their agencies, and other notes, at cost (approximate market)	78,229,000	59,135,000

GENERAL HOST CORPORATION (DEC)

	1974	1973
	(Dollars in thousands)	
Current assets:		
Cash	$ 4,220	$ 4,805
Short-term marketable securities, at cost which approximates market	10,022	22,123
Accounts and notes receivable, less allowance for doubtful accounts of $497 and $472	28,891	31,429
Inventories (Note 2)	46,398	42,260
Prepaid expenses	1,184	1,355
Total current assets	$90,715	$101,972

GENERAL MOTORS CORPORATION (DEC)

	1974	1973
Current Assets		
Cash	$400,626,489	$ 387,131,788
United States and other government securities and time deposits — at cost, which approximates market:		
Held for payment of income taxes	303,389,424	498,525,392
Other	634,342,398	2,160,446,064

METRO-GOLDWYN-MAYER INC. (AUG)

	1974	1973
Current Assets		
Cash	$17,709,000	$13,444,000
Marketable securities, at cost, which approximates market	19,064,000	17,667,000
Trust funds (note 1)	10,000,000	—

Note 1 (in part): As of August 31, 1974, funds in the amount of $10,000,000 were held by the trustee of the Company's 9% Collateral Trust Bonds due 1992. These funds will be released by the trustee upon removal of mechanic's liens relating to the Hotel's real property, one of which liens is the subject of litigation (See Note 9) and delivery of a final title insurance policy. The funds have been classified as current assets since, in management's opinion, all documents necessary for the release of the funds will be obtained in less than one year.

JOHNSON & JOHNSON (DEC)

	1974	1973
	($000)	
Current Assets		
Cash and certificates of deposit	$ 31,387	60,213
Marketable securities, at cost which approximates market value	77,952	146,609
Receivables, less allowance for collection losses and discounts $9,711 (1973 $7,829)	273,017	223,255
Inventories (Notes 1 and 4)	432,108	269,260
Expenses applicable to future operations	21,036	25,306
Total current assets	835,500	724,643
Marketable Securities Maturing After One Year, at cost (market value at December 29, 1974—$54,109; at February 20, 1975—$58,129) (Note 3)	62,030	66,300

Note 3: Marketable Securities Maturing After One Year—Marketable securities maturing after one year and preferred stock held for long-term investment are classified as non-current investments.

ELI LILLY (DEC)

	1974	1973
Current Assets		
Cash	$ 27,259,000	$ 26,676,000
United States government and government-guaranteed securities, and time deposits (interest bearing)—at cost (approximately market)	235,406,000	211,226,000

REPUBLIC STEEL CORPORATION (DEC)

	1974	1973
	($000)	
Current Assets		
Cash	$ 39,593	$ 40,339
Short-term money market investments	177,855	107,312
Accounts receivable—trade, less allowances for possible losses ($2,600,000 in each year)	242,857	188,697
Inventories—Note A	257,098	261,055
Deferred income taxes and other current assets	41,975	15,472
Total Current Assets	$759,378	$612,875

Notes to Consolidated Financial Statements

Accounting Policies (in part)

Short-Term Money Market Investments—Investments are valued at cost and accrued interest which approximates market.

RUSS TOGS, INC. (JAN)

	1975	1974
Current assets:		
Cash (including certificates of deposit of $7,366,432 in 1975 and $2,779,344, in 1974).	$ 8,519,804	$ 3,837,618
Short-term bonds and bank acceptances (at cost, which approximates market)	6,421,256	6,647,925
Accounts receivable (less estimated discounts and doubtful accounts of $1,990,534 in 1975 and $1,831,804 in 1974)	18,478,797	19,425,983
Inventories (Notes A (2) and C).	14,961,723	22,912,701
Deferred income taxes	2,390,000	
Prepaid expenses and other assets	1,636,524	1,434,596
Total current assets	$52,408,104	$54,258,823

At Cost—Market Value Stated

CARNATION COMPANY (DEC)

	1974	1973
Current Assets:		
Cash	$ 25,882,610	$ 13,059,007
Short-term commercial obligations, at cost (approximately market)	66,808,202	95,613,875
Other marketable securities, at cost (quoted market value $7,888,000 and $14,241,000)	3,990,774	5,363,796
Accounts and notes receivable, less provisions of $6,402,115 and $5,196,702 for uncollectible accounts—		
Trade	167,951,478	136,273,958
Miscellaneous	20,768,236	14,294,108
Inventories, at lower of cost (principally first-in, first-out basis) or market—		
Raw materials and supplies	161,926,485	86,935,246
Finished goods	221,526,870	155,234,648
Prepaid expenses and deposits	8,719,998	8,457,906
Total current assets	$677,574,653	$515,232,544

THE COCA-COLA COMPANY (DEC)

	1974	1973
Current Assets:		
Cash	$ 78,276,435	$ 73,662,020
Marketable securities—at cost (market price—1974, $158,293,148; 1973, $232,033,155)	159,841,287	231,795,735

J. RAY McDERMOTT & CO., INC. (MAR)

	1974	1973
Current Assets:		
Marketable securities—at cost (market 1974, $20,206,736; 1973, $17,695,946)	$10,349,382	$10,349,382

Lower of Cost or Market

AMERICAN BAKERIES COMPANY (DEC)

	1974	1973
	(In Thousands)	
Current Assets:		
Cash	$ 9,298	$ 5,533
Marketable securities, less provision for market decline of $326,000 (Note 1)	1,104	2,025
Accounts receivable, less allowance for doubtful accounts of $871,000 in 1974 and $829,000 in 1973	24,663	23,552
Inventories, principally ingredients and wrapping supplies (Note 1)	19,008	12,342
Claims for refund and future tax benefits	115	2,021
Prepaid expenses and deposits	1,057	1,063
Total current assets	$55,245	$46,536

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

Marketable Securities—Marketable securities are reported at the lower of cost or current market. Securities held at December 28, 1974, have been written down for the market decline by a charge to income of $326,000.

ABBOTT LABORATORIES (DEC)

	1974	1973
Current Assets:		
Cash	$ 5,376,000	$ 5,481,000
Time deposits (Note 4)	38,631,000	35,964,000
Marketable securities, at lower of cost or market (Note 4)	58,162,000	46,730,000
Trade receivables, less allowances of $4,739,000 in 1974 and $2,962,000 in 1973	172,218,000	135,797,000
Inventories (Note 1)—		
Finished products	83,467,000	56,861,000
Work in process	29,191,000	29,017,000
Materials	92,344,000	58,364,000
Total inventories	205,002,000	144,242,000
Prepaid expenses and other receivables	44,021,000	31,730,000
Total current assets	$523,410,000	$399,944,000

Note 4: Time Deposits and Marketable Securities—Time deposits and marketable securities consist of bank time deposits and certificates of deposit and marketable obligations issued or guaranteed by various governments, and result principally from the investment of funds generated by earnings of two domestic subsidiaries operating in Puerto Rico under tax exemption grants expiring in 1985 and 1988. The investment of these funds has increased the Company's need for borrowings, as shown in Notes 5 and 6. It is the Company's present intention to continue accumulating and investing such funds, rather than repatriate, until the expiration dates of the tax exemption grants. Repatriation of these funds at an earlier date would result in a substantial liability for Federal income taxes unless the subsidiaries were liquidated.

CANNON MILLS COMPANY (DEC)

	1974	1973
Current Assets:		
Cash	$ 13,488,989	$ 13,358,392
Marketable securities (Note 1)	54,733,974	47,800,959
Accounts receivable (less allowances for doubtful accounts and discounts: 1975—$780,481; 1973—$755,629)	57,917,618	56,965,304
Inventories (Notes 1 and 2)	57,724,719	55,125,917
Total current assets	$183,865,300	$173,250,572

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

Marketable Securities—Marketable securities are carried at the lower of cost or quoted market value. The approximate total market quotation values at January 2, 1975 and December 31, 1973 were $54,900,000 and $47,900,000, respectively.

PPG INDUSTRIES, INC. (DEC)

	1974	1973
Current Assets:		
Cash, including time deposits	$ 42,059,000	$ 30,665,000
Marketable securities—generally at lower of cost or market (Quoted market value: 1974, $42,579,000; 1973, $81,762,000)	42,710,000	81,664,000
Notes and accounts receivable less estimated losses: 1974, $6,184,000; 1973, $5,565,000	283,303,000	252,649,000
Inventories	285,301,000	239,365,000
Prepayments and other current assets	31,803,000	19,251,000
Total Current Assets	$685,176,000	$623,594,000

DART INDUSTRIES INC. (DEC)

	1974	1973
Current assets:		
Cash	$ 38,785,000	$ 37,182,000
Marketable securities, at lower of cost or market	55,007,000	20,405,000
Total cash and marketable securities	$ 93,792,000	$ 57,587,000
Investments and other assets:		
Marketable securities (quoted market value: 1974—$13,536,000; 1973—$76,199,000)	$ 16,806,000	$ 80,954,000
3M Company common stock held in escrow for exchange by holders of 4¼% and 4¾% debentures (quoted market value: 1974—$39,068,000; 1973—$66,066,000)	35,162,000	35,162,000
Equity in unconsolidated finance subsidiaries	3,726,000	3,653,000
Other assets, receivables and investments	34,747,000	32,342,000
Intangibles relating to businesses purchased, less amortization	13,430,000	14,697,000
Total investments and other assets	$103,871,000	$166,808,000

Notes to Financial Statements

Marketable securities—During 1974 Dart began disposing of its investment in industrial and utility common and preferred stocks. In addition, because of the significant deterioration in the market value of these investments, Dart reduced its carrying value of all but two securities to current market value by charges to earnings during the year.

The charge to earnings of $16,145,000 results from the following:

Losses Incurred on Sales:	
Cost of securities	$52,677,000
Proceeds from sales	39,571,000
	13,106,000
Losses Expected to Be Incurred:	
Cost of securities	10,797,000
Market value at December 31, 1974	7,758,000
	3,039,000
Loss on marketable securities	$16,145,000

Two issues of preferred stock of the same company have been classified in the balance sheet as non-current assets and have not been written down to their market value because management believes that the quality of these issues exceeds that of the securities written down and that the decline in their market value is not indicative of a permanent impairment of their value.

STANADYNE, INC. (DEC)

	1974	1973
	(In Thousands)	
Current Assets		
Cash	$ 4,442	$ 2,577
Marketable securities, at the lower of cost or market	930	1,447
Accounts receivable (less allowance of doubtful accounts of $400,000)	25,364	23,929
Inventories, at LIFO cost	26,443	25,929
Prepaid expenses	792	455
Total Current Assets	$57,971	$54,337

Market Value

DOYLE DANE BERNBACH INC. (OCT)

	1974	1973	1974	1973
Current Assets:				
Cash and temporary cash investments			$ 9,235,601	$ 6,575,398
Marketable securities (Note C):				
	1974	1973		
At cost	$5,421,153	$5,831,817		
Provision for decline in market value	1,800,000	—		
	$3,621,153	$5,831,817	3,621,153	5,831,817
Accounts receivable (less allowance for estimated uncollectibles of: 1974—$775,070 and 1973—$235,043)			40,483,622	46,168,197
Expenditures billable to clients			4,566,576	5,421,756
Merchandise inventory—at lower of cost or market			3,232,694	2,303,023
Other current assets			2,502,422	1,685,860
Total Current Assets			$63,642,068	$67,986,051

Note C: Marketable Securities—At October 31, 1973 marketable securities were carried at cost. The decline in value at that date of $382,702 was considered by management to be the result of temporary market conditions and accordingly a provision for this decline in value was not deemed proper at that time. Because of the unfavorable market conditions which developed throughout fiscal 1974, management deemed it appropriate to provide for a loss of $1,800,000, reducing the cost of marketable securities to their approximate market value at October 31, 1974. During 1974, the Company realized $238,672 of capital losses from the sale of marketable securities. The total of $2,038,672 is shown in the consolidated statements of income as provision for loss on marketable securities.

GEORGIA-PACIFIC CORPORATION (DEC)

	1974	1973
	($000)	
Current Assets:		
Marketable securities, at quoted market (cost $21,300 in 1974 and $22,200 in 1973)	$16,700	$22,200

W.R. GRACE & CO. (DEC)

	1974	1973
	($000)	
Current Assets		
Cash, including time deposits of $40,607 (1973—$28,013)	$ 71,388	$ 94,187
Marketable securities, less allowances of $6,900 to approximate market value (1973 at cost, approximate market value $41,617)	87,436	43,284
Notes and accounts receivable:		
Trade, less allowances of $15,074 (1973 —$12,583)	443,754	375,443
Other, less allowances of $2,107 (1973 —$3,245)	62,908	56,521

THE GRAND UNION COMPANY (FEB)

	1974	1973
Current assets:		
Cash	$ 1,183,892	$2,808,981
Temporary cash investments, at cost (approximates market).	5,577,288	3,629,951
Investments in preferred stocks (note 8)	21,953,259	—

Note 8: Investments in Preferred Stocks—Management has decided to dispose of the investment as expeditiously and economically as possible. Accordingly, the preferred stocks are considered current assets and valued principally at market at March 2, 1974, which is $1,864,100 below their cost. Based on May 10, 1974 market quotations, the market value has declined an additional $1,871,000.

RECEIVABLES

Table 2-5 summarizes both the descriptive titles used in the balance sheet to describe trade receivables and the types of receivables, other than trade receivables, which the survey companies showed as current assets. Examples of receivables follow.

TABLE 2-5: CURRENT RECEIVABLES

	1974	1973	1972	1971
Trade Receivable Captions				
Accounts receivable	207	211	201	188
Receivables	172	170	170	176
Accounts and notes receivable	160	160	160	164
Trade accounts receivable	60	58	62	60
Other	1	1	7	12
Total Companies	**600**	**600**	**600**	**600**
Receivables Other Than Trade Receivables				
Tax refund claims	43	44	45	60
Installment notes or accounts	39	41	37	31
Government	25	28	22	22
Investees	23	27	25	22
Other — identified	57	62	62	52
Other etc.	106	103	103	109
Total Presentations	**293**	**305**	**294**	**296**

Income Tax Refund Claims

ADAMS-MILLIS CORPORATION (DEC)

	1974	1973
Current Assets		
Cash	$1,116,708	$1,337,546
Notes and accounts receivable, less allowance of $125,000 in 1974 and $210,000 in 1973	5,472,965	9,097,003
Recoverable federal income taxes—Note F	416,000	98,257

Note F (in part): Income Taxes—The Company files a consolidated federal income tax return with its wholly-owned subsidiaries. State income taxes are determined on the basis of filing separate returns as required by the applicable state regulations. Recoverable income taxes at December 29, 1974 primarily represent taxes paid for the years 1971 through 1973 which are refundable as a result of the carryback of the 1974 operating loss. Amounts recoverable at December 30, 1973 represent carrybacks of unused investment tax credits which were received in 1974.

CHOCK FULL O'NUTS CORPORATION (JUL)

	1974	1973
Receivables:		
Trade	$14,197,715	$3,292,045
Refundable income taxes (note 5)	1,306,640	—
Other (1974 includes $1,000,000 subsequently received from seller of Rheingold)	1,701,012	482,908
	17,205,367	3,774,953
Less allowance for doubtful accounts	376,194	82,831
	$16,829,173	$3,692,122

Note 5 (in part): Federal Income Taxes—At July 31, 1974, $482,000 of refundable income taxes relates to an overpayment of estimated taxes paid in 1974; $591,000 represents refund claims for the years 1965 through 1967 resulting principally from an election by the Company of guideline depreciation in those years and the remaining amount represents refund claims related to current operations.

FDI, INC. (NOV)

	1974	1973
Current Assets:		
Cash	$ 2,769,775	$ 1,099,514
Notes and accounts receivable	18,689,725	19,485,025
Less deduction for doubtful accounts	2,755,668	836,815
	15,934,057	18,648,210
Income tax refund receivable	2,930,000	—

LA MAUR INC. (DEC)

	1974	1973
Current Assets:		
Cash	$ 116,684	$ 227,710
Marketable securities, at cost, which approximates market	—	400,000
Receivables—less allowance (1974 — $188,055; 1973 — $141,743)	4,641,836	4,874,833
Refundable federal and state income taxes (Note D)	400,847	—

Note D (in part): Federal and state income taxes—Refundable federal and state income taxes of the Company include a loss and an investment tax credit carried back to prior years, and deposits on declarations made in excess of tax liabilities.

THE MAGNAVOX COMPANY (DEC)

	1974	1973
	(In Thousands)	
Current assets:		
Accounts receivable—		
Customers and others, less allowance for doubtful accounts of $3,405 in 1974 and $2,515 in 1973	$68,917	$81,990
Current portion of long-term contracts	12,125	10,970
Recoverable federal income tax (Note 5)	10,873	—
	$91,915	$92,960

Note 5: Income Taxes—The provision for income taxes for the years ended December 31, 1974 and 1973, was as follows:

	1974	1973
	(In Thousands)	
Currently payable (recoverable):		
Federal	$(10,873)	$5,297
State	99	1,074
	(10,774)	6,371
Deferred	(3,376)	(1,684)
Provision for income taxes (benefit)	$(14,150)	$4,687

The Company will file a consolidated federal income tax return for the nine months ended September 30, 1974, and will include its results of fourth quarter operations in the consolidated federal income tax return of NAPC as a result of NAPC's acquisition of 84.1% of the Company's common stock as described in Note 2. Accordingly, the recoverable federal income taxes in 1974 reflect a refund receivable of $3,832,000 from the U.S. Government and $7,041,000 receivable from NAPC.

Investment tax credits are applied to reduce the provision for income taxes for the year in which the related property is placed in service and aggregated $571,000 and $437,000 in 1974 and 1973, respectively.

Future federal income tax benefit results primarily from product warranty expenses which have been provided for financial statement purposes and are not deductible for income tax purposes until paid. Deferred federal income taxes result primarily from tax depreciation provided in excess of depreciation for financial statement purposes.

Installment Receivables

BEECH AIRCRAFT CORPORATION (SEP)

	1974	1973
Current Assets:		
Trade notes and accounts receivable:		
Installment receivables, less allowances for losses and unearned finance charges—Note B	$28,631,866	$19,715,207
United States Government and prime contractors	4,933,065	3,353,816
Other, less allowances of $188,067 in 1974 and $175,593 in 1973	7,099,959	5,487,213
	$40,664,890	$28,556,236

Note B: Installment Receivables—Installment receivables are reduced by allowances for losses of $652,780 and $566,595 and by unearned finance charges of $6,687,853 and $4,126,974 in 1974 and 1973 respectively. Installment receivables include $13,293,175 in 1974 and $9,327,217 in 1973 (exclusive of unearned finance charges) which are not due within one year.

BRUNSWICK CORPORATION (DEC)

	1974	1973
	($000)	
Current Assets:		
Notes and accounts receivable—		
Installment notes (Note 2)	$ 61,670	$ 60,958
Unearned interest	(12,085)	(11,686)
Accounts	130,033	105,093
Allowance for possible losses on receivables	(11,111)	(10,660)
	$168,507	$143,705

Note 2: Installment Notes Receivable—The maturities of installment notes as of December 31, 1974, are (in thousands):

1975	$16,683
1976	11,447
1977	9,428
1978	7,582
1979	6,100
1980	4,658
1981	2,904
1982, etc.	2,868
	$61,670

Amounts due after one year are classified as current assets in conformity with trade practices. Installment notes receivable include add-on interest equivalent to simple interest of 6% to 12%.

INSILCO CORPORATION (DEC)

	1974	1973
Current Assets:		
Cash, including interest-bearing time deposits of $3,600,000 (1973 — $3,800,000)	$ 6,134,000	$ 8,555,000
Accounts receivable (Note 2)....	102,373,000	98,413,000
Inventories (Note 3).............	100,493,000	91,494,000
Refundable income taxes	3,320,000	—
Prepaid expenses.................	2,644,000	2,886,000
Total current assets	$214,964,000	$201,348,000

Summary of Accounting Policies

Miles Home Ownership Plan—Receivables and Revenues—Sales made under the Miles Home Ownership Plan are recorded and income therefrom is recognized as deliveries are made. Accounts receivable and related deferred income taxes arising from such sales, including those portions which mature after one year, are included in current assets and current liabilities, respectively, in accordance with trade practice.

Notes to Financial Statements

Note 2: Accounts Receivable

Accounts receivable comprise:

	December 31 1974	1973
	(Amounts in thousands)	
Trade receivables, other than home ownership	$ 43,368	$ 52,969
Miles Home Ownership Plan:		
Collectible within one year	12,820	10,826
Collectible after one year........	44,654	32,478
	100,842	96,273
Other................................	4,309	4,210
	105,151	100,483
Allowance for doubtful accounts:		
General	(1,621)	(1,193)
Miles Home Ownership Plan.....	(1,157)	(877)
	$102,373	$ 98,413

Receivables for the Miles Home Ownership Plan are generally evidenced by three year contracts bearing interest at rates ranging from 7½% to 8¾% annually and are normally expected to be collected over the next four years or less. Contract maturities are extended when necessary to allow customers sufficient time to complete construction and arrange conventional financing. Consequently, the anticipated collection period may extend beyond the initial contract period. Other income includes interest of $3,941,000 in 1974 and $2,733,000 in 1973 on such receivables. Deferred income taxes classified under current liabilities include $12,717,000 and $9,027,000 at December 31, 1974 and 1973, respectively, relating to Miles Home Ownership Plan receivables estimated to be collectible after one year.

Receivables from Government

CUTLER-HAMMER, INC. (DEC)

	1974	1973
Current Assets:		
Cash	$ 3,968,528	$ 3,578,812
Marketable securities and time deposits, at cost, which approximates market	750,000	7,250,000
Accounts and notes receivable (Note 5)	70,224,702	61,187,884
Inventories (Note 2).............	98,455,912	72,759,958
Other current assets.............	3,229,849	2,438,244
Total current assets	$176,628,991	$147,214,898

Note 5: Accounts and Notes Receivable

	1974	1973
Commercial Customers:		
Amounts billed....................	$54,093,854	$47,232,715
Unbilled	1,685,389	446,846
U.S. Government:		
Amounts billed....................	7,498,037	4,984,300
Unbilled	8,294,600	9,965,201
	71,571,880	62,629,062
Less—allowance for doubtful items	1,347,178	1,441,178
	$70,224,702	$61,187,884

Unbilled receivables arise primarily from cost-plus contracts and multi-year fixed-price contracts of a very significant size on which revenue is recognized on a percentage of completion basis related to costs incurred. It is anticipated that the majority of such unbilled receivables will be billed in 1975. Retainage included in the above amounts is insignificant.

MARTIN MARIETTA CORPORATION (DEC)

	1974	1973
Current Assets:		
Notes and accounts receivable ..	$143,614,000	$152,806,000

Financial Review

Notes and Accounts Receivable: Notes and accounts receivable of $143,614,000 in 1974, compared with $152,806,000 at the prior year-end, are presented net of allowances for uncollectible receivables of $2,867,000 in 1974 and $2,028,000 in 1973. These amounts included receivables under long-term contracts as follows:

	1974	1973
United States Government:		
Amounts billed....................	$ 8,805,000	$23,715,000
Recoverable costs and accrued profits not billed............	16,002,000	8,655,000
Amounts withheld, due upon completion of contracts	4,822,000	2,406,000
	29,629,000	34,776,000
Commercial Customers:		
Amounts billed....................	8,372,000	4,538,000
Recoverable costs and accrued profits not billed............	6,878,000	13,296,000
Total	$44,879,000	$52,610,000

NORTHROP CORPORATION (DEC)

	1974	1973
Current assets:		
Accounts receivable—Note H ...	$69,081,000	$77,754,000

Note H: Accounts receivable—Accounts receivable are composed of the following elements:

	1974	1973
Amounts receivable from the U.S. Government including long-term contracts:		
Due currently	$18,172,000	$22,977,000
Due upon negotiation of increases in contract value for customer changes and claims................	1,556,000	1,183,000
Due upon completion of contracts	916,000	1,093,000
Total due from U.S. Government...	20,644,000	25,253,000
Amounts receivable under long-term contracts with other customers:		
Due currently	33,653,000	37,930,000
Due upon negotiation of contract changes for customer-caused delays, changes, claims and price escalation	421,000	582,000
Due upon completion of contracts	9,121,000	7,146,000
Total due from other customers ...	43,195,000	45,658,000
Other accounts receivable	7,219,000	8,021,000
	71,058,000	78,932,000
Less allowances for uncollectible amounts	1,977,000	1,178,000
	$69,081,000	$77,754,000

The amounts due upon completion of contracts represent retainages payable at time of completion and customer acceptance of the work performed.

Accounts receivable at December 31, 1974 are expected to be collected in 1975, except for approximately $1,000,000 which is due in 1976.

Receivables from Investees

GEARHART-OWEN INDUSTRIES, INC. (JAN)

	1975	1974
Current Assets		
Cash	$ 1,284,028	$ 1,038,389
Accounts Receivable Trade, net of allowance for doubtful accounts (1975 $492,097 — 1974 $327,245)	7,852,616	5,247,076
Accounts Receivable—Affiliates.	261,749	98,358
Other Receivables	95,571	129,400
Notes and Accrued Interest, net of deferred income (1975 $1,301 — 1974 $1,793)..	133,015	113,097
Inventories, Lower of Approximate Cost (FIFO) or Market.	12,875,825	8,816,683
Prepaid Expenses and Inventory of Supplies	270,912	296,818
Total Current Assets........	$22,773,716	$15,739,821

KOPPERS COMPANY, INC. (DEC)

	1974	1973
Current assets:		
Accounts receivable:		
Due from affiliate (Note 1) ...	$ 11,899,000	$ —
Trade, less allowance for doubtful accounts of $1,996,766 in 1974 and $1,836,173 in 1973 (Note 2)	158,557,672	129,450,232

Note 1: Reorganization of Sinclair-Koppers Company—The Company 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 were transferred to a new corporation (ARCO/Polymers, Inc.) in exchange for $100 (one hundred dollar) par value 12½% preferred stock and $1 (one dollar) par value common stock Class A and B. The Class A common stock was distributed to Atlantic Richfield, and all the 12½% nonvoting preferred stock and all of Class B common stock, which constitutes approximately 20% voting interest, was distributed to the Company. The securities 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 are 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 are declared and paid quarterly.

Prior to 1974, the Company's 50% interest in the income, expenses, assets and liabilities of the partnership had been included in the financial statements, while in 1974 the Company's interest is shown as an investment, and income is reported as dividends are earned. Therefore, the following important components of the Company's share of Sinclair-

Koppers partnership included in the Company's consolidated financial statements at December 31, 1973 are furnished to facilitate comparison of 1974 and 1973:

Net working capital......	$18,008,000
Net fixed assets	$62,660,000
Net sales	$81,066,000
Depreciation	$ 6,185,000
Operating profit..........	$12,052,000

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

	1975	1974
Current assets		
Cash	$ 52,019,685	$ 28,786,680
Receivables, net	194,060,484	215,561,154
Due from unconsolidated subsidiaries..................	11,308,425	—

OTHER

THE FLINTKOTE COMPANY (DEC)

	1974	1973
	($000)	
Cash	$ 3,986	$ 4,944
Funds receivable	9,486	
Accounts receivable, less allowance for doubtful items and cash discounts: 1974, $4,356; 1973, $4,377.........	73,394	73,724
Inventories:		
Finished goods and work in process	39,976	27,210
Raw materials and operating supplies ..	25,986	18,401
	65,962	45,611
Prepaid expenses	6,080	7,766
Total current assets	$158,908	$132,045

Notes to Financial Statements

Funds Receivable—The Company sold, effective December 31, 1974, certain assets of the Concrete Materials division. The portion of the cash proceeds which were received on January 3, 1975 have been classified as 'Funds Receivable' in the accompanying financial statements.

SNAP-ON TOOLS CORPORATION (DEC)

	1974	1973
Current Assets:		
Accounts receivable		
Customers, less allowance for doubtful receivables (1974, $551,910 and 1973, $468,256)	$11,042,431	$ 8,813,492
Installment receivables less unearned finance charges (1974, $3,283,107 and 1973, $2,569,744) and allowance for losses (1974, $176,516 and 1973, $170,600) (Note A2)........................	20,380,695	16,298,771
Dealers and salesmen.........	1,811,598	2,439,360
Other	887,930	351,930

Note A 2: Receivables—Installment receivables include amounts which are due subsequent to one year from balance sheet date. It is impracticable to present a segregation of receivables due within one year. Unearned interest applicable to the installment receivables is transferred to income, in part, in the month the receivables arise, as an offset to initial costs, and the remainder is taken into income in equal monthly amounts over the term of the obligations.

RECEIVABLES USED FOR FINANCING

Table 2-6 shows that 98 of the survey companies referred to receivables sold with recourse, or receivables sold without recourse, or receivables used as collateral. In June 1974, the Accounting Standards Division of the American Institute of Certified Public Accountants issued a *Statement of Position—Recognition of Profit on Sales of Receivables With Recourse.* The Statement sets forth recommendations of the Accounting Standards Division to the Financial Accounting Standards Board as to the method of recognizing profit or

TABLE 2-6: RECEIVABLES USED FOR FINANCING

	1974	1973	1972	1971
Receivables sold with recourse	69	67	70	57
Receivables sold without recourse	12	9	8	8
Receivables used as collateral	21	16	21	23
Total References.................	**102**	**92**	**99**	**88**
Reference to receivable financing.................	98	87	98	81
No reference to receivable financing.................	502	513	502	519
Total Companies	**600**	**600**	**600**	**600**

loss on sales of receivables with recourse and as to the nature of information to be disclosed about such sales. The Statement states in part:

> .48 The Division believes that disclosures for the sale of receivables with recourse should go beyond the minimal requirements called for in *Accounting Research Bulletin No. 50, Contingencies*. In general, disclosure should include the nature and amount of the receivables sold during each period in which an income statement is presented, specifying the payment terms, and the amount of any receivables still outstanding at the date of the latest balance sheet presented. In addition, the financial statements should disclose the terms of the agreements, describing the conditions that would compel the seller to perform under the recourse provisions and any provisions for "dealers' reserves." The amount of funds in the "dealers' reserves" at the date of the latest balance sheet presented should also be given.
>
> .49 The Division believes that a company's accounting policy for profit or loss on the sale of receivables with recourse should be disclosed in accordance with the provisions of *APB Opinion No. 22, Disclosure of Accounting Policies*. The amount of differential included in each period for which an income statement is presented and the amount deferred at the date of the latest balance sheet presented should also be disclosed.

Examples of disclosures made in the reports of the survey companies follow.

Receivables Sold With Recourse

AMF INCORPORATED (DEC)

	1974	1973
	($000)	
Current Assets:		
Notes and accounts receivable (Note 4)	$229,716	$218,397

Note 4: Receivables—Notes and accounts receivable from customers at December 31 include the following (in thousands of dollars):

	1974	1973
Amounts due within one year	$234,507	$227,753
Amounts due beyond one year	39,996	32,352
	274,503	260,105
Less: Unearned interest on installment obligations	12,694	9,288
Allowance for possible losses ...	32,093	32,420
	$229,716	$218,397

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 $5,800,000 of long term installment notes and mortgages sold with recourse and has guaranteed $3,000,000 related to dealer floor plan arrangements.

CENTRAL SOYA COMPANY, INC. (AUG)

	1974	1973
	(In thousands)	
Current assets:		
Notes and accounts receivable ..	$117,353	$104,304

Notes to Consolidated Financial Statements

Notes and accounts receivable—Notes and accounts receivable include $16,587,000 ($13,324,000 at August 31, 1973) of notes due on demand or within one year and is reduced by an allowance for doubtful accounts of $5,414,000 ($5,435,000 at August 31, 1973).

The Company was contingently liable for receivables discounted aggregating approximately $8,700,000 ($17,400,000 at August 31, 1973).

OTIS ELEVATOR COMPANY (DEC)

Financial Review

Debt (in part)—A substantial portion of the subsidiaries' borrowings are guaranteed by the parent company. The Company is also contingently liable in the amount of $22,000,000, representing Industrial Truck installment obligations sold to banks. Compensating balance arrangements which principally relate to the aforementioned installment obligations sold to banks are insignificant. In addition, a number of the international companies are contingently liable for discounted notes in the amount of $16,000,000, which have been received in accordance with normal trade practices in their countries.

SAV-A-STOP INCORPORATED (AUG)

Notes to Consolidated Financial Statements

Note 9 (in part): Commitments and contingent liability—At August 31, 1974, the Company was contingently liable in the amount of approximately $2,500,000, for installment sales contracts sold to various financing institutions with recourse. It is the opinion of management that no material losses will result in the repurchase of such contracts.

WINNEBAGO INDUSTRIES, INC. (AUG)

Notes to Consolidated Financial Statements

Note 6 (in part): Contingent Liabilities and Commitments—It is customary practice for companies in the recreation vehicle industry to enter into repurchase agreements with lending institutions which have provided wholesale floor plan financing to dealers. The Company's agreements provide for the repurchase of its products from the financing institution for the balance due them in the event of repossession upon a dealer's default. The Company follows the policy of repurchasing the finance subsidiary's repossessions at their wholesale value on the date of repurchase.

In addition to any indirect exposure the Company may have on the finance subsidiary's receivables ($13,007,530 at February 23, 1974; $4,877,930 at August 31, 1974), the Company was contingently liable for approximately $17,500,000 and $13,500,000 under repurchase agreements as of February 23, 1974 and August 31, 1974, respectively.

Receivables Sold Without Recourse

THE GOODYEAR TIRE & RUBBER COMPANY (DEC)

Notes to Financial Statements

Accounts and Notes Receivable

(In Thousands)	1974	1973
Total accounts and notes receivable	$1,217,475	$1,119,170
Less:		
Allowance for doubtful accounts	25,554	24,155
Receivables sold—		
To Goodyear Financial Corporation less 5% holdback	279,852	251,605
To banks	97	2,504
	$ 911,972	$ 840,906

Goodyear Financial Corporation

The Goodyear Financial Corporation (GFC), a wholly-owned finance subsidiary, which purchases certain receivables from Goodyear and its domestic subsidiary companies was formed in October 1973. The pretax income of GFC of $11,177,000 ($723,000 in 1973) is included in the consolidated income statement as a reduction of interest expense and its provision for income taxes of $5,365,000 ($348,000 in 1973) is included in the consolidated income tax provision. Following is the condensed balance sheet of GFC:

(In Thousands)	December 31, 1974	1973
Assets:		
Customer receivables purchased from The Goodyear Tire & Rubber Company and domestic subsidiary companies without recourse	$294,581	$264,848
Prepaid discount on commercial paper	452	—
Cash	26	24
	$295,059	$264,872
Liabilities and Equity:		
Notes payable and commercial paper	$216,043	$199,626
5% holdback on receivables purchased, pending collections	14,729	13,243
Accrued interest and taxes	8,100	1,628
Equity of The Goodyear Tire & Rubber Company	56,187	50,375
	$295,059	$264,872

Refer to note on credit arrangements for discussion of GFC borrowing arrangements.

LOWE'S COMPANIES, INC. (JUL)

	1974	1973
Current Assets:		
Cash	$ 12,986,368	$ 7,858,746
Accounts Receivable Less Allowance for Doubtful Accounts—1974—$2,007,200; 1973—$1,901,168	36,849,859	37,603,195
Inventories at the Lower of Cost (First-In, First-Out) or Market	61,775,133	50,638,619
Prepaid Expenses and Other Current Assets	331,487	290,444
Total Current Assets	$111,942,847	$96,391,004

Notes to Financial Statements

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

Accounts Receivable—Substantially all of the trade receivables are on a thirty, sixty or ninety day basis. Service charges arising from certain classes of customer accounts are treated as a reduction of selling and administrative expense in the statement of earnings. Allowances for doubtful accounts are based on the experience encountered in the various locations. Installment receivables arising from consumer sales are sold without recourse to outside finance companies.

THE UNITED PIECE DYE WORKS (DEC)

	1974	1973
Current assets:		
Cash	$ 1,644,230	$ 416,834
Short-term investments—at cost, which approximates market	892,016	3,403,455
Due from factor (Note C)	2,494,566	
Accounts receivable less estimated doubtful accounts of $50,000 in 1974 and $201,970 in 1973 (Note C)	133,433	4,151,456
Federal and state tax refunds	1,629,917	687,076
Inventories (Note D)	2,845,520	715,929
Prepaid expenses and other current assets	754,641	398,332
Total current assets	$10,394,323	$9,773,082

Note C: Accounts Receivable and Factoring Agreements—The Company has agreements with two factors which provide, among other things, that it is to assign its receivables to the factors. The factors have agreed to accept the credit risk, without recourse to the Company, on those accounts approved by them as to credit, and the Company granted to the factors a security interest in its receivables and all cash and non-cash proceeds thereof.

Receivables Used As Collateral

AMERICAN BEEF PACKERS, INC. (MAY)

	1974	1973
Current assets:		
Accounts receivable (Note 3)....	$44,250,000	$47,838,000

Note 3: Assigned assets—Substantially all accounts receivable and certain inventories are assigned as collateral for the current and long-term notes payable under financing agreements and drafts in transit. The livestock inventory is assigned as collateral for the notes payable to banks. See Note 6 for additional assets assigned or pledged.

THE DUPLAN CORPORATION (SEP)

	1974	1973
Current assets:		
Cash	$ 4,044,000	$ 3,573,000
Marketable securities, at cost, including accrued interest (approximates market)......	—	4,694,000
Accounts and notes receivable, principally trade:		
Due from factors (Notes 3 and 4)	19,345,000	17,000,000
Other, less allowance for doubtful accounts and cash discounts: 1974, $513,000; 1973, $540,000	9,563,000	14,750,000
Federal income tax refund receivable	2,677,000	2,994,000
Inventories, at lower of cost (principally average cost) or market:		
Raw materials and supplies...	12,874,000	11,208,000
Work in process	8,684,000	6,503,000
Finished goods	12,015,000	10,687,000
Assets of discontinued operations	2,236,000	—
Prepaid expenses................	718,000	931,000
Total current assets	$72,156,000	$72,340,000

Note 3: Accounts Receivable Factored—The Company uses factors for credit administration purposes. Under the factoring agreements, the factors purchase certain of the Company's trade accounts receivable and assume substantially all credit risks with respect to such accounts. Remittances to the Company are made on a maturity basis.

Note 4: Notes Payable to Banks—Certain of the Company's subsidiaries have engaged in unsecured short-term borrowings from banks. During the years ended September 30, 1974 and 1973, the maximum amount payable under these borrowings was $2,500,000 and $2,800,000 respectively, the average amount borrowed was $1,656,000 and $2,338,000, respectively, and the weighted average interest rates were 11.25% and 6.41%, respectively. At September 30, 1974 the amount outstanding, $1,500,000, has been included in long-term debt because the Company has reached an agreement in principle to convert the note to long-term debt collateralized by certain accounts receivable from factors. This debt will be due October 31, 1975 and bear interest at the prime rate plus 1¼% with a compensating balance requirement of 10%.

THE PILLSBURY COMPANY (MAY)

	1974	1973
Current assets:		
Cash	$ 19,710,121	$ 10,382,746
Temporary cash investments, at cost (approximates market).	28,583,965	2,542,370
Receivables, less allowance for doubtful accounts of $1,920,000 and $1,665,000, respectively, ($8,874,000 of foreign subsidiaries' receivables pledged on notes payable to banks)	118,391,441	125,328,038
Inventories (Note 1):		
Grain...........................	30,682,344	33,949,124
Finished products	54,475,084	36,595,748
Raw materials, containers and supplies..................	42,051,627	27,031,731
	127,209,055	97,576,603
Advances on purchases	52,587,288	17,088,471
Prepaid expenses................	10,865,240	8,315,162
Total current assets	$357,347,110	$261,233,390

UNITED AIRCRAFT CORPORATION (DEC)

		1973	
	1974	Pro Forma With Essex	As Reported
		($000)	
Current Assets:			
Accounts receivable:			
United States Government	$ 57,110	$ 95,468	$ 95,468
Commercial customers	327,145	394,468	263,227
Other...................	6,382	7,942	7,942

Notes to Financial Statements

Note 3: Accounts Receivable—An allowance for doubtful accounts of $5,237,000 ($2,424,000 pro forma and $1,549,000 as reported in 1973) has been applied in the balance sheet as a reduction of current accounts receivable from commercial customers.

The Corporation has pledged to the lenders under the Corporation's 5% Sinking Fund Notes, long-term receivables in an amount at least equal to the unpaid principal amount of the Notes outstanding, in consideration for elimination of the major restrictive covenants of the Note Agreements. The amount of receivables so pledged at December 31, 1974 aggregated $39,570,000, including $4,961,000 currently receivable.

TABLE 2-7: DOUBTFUL ACCOUNT CAPTIONS

	1974	1973	1972	1971
Allowance for doubtful accounts	246	245	244	242
Allowance	122	116	113	113
Allowance for losses	44	44	40	35
Reserve	32	42	44	52
Allowance for uncollectible accounts	12	11	12	10
Reserve for doubtful accounts	12	10	16	11
Other caption titles	33	32	34	34
	501	500	503	497
Receivables shown net	9	9	7	7
No reference to doubtful accounts	90	91	90	96
Total Companies	**600**	**600**	**600**	**600**

ALLOWANCE FOR DOUBTFUL ACCOUNTS

Table 2-7 summarizes the captions used by the survey companies to describe an allowance for doubtful accounts. *APB Opinion No. 12* states that such allowances should be deducted from the related receivables and appropriately disclosed.

Approximately 10% of the survey companies, in addition to deducting an allowance for uncollectible accounts from receivables, also deducted amounts for unearned discounts or finance charges.

TABLE 2-8: INVENTORIES

	Number of Companies			
	1974	1973	1972	1971
Balance Sheet Captions				
Finished goods or products	255	253	237	214
Finished goods and work in process	75	70	68	71
Work in process	205	205	188	167
Work in process and raw materials	32	31	35	33
Raw materials	114	109	112	100
Raw materials and supplies	202	201	194	183
Supplies	46	41	40	43
No details presented	170	175	185	201
Pricing Bases				
Lower of cost or market	524	541	530	530
Cost				
No mention of market	85	57	69	79
"Not in excess of market"	42	32	37	31
"Less than market"	18	24	24	25
Market, or less than market	18	21	23	22
Various other bases	6	11	6	18

INVENTORIES

All but one of the 600 survey companies presented a balance sheet caption *inventories*. 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. Table 2-8 shows descriptive captions frequently used to describe inventory components. Table 2-8 also shows that *lower of cost or market*, an acceptable basis for pricing inventories when circumstances require a departure from cost, is the most frequently used basis for pricing inventories.

During 1974, 198 of the survey companies adopted or extended the use of LIFO as a method of determining the cost of either part or all of their inventory. Table 2-9 summarizes the cost methods used by the survey companies as well as indicates the portion of inventory cost determined by LIFO. Table 2-10 shows by industry classification the number of companies using LIFO and the percentage relationship of those companies using LIFO to the total number of companies in a particular industry classification.

Examples of disclosure and reporting practices for inventories follows. Examples of disclosures made by companies changing to LIFO are presented in connection with Table 1-7.

FIFO

ADDRESSOGRAPH MULTIGRAPH CORPORATION (JUL)

	1974	1973
Current Assets:		
Cash	$ 3,556,000	$ 11,177,000
Time deposits and marketable securities, at cost which approximates market value	2,431,000	10,392,000
Accounts receivable, less allowance for doubtful accounts of $8,820,000 in 1974 and $11,104,000 in 1973	132,750,000	122,814,000
Inventories	164,322,000	139,686,000
Prepaid income taxes and expenses	14,613,000	18,077,000
	$317,672,000	$302,146,000

Financial Review

Inventories—Inventory values are determined on the basis of lower of cost—mainly first-in, first-out—or market.

	1974	1973
Raw materials and supplies	$ 22,187,000	$ 13,673,000
Work in process including parts used in manufacturing	55,516,000	47,337,000
Finished parts, machines and supplies	103,253,000	99,273,000
	180,956,000	160,283,000
Less allowance for slow-moving, surplus and obsolete inventory	16,634,000	20,597,000
	$164,322,000	$139,686,000

TABLE 2-9: INVENTORY COST DETERMINATION

	1974	1973	1972	1971
Methods				
First-in first-out (fifo)	375	394	377	333
Last-in first-out (lifo)	303	150	150	144
Average cost	236	235	242	220
Standard Costs	49	52	54	36
Retail method	35	39	35	31
Specific or "actual" cost	24	23	26	15
Accumulated or production cost	19	18	25	24
Replacement or current cost	9	10	8	13
Other	4	6	3	6
Total Disclosures	**1054**	**927**	**920**	**822**
Use Of LIFO				
All inventories	33	8	10	9
50% or more of inventories	142	49	50	54
Less than 50% of inventories	63	68	59	55
Not determinable	65	25	31	26
Not used	297	450	450	456
Total Companies	**600**	**600**	**600**	**600**

Inventories of $164,322,000 are $24,636,000 greater than inventories at July 31, 1973. This increase is attributable principally to the rapidly rising costs of material and labor, a buildup to accommodate higher sales volumes, an effort to hedge against shortages in paper, chemicals, plastics, and other critical materials, and to action taken to prevent parts shortages because of longer lead times required by vendors. For comparative purposes, certain 1973 finished inventories were reclassified to conform with 1974 classifications.

BIRD & SON, INC. (DEC)

	1974	1973
Current Assets:		
Cash	$ 2,049,000	$ 2,441,000
Certificates of deposit, bearing interest	—	3,900,000
Marketable securities, at cost which approximates market	9,228,000	2,949,000
Accounts and notes receivable, less allowance for doubtful accounts — $756,000 in 1974 ($422,000 in 1973).. ($422,000 in 1973)	18,741,000	19,504,000
Inventories—Notes 1 and 2	24,656,000	13,463,000
Accumulated income tax prepayments	311,000	199,000
Prepaid expenses	1,238,000	796,000
Total current assets	$56,223,000	$43,252,000

TABLE 2-10: INDUSTRY CLASSIFICATION OF COMPANIES USING LIFO

	1974 No.	1974 %*	1973 No.	1973 %*
Foods:				
Meat products	2	18	2	18
Dairy products	—	—	—	—
Canning, etc.	5	56	4	44
Packaged and bulk	5	24	3	14
Baking	1	20	1	20
Sugar, confections, etc.	6	100	5	71
Beverages	3	50	3	43
Tobacco products	4	50	2	25
Textiles	13	45	8	28
Paper products	14	88	10	63
Printing, publishing	2	29	2	29
Chemicals	23	92	5	20
Drugs, cosmetics, etc.	6	32	2	11
Petroleum	22	81	16	64
Rubber products	9	90	2	20
Shoes—manufacturing, merchandising, etc.	3	38	2	25
Building:				
Cement	3	60	1	20
Roofing, wallboard	11	92	6	50
Heating, plumbing	6	86	3	43
Other	6	38	3	18
Steel and iron	19	83	14	64
Metal—nonferrous	12	67	9	50
Metal fabricating	10	77	4	33
Machinery, equipment and supplies	19	49	6	15
Electrical equipment, appliances	8	47	1	6
Electrical, electronic equipment	11	29	6	16
Business equipment and supplies	6	46	—	—
Containers	6	75	2	25
Autos and trucks (including parts, accessories)	8	38	—	—
Aircraft and equipment, aerospace	5	31	1	6
Railway equipment, shipbuilding, etc.	3	43	—	—
Controls, instruments, medical equipment, watches and clocks, etc.	6	46	4	31
Merchandising:				
Department stores	10	83	8	75
Mail order stores, variety stores	1	25	—	—
Grocery stores	4	25	2	12
Other	1	11	—	—
Motion pictures, broadcasting	—	—	—	—
Widely diversified, or not otherwise classified	30	40	13	19
Total	303	51	150	25

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

Note 1 (in part): Accounting Policies

Inventories—Inventories are stated at the lower of cost (generally determined on a first-in, first-out basis) or market. Market for raw materials and supplies is based on current replacement cost and for work-in-process and finished goods on net realizable value.

Note 2: Inventories—Inventories are summarized as follows:

	December 31, 1974	1973
Raw materials and supplies	$11,194,000	$ 6,186,000
Work-in-process	4,627,000	2,048,000
Finished goods	8,835,000	5,229,000
	$24,656,000	$13,463,000

BRISTOL PRODUCTS, INC. (DEC)

	1974	1973
Current Assets		
Cash	$ 24,907	$ 253,861
Accounts Receivable, Trade—Less Allowance for Doubtful Accounts (1974—$137,569, 1973—$120,007)	1,394,749	1,539,663
Inventories	6,002,537	5,351,180
Prepayments and Other	132,184	118,232
Total Current Assets	$7,554,377	$7,262,936

Notes to Financial Statements

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

Inventories—Physical inventories are valued at the lower of cost (first-in, first-out basis) or market. Interim financial statements issued during 1974 were based upon inventories of the wholesale divisions determined by the use of estimated gross profit percentages; physical inventories for these divisions are taken annually at December 31. The manufacturing divisions take physical inventories at the end of each calendar quarter. See Note 8 for the effect of this accounting policy on results of operations for the fourth quarter of 1974.

Note 2: Inventories—The amounts used in determining cost of sales for the two years ended December 31, 1974 follow:

	1972	1973	1974
Merchandise Held for Resale	$3,802,790	$4,992,125	$4,637,915
Raw Materials	214,250	359,055	1,364,622
Total	$4,017,040	$5,351,180	$6,002,537

Note 8: Results for Fourth Quarter, 1974—As indicated in Note 1, the Company's interim financial statements for 1974 reflected results of operations using estimated gross profit percentages for its wholesale divisions. Physical inventories of these divisions at December 31, 1974 disclosed that the interim gross profit estimates and resultant net income were understated.

If fourth quarter, 1974 results were computed using the annual gross profit percentages determined for the wholesale divisions, fourth quarter net income would have amounted to approximately $114,000 or $.10 per share. This compares with fourth quarter net income of $288,645 or $.24 per share computed by substracting interim results reported for the first three quarters of 1974 from results for the year.

BOBBIE BROOKS, INCORPORATED (APR)

	1974	1973
Current assets:		
Cash	$ 8,014,000	$ 3,035,000
Accounts receivable, net of an allowance for doubtful accounts of $274,000 and $426,000	35,862,000	38,970,000
Inventories—Notes 1(b) and 3	44,806,000	42,351,000
Prepaid expenses and sundry receivables	1,835,000	1,644,000
Refundable and prepaid federal income taxes	2,089,000	1,159,000
Total current assets	$92,606,000	$87,159,000

Note 1 (b): Inventories—Inventories are stated at the lower of cost (first-in, first-out method) or market.

Note 3: Inventories—Inventories consist of the following:

	1974 Continuing Operations	Discontinued Operations	Total	1973
Raw Materials	$14,072,000	$1,372,000	$15,444,000	$14,691,000
Work in Process	8,697,000	513,000	9,210,000	9,237,000
Finished Goods	19,710,000	442,000	20,152,000	18,423,000
	$42,479,000	$2,327,000	$44,806,000	$42,351,000

INTERNATIONAL HARVESTER COMPANY (OCT)

	1974	1973
Current Assets		
Cash	$ 77,242,000	$ 71,019,000
Marketable securities, at lower of cost or market	1,906,000	1,733,000
Notes and accounts receivable, less allowances	672,730,000	542,767,000
Inventories (page 10)	1,505,220,000	1,279,954,000
Total current assets	$2,257,098,000	$1,895,473,000

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 $225 million during 1974. Inventories at October 31 by major classifications and by geographical areas were as follows:

	1974	1973
	(Thousands of dollars)	
Finished products	$ 662,029	$ 548,281
Raw materials and supplies	480,969	434,888
Work in process	324,852	247,562
Sub-total	1,467,850	1,230,731
IH equipment on short-term rental	37,370	49,223
Total	$1,505,220	$1,279,954
United States	$1,075,543	$ 957,790
Canada	109,264	85,446
Europe and Africa	200,627	148,481
Latin America	15,722	14,095
Pacific area	104,064	74,142
Total	$1,505,220	$1,279,954

MOTOROLA INC. (DEC)

	1974	1973
	(Thousands of dollars)	
Current Assets		
Cash	$ 29,118	$ 25,262
Short-term investments, at cost (approximating market)	23,336	21,982
Accounts receivable	278,299	294,276
Allowance for doubtful accounts	(8,454)	(7,520)
Costs recoverable under United States government contracts, less progress billings	14,486	9,711
Inventories, at the lower of cost (first-in, first-out) or market		
Finished goods	108,333	106,264
Work in process and production materials	213,936	230,202
Future income tax benefits	19,221	26,341
Other current assets	49,062	20,873
Total Current Assets	$727,337	$727,391

Notes to Consolidated Financial Statements

Note 1 (in part): Accounting Policies—Following is a summary of significant accounting policies followed in the preparation of these consolidated financial statements, which policies are in accordance with generally accepted accounting principles.

Inventories: Inventories are valued at the lower of cost (first-in, first-out) or market. Market value of work in process and production materials is represented by replacement cost and for finished goods by net realizable value.

To Our Stockholders and Friends (Page 2)

FIFO vs. LIFO. During 1974, we carefully studied changing to a Last-In, First-Out (LIFO) method of valuing inventories. We decided to remain with our present First-In, First-Out (FIFO) method.

In our study, we first limited the scope of a possible change to U.S. inventories because the tax benefits of LIFO accounting are generally not available outside the United States. We then decided to stay with FIFO for semiconductor and government electronics inventories because of the consistently declining costs and unit values of semiconductor inventories, and because of particular government contract accounting requirements. We then reviewed the trend of unit values of the U.S. inventories in the other equipment-producing divisions and found that, with the exception of the double digit inflationary environment in 1974, our inventory values have generally followed a level or deflationary trend even in earlier periods of only slightly less general inflation. Rather than cause a major change in our accounting for short-term and probably non-recurring reasons, we decided to stay with FIFO for 1974. Had we changed to LIFO for the year, the estimated impact would have been a reduction of approximately 11 cents per share on reported 1974 earnings, spread about equally over the first three quarters. Inventory values in the fourth quarter remained stable or, in some cases, declined as a result of lower commodity prices and increased competitive pressure among our suppliers.

SIGNODE CORPORATION (DEC)

	1974	1973
	(Thousands of Dollars)	
Current Assets		
Cash	$ 6,722	$ 12,905
Marketable securities at cost (approximates market)	3,529	8,544
Receivables, less allowances for losses in collection of $1,773,000 and $1,600,000 respectively	57,451	53,152
Inventories		
Raw materials	35,197	17,577
Finished goods and work in process	60,523	34,407
	95,720	51,984
Expenses applicable to future operations	1,201	790
Total current assets	$164,623	$127,375
Strapping Machines, Tools and Parts		
In service with customers, at cost	$ 54,194	$ 50,079
Less—		
Accumulated depreciation	35,857	30,219
	18,337	19,860
Inventories for placement and service with customers	10,607	24,876
Total (Note 2)	$ 28,944	$ 44,736

Note 2 (in part): Inventories—Inventories are stated at the lower of cost (which includes material, labor and factory overhead) or market. Certain domestic inventories, amounting to $29,808,000 and $11,550,000 at December 29, 1974, and December 30, 1973, respectively, are based on the last-in, first-out (LIFO) method; such inventories, if priced on the first-in, first-out method, would have been $21,293,000 and $6,307,000 greater at December 29, 1974, and December

30, 1973, respectively. All other inventories, including inventories of machines, tools and parts, are based on the first-in, first-out method.

During 1974, the Company adopted a program for outright sale of strapping machines and tools in the domestic market. Previously, substantially all strapping machines and tools were placed in service with customers, generally on a deposit basis, whereby the Company retained ownership. In recognition of the outright sale program, $18,013,000 of strapping machine and tool inventories (which, under the previous placement policy were classified as a noncurrent asset under the caption, Inventories for Placement and Service with Customers) are included in current assets as inventories at December 29, 1974.

THE SINGER COMPANY (DEC)

	1974	1973
	(Amounts in Millions)	
Current Assets:		
Inventories	$744.9	$693.5

Summary of Accounting Policies

Inventories—Inventories are stated at the lower of cost (generally on a first-in, first-out basis) or market. Cost, other than for long-term contracts, includes all direct and indirect production costs. Inventories pertaining principally to long-term government contracts are stated at their actual production cost, including factory overhead and general and administrative expenses, net of progress payments received.

Notes to Financial Statements

Inventories—Inventories at December 31, 1974 and 1973 are summarized as follows:

	1974	1973
	(Amounts in Millions)	
Finished goods	$407.3	$368.4
Inventoried costs relating to long-term contracts and programs	42.4	59.5
Work in process	222.4	199.0
Raw materials and supplies	89.6	88.3
	761.7	715.2
Less progress payments received	16.8	21.7
	$744.9	$693.5

Inventories relating to long-term contracts and programs include recoverable general and administrative costs. The amounts for 1974 are as follows:

	(Amounts in Millions)
Included in inventory at December 31, 1973	$10.3
Additions	53.9
Charged to cost of sales	(58.5)
Included in inventory at December 31, 1974	$ 5.7

Deferred preproduction and related costs are not material.

LIFO

AMERICAN CAN COMPANY (DEC)

	1974	1973
	($000)	
Current Assets		
Inventories (Notes 2 & 4)	$444,122	$324,084

Statement of Significant Accounting Policies

Inventories—Inventories are stated at the lower of cost or market. As described in Note 2, cost was determined principally on the last-in, first-out method for 1974 and on the first-in, first-out and last-in, first-out methods for 1973.

Notes to Financial Statements

Note 2: Extension of the LIFO Inventory Method—At December 31, 1974, the Company changed to a last-in, first-out (LIFO) method of stating inventory costs for substantially all inventories previously accounted for on the first-in, first-out (FIFO) method. This change was made to minimize inflation-induced inventory profits and to more clearly reflect the results of operations by providing a closer matching of current costs with current revenues. The effect of this change was to reduce 1974 net income by $27,618,000 ($1.56 per share).

There is no cumulative effect of the change on prior periods since the December 31, 1973 inventory as previously reported is treated as the amount of the beginning inventory under the last-in, first-out method.

Note 4: Inventories—A summary of inventories follows:

	In Thousands of Dollars December 31 1974	1973
Raw materials and supplies	$204,959	$117,318
Work in process	111,697	90,845
Finished product	127,466	115,921
	$444,122	$324,084

For inventories stated on the last-in, first-out (LIFO) basis (approximately 92% and 25% in 1974 and 1973, respectively), the current replacement cost exceeds LIFO value by approximately $183-million at December 31, 1974 and $51-million at December 31, 1973.

THE ANACONDA COMPANY (DEC)

	1974	1973
	(Thousands of dollars)	
Current Assets:		
Cash	$ 8,472	$ 16,556
Short-term securities, at cost (approximates market)	61,434	28,078
Receivables, less allowance for doubtful accounts of $3,563 (1973—$2,461)	149,720	184,039
Inventories	233,878	177,070
Supplies	25,825	18,044
Prepaid expenses	2,872	3,140
Total current assets	$482,201	$426,927

Summary of Significant Accounting Policies

Inventories; Supplies—Inventories and supplies are carried at cost (not in excess of market), determined principally by the last-in, first-out method. By-product inventories, principally silver and gold, are valued at market prices determined by the last-in, first-out method, or current market prices, whichever are lower.

Financial Review
(Amounts in tables are in thousands of dollars)

Inventories—Inventories of metals and manufactured products are as follows:

	December 31, 1974	1973
Finished metals held for sale or in process of fabrication	$109,371	$ 81,835
Unfinished metal in process	40,534	39,620
Fabricating costs and other inventories and materials	83,973	55,615
	$233,878	$177,070

If inventories whose cost was determined on the last-in, first-out (LIFO) method were instead valued on a current or replacement cost basis, the balance at December 31, 1974 and 1973 would be increased by approximately $212.1 million and $146.0 million, respectively.

During 1974, the company extended the use of the LIFO inventory valuation method to the few remaining components of domestic inventories for which this method is allowable for U.S. income tax purposes. The cost of these inventories previously had been determined on the first-in, first-out (FIFO) method. The company also changed its method of valuing by-product inventories, principally silver and gold. These inventories, which previously had been valued at current market prices, are now valued at market prices determined on a LIFO basis. These changes in methods of valuing inventories were adopted to eliminate, to the extent possible, the effect of inventory price level changes upon operating results. As a result of these changes, income before extraordinary income for the year was reduced by $8.9 million or 40c per share, and net income by $17.2 million, or 78c per share.

There is no cumulative effect on prior years of these changes since the December 31, 1973 inventory, as previously reported, is the opening inventory under the LIFO method. Use of the LIFO method for by-product inventories was adopted in the first quarter of 1974. The extension of the LIFO method to other inventories, adopted in the fourth quarter, did not significantly affect previously reported 1974 quarterly results.

ANDERSON, CLAYTON & CO. (JUN)

	1974	1973
Current Assets:		
Inventories	$94,837,000	$88,171,000

Notes to Consolidated Financial Statements

Note 1 (in part): A summary of significant accounting policies follows:

Inventories—At June 30, 1974, the Company changed its method of valuing inventories of consumer, institutional and processor foods, animal feeds and machinery manufacturing operations from the lower of moving average cost or market to cost determined under the last-in-first-out (LIFO) method. The change was made to match more properly current cost with current revenues, thereby more correctly reflecting income for these operations. The effect of the change was to reduce inventories at June 30, 1974 by $9,783,000 and net income for the year ended June 30, 1974 by $5,087,000 (81 cents per common share and common equivalent share). There is no cumulative effect of the change on prior periods since the June 30, 1973 inventory as previously reported is the opening inventory under the LIFO method.

Commodity inventories are valued at market less selling costs and other items; all other inventories, exclusive of those mentioned under the change to LIFO, are valued at the lower of moving average cost or market.

Note 2: A summary of inventories follows:

	June 30 1974	1973
Commodities	$22,121,000	$43,880,000
Finished products	24,799,000	16,442,000
Work-in-process	11,544,000	8,754,000
Raw materials	37,358,000	15,556,000
Supplies and repair parts	8,798,000	3,539,000
Adjustment to LIFO base	(9,783,000)	—
	$94,837,000	$88,171,000

ARMADA CORPORATION (DEC)

	1974	1973
Current assets:		
Inventories	$9,358,000	$7,045,000

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of Significant Accounting Policies—Inventories of rendered products are stated at the lower of average cost or market. Inventories of nonferrous metals and alloys are stated at last-in, first-out cost. All other inventories are stated at first-in, first-out cost.

Note 4: Inventories—The major classes of inventories at December 31, 1974 and 1973 are as follows:

	1974	1973
Finished goods	$2,648,000	$2,178,000
Work in process	2,625,000	2,159,000
Raw materials and supplies	4,085,000	2,708,000
	$9,358,000	$7,045,000

The nonferrous and alloy metals included in the above inventories have been valued using the last-in, first-out method. If the first-in, first-out method were used, the inventories would have been $1,600,000 higher at December 31, 1974.

For federal income tax purposes, these inventories have a tax basis which is $1,800,000 lower than the $9,358,000 reported above. This difference results from adjustments required by purchase accounting under Accounting Principles

Board Opinion No. 16 in connection with the acquisition of Hoskins.

The difference between accounting and tax basis of inventories had no effect on income for either 1974 or 1973.

COLT INDUSTRIES INC.

	1974	1973
	(In thousands)	
Current Assets		
Cash, including certificates of deposit of $22,710 and $17,390	$ 23,266	$ 24,407
Marketable securities, at cost (approximates market)	40,968	47,370
Accounts and notes receivable—		
Trade	146,172	118,673
Other	6,111	5,465
	152,283	124,138
Less allowance for doubtful accounts	3,290	2,708
	148,993	121,430
Inventories (Note 1)—		
Finished goods	47,477	40,234
Work in process and finished parts	144,381	144,094
Raw materials and supplies	92,772	49,897
	284,630	234,225
Less allowance for obsolete or slow moving items	16,662	17,017
	267,968	217,208
Deferred income taxes	9,650	6,000
Other current assets	6,252	5,176
Total current assets	$497,097	$421,591

Notes to Financial Statements

Note 1 (in part): Summary of Accounting Policies

Inventories—Inventories are priced at the lower of cost or market, less allowance required to reduce slow moving or obsolete items to realizable values. Cost elements included in inventory are material, labor, and factory overhead. Cost on approximately 57 percent of the domestic inventory is determined on the last-in, first-out basis and on the remainder of the inventory is generally determined on the first-in, first-out basis. The excess of current cost over last-in, first-out cost at December 31, 1974 and 1973 was approximately $27,000,000 and $15,000,000, respectively.

Inventories used in the determination of earnings were as follows:

December 31, 1974	$267,968,000
December 31, 1973	217,208,000
December 31, 1972	196,673,000
December 31, 1971	174,381,000

COPPERWELD CORPORATION (DEC)

	1974	1973
Current Assets		
Cash	$ 3,041,177	$ 2,504,492
Marketable securities, at cost which approximates market	2,021,216	3,811,275
Accounts receivable, less allowance for doubtful accounts: 1974—$470,772; 1973—$405,667	38,222,455	21,329,141
Inventories:		
Finished products	2,095,350	1,789,975
Work-in-process	25,212,458	21,161,187
Raw materials	29,096,993	15,904,760
Supplies, rolls and molds	5,657,973	4,058,783
Total inventories	62,062,774	42,914,705
Less allowance to reduce carrying value of certain inventories to last-in, first-out basis	12,398,448	—
Net inventories	49,664,326	42,914,705
Other	3,743,304	2,612,271
Total Current Assets	$96,692,478	$73,171,884

Notes to Consolidated Financial Statements

Inventories—The principal inventories of the Corporation's subsidiaries making steel and tubing are valued on the last-in, first-out (LIFO) cost method. (See Note 1 for change in accounting principle for these inventories.) Other inventories are valued at the lower of cost (using average or standard cost methods) or market, except, for the purpose of computing cost of copper products sold, copper used in production is charged at the price in the inventory (including firm purchase commitments) at the date of shipment which is nearest to the price on the basis of which the related sale was made. The valuation at which copper is carried in the inventory represents the resulting residual cost and is lower than average or current replacement cost. The replacement cost of such copper included in inventories, after taking into account related firm purchase commitments used in costing copper consumption, exceeded the amount at which copper is included in inventories by approximately $3,265,000 at December 31, 1974 and $3,435,000 at December 31, 1973.

EMHART CORPORATION (DEC)

	1974	1973
Current Assets:		
Inventories	$108,558,000	$79,650,000

Notes to Financial Statements

Summary of Significant Accounting Policies (in part)

Certain domestic inventories are valued using the last-in, first-out method. Other inventories are valued at the lower of current standard cost, which approximates actual cost (principally on first-in, first-out method), or market.

Inventories

	1974	1973	1972
Last-in, first-out method..	$ 55,959,000		
First-in, first-out method..	45,809,000	$74,003,000	$57,850,000
Operations to be discontinued	6,790,000	5,647,000	4,577,000
Total	$108,558,000	$79,650,000	$62,427,000

The Company changed its method of accounting for certain of its domestic inventories to the last-in, first-out (LIFO) method in 1974. The change was made because management believes that the LIFO method will reduce the effect of inflation on the Company's results of operations and will more realistically match current costs with current revenues. The effect of the change was to reduce 1974 net income by $3,867,000 or $.64 per share. The excess of the replacement cost of LIFO inventories over the cost of such inventories was $7,805,000 at December 31, 1974. The effect of this change in method on any one prior period or the cumulative effect is impracticable to determine since retroactive application requires assumptions that may furnish results different from what they would have been had this newly adopted principle been used in prior periods. The LIFO method adopted makes it impractical to separate inventory values as between raw materials, work-in-process and finished goods.

DRESSER INDUSTRIES, INC (OCT)

	1974	1973
	($000)	
Current Assets		
Cash	$ 34,247	$ 33,114
Marketable securities—at cost (approximate market)	4,882	9,566
Notes and accounts receivable ..	358,731	224,825
Less allowance for doubtful receivables	8,208	5,729
	350,523	219,096
Inventories—Note D		
Finished products and work in process	327,133	175,642
Raw materials and supplies...	115,208	67,030
	442,341	242,672
Prepaid expenses................	4,281	4,289
Total Current Assets.....	$836,274	$508,737

Summary of Significant Accounting Policies

Inventories—Effective with the fiscal year 1974, substantially all the U.S. inventories of the Company are valued on a last-in, first-out (LIFO) cost basis. See Note D of Notes to Consolidated Financial Statements for additional information concerning the change to LIFO.

Inventories not on LIFO cost valuation use "lower of cost (principally average cost) or market" which is interpreted conservatively. Production costs in excess of those which would be incurred at normal production volume are excluded from inventory costs. "Market" is interpreted to mean the lower of replacement costs or net realizable value, after providing for marketing costs. All obsolete inventory, as well as items in excess of a two year supply which are determined to be unsalable, are valued at their net realizable value. Products subject to rapid technological changes are reviewed against more stringent obsolescence tests and consequently are valued more conservatively.

Notes to Consolidated Financial Statements

Note D: Change in Accounting Method and Inventories—Prior to 1974, the Company had consistently used the average cost method of determining cost of its U.S. inventories except for a portion of the inventories of one division where the last-in, first-out (LIFO) method had been used. As of November 1, 1973, the Company adopted the LIFO method for substantially all of its remaining U.S. inventories. The LIFO method of costing inventories was adopted for the U.S. inventories of the Waukesha Division and Jeffrey Galion at their respective acquisition dates (see Note M). The new method is considered to be preferable because it more closely matches current costs with current revenues in periods of price level changes; under the LIFO method, current costs are charged to cost of sales for the year. This change in the method of accounting for inventories had the effect of reducing net earnings for the year 1974 by $3,595,000 or $0.31 per share ($0.22 per share, fully diluted) below that which would have been reported using the Company's previous inventory costing method. For this type of accounting change there is no cumulative effect on retained earnings as of October 31, 1973.

Those inventories on the LIFO method of determining cost were approximately $284,000,000 at October 31, 1974, and $12,000,000 at October 31, 1973. Under the average cost method, inventories at October 31, 1974, would have been increased by approximately $28,000,000 (including approximately $13,000,000 applicable to inventories where the LIFO method had been used prior to 1974).

ETHYL CORPORATION (DEC)

	1974	1973
Current assets:		
Inventories	$149,367,000	$90,710,000

Notes to Financial Statements

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

Inventories—Inventories are stated at the lower of cost or market with cost determined on the last-in, first-out basis for substantially all domestic inventories and on either average cost or first-in, first-out for other inventories.

Note 4: Inventories—Inventories include:

	1974	1973
Finished goods	$ 57,964,000	$36,377,000
Raw materials and work in process	71,931,000	39,006,000
Stores, supplies, etc.	19,472,000	15,327,000
	$149,367,000	$90,710,000

Inventories stated on the last-in, first-out basis amounted to $105,601,000 at December 31, 1974, and $39,849,000 at December 31, 1973, which are below replacement cost by approximately $50,900,000 and $7,600,000 respectively.

In 1974, the last-in, first-out method of valuing inventories was extended to substantially all the domestic inventories which were accounted for previously on first-in, first-out or average cost. The effect of this change was to reduce net income for 1974 by $6,509,000, or 68 cents per share, from what it would have been if the former inventory valuation methods had been continued.

The change in inventory method was made to minimize the impact of price level changes on inventory valuations and to achieve a better match of current costs with current revenues for determining profits. There is no cumulative effect of this change on prior years reported earnings.

The following disclosure is made for the purpose of complying with Internal Revenue Procedure 72-29. The application of the principles of APB 16 to the valuation of LIFO inventories of acquired subsidiaries caused consolidated taxable income for the year ended December 31, 1974, to exceed consolidated income for financial accounting purposes by $838,000, and inventories in the accompanying consolidated balance sheet at December 31, 1974 to exceed inventories used for income tax reporting purposes by $520,000.

MASONITE CORPORATION (AUG)

	1974	1973
Current Assets:		
Inventories (Note 7)		
Finished stock	$30,334,000	$19,278,000
Raw materials and supplies	30,681,000	19,939,000

Statement of Accounting Policies

Inventories: Substantially all inventories are valued on the last-in, first-out cost basis. Other inventories are valued at the lower of first-in, first-out cost or market. Market is the lower of current replacement cost or net realizable value (sales price less cost to convert, sell and deliver). Appropriate allowances are made for overaged and obsolete inventory items. Quantities reflect physical counts either at yearend or on a cycle basis throughout the year.

Notes to Financial Statements

Note 7: Inventories—As of September 1, 1973, the company changed its method of accounting for substantially all of its inventories from the first-in, first-out (FIFO) method to the last-in, first-out (LIFO) method. The new method, which charges the most recent product costs to the income statement, is considered preferable because during periods of rising prices it eliminates the effects of inflation upon reported inventory balances and related profits. As a result of this change, net income for fiscal year 1974 was $4,347,000 (27c per share) less than it would have been under the FIFO method.

Inventories in the amount of $55,503,000 are valued at LIFO as of August 31, 1974. If the FIFO method of inventory valuation had been used, the inventories would have been $8,721,000 higher than reported as of August 31, 1974.

There is no cumulative effect on retained earnings as of August 31, 1973 for this type of accounting change.

WESTVACO CORPORATION (OCT)

	1974	1973
	($000)	
Assets		
Cash	$ 21,007	$ 19,965
Marketable securities (note F)	22,413	20,510
Receivables (note F)	80,889	69,959
Inventories (note F)	83,223	74,973
Prepaid expenses	6,050	6,777
Current assets	$213,582	$192,184

Notes to Financial Statements

Summary of Significant Accounting Policies (in part):

Inventory valuation: All inventories for which the last-in, first-out (LIFO) method is allowable for federal income tax purposes, including raw materials, finished goods and certain production materials, are valued at cost (below market) determined by that method. All other inventories are valued at cost (below market) determined by the first-in, first-out (FIFO) or average cost method.

Note F: Current assets—Marketable securities are stated at cost which approximates market value. Receivables have been reduced by allowances for discounts and doubtful accounts of $2,575,000 (1973—$1,267,000).

Inventories at October 31 are composed of:

In thousands	1974	1973
At current cost:		
Pulpwood and pulp	$14,224	$ 7,570
Paper and paper products	48,656	42,117
Production materials, supplies and other items	40,388	30,128
	103,268	79,815
Excess of current cost over LIFO inventory value	20,045	4,842
	$83,223	$74,973

Since 1941 the Company has determined the cost of the major portion of its pulpwood, pulp, paper and paper products inventories by the last-in, first-out (LIFO) method. During 1974 use of the LIFO cost method was extended, effective November 1, 1973, to all other eligible inventories under the Internal Revenue Code which previously had been valued by the average or first-in, first-out (FIFO) cost method. At October 31, 1974 as a result of the change, these inventories were reduced $5,480,000 and net income for the year, after applicable taxes, was reduced $2,692,000 ($.24 per share). The change was adopted to eliminate, to the extent possible, the effect of price level changes upon inventory valuation and to better match current costs with current revenues, thereby minimizing the distortion of reported earnings through inventory profits. There is no cumulative effect of this change relating to prior years.

Average Cost

AMPEX CORPORATION (APR)

	1974	1973
	($ thousands)	
Current assets:		
Cash	$ 8,199	$ 10,951
Notes and accounts receivable, less allowances of $8,063,000 and $10,134,000	75,306	67,613
Inventories, at lower of average cost or net realizable market value (Note 3)	101,417	84,666
Prepaid royalties	1,663	4,463
Other prepaid expenses	3,994	5,942
Total current assets	$190,579	$173,635

Summary of Accounting Policies

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.

Note 3: Inventories—Inventories are summarized as follows:

	1974	1973
	($ thousands)	
Finished goods	$31,166	$32,991
Work in process	55,931	37,265
Raw materials	34,642	30,533
	121,739	100,789
Less valuation allowances	20,322	16,123
	$101,417	$84,666

CAMPBELL SOUP COMPANY (JUL)

	1974	1973
	(000 omitted)	
Current assets		
Cash	$ 14,429	$ 16,425
Marketable securities, at cost, which approximates market	1,607	15,321
Accounts receivable, less allowances ($1,330 in 1974 and $1,479 in 1973)	97,501	99,308
Inventories—note 2	322,821	238,509
Prepaid expenses	13,164	11,162
	$449,522	$380,725

Summary of Significant Accounting Policies

Inventories—Raw materials, containers, and supplies are priced at average cost but not in excess of current replacement cost. Finished products are priced at average production cost but not in excess of selling price less distribution costs.

Notes to Consolidated Financial Statements

Note 2: Inventories ($000)

Raw materials, containers, and supplies	$202,807	$140,486
Finished products	120,014	98,023
	$322,821	$238,509

CLAROSTAT MFG. CO., INC. (DEC)

	1974	1973
Current assets:		
Cash	$ 283,671	$ 251,574
Accounts receivable from customers, less allowance for doubtful accounts of $35,000 and $29,000 respectively	1,493,868	2,085,667
Other receivables	9,373	13,040
Inventories, at lower of average cost or market (Note 3)	3,628,140	3,577,825
Prepaid expenses	196,479	163,443
Total current assets	$5,611,531	$6,091,549

Note 3: Inventories—Inventories are summarized as follows:

	December 28, 1974	December 29, 1973
Raw materials	$1,418,015	$1,428,506
Work in process	1,148,585	1,272,561
Finished goods	1,061,540	876,758
	$3,628,140	$3,577,825

NATIONAL GYPSUM COMPANY (DEC)

	1974	1973
	($000)	
Current Assets		
Cash and marketable securities at cost (approximate market): cash — 1974, $6,062,000; 1973, $1,939,000	$ 7,063	$ 42,432
Trade and sundry receivables, less allowances: 1974, $6,519,000; 1973, $5,846,000	79,487	72,695
Inventories:		
Finished and in process	57,925	46,677
Materials and supplies	52,040	37,701
	109,965	84,378
Prepaid expenses	6,141	5,870
Total Current Assets	$202,656	$205,375

Notes to Financial Statements

Accounting Policies (in part)—The significant accounting policies in effect are summarized below:

Inventories aggregating $95,898,000 and $75,172,000 at December 31, 1974 and 1973, respectively, are stated at the lower of average cost or market, and the remaining inventories are stated at last-in, first-out cost. If the average cost method of inventory accounting had been used by the company for all inventories, they would have been $10,923,000 and $5,337,000 higher than reported at December 31, 1974 and 1973, respectively.

Standard Cost

BRISTOL-MYERS COMPANY (DEC)

	1974	1973
Current Assets:		
Inventories (Note 4)	$307,437,000	$219,439,000

Notes to Consolidated Financial Statements

Note 1 (in part): Accounting Policies

Inventory Valuation—Inventories are generally stated at standard cost, which approximates average cost, not in excess of market.

Note 4–Inventories

	December 31, 1974	1973
Finished goods	$141,678,000	$ 97,716,000
Work in process	50,955,000	45,967,000
Raw material	67,887,000	42,437,000
Packaging material	46,917,000	33,319,000
	$307,437,000	$219,439,000

BROCKWAY GLASS COMPANY, INC. (DEC)

	1974	1973
Current assets		
Cash	$ 9,759,344	$ 9,822,723
Short-term investments, at cost plus accrued interest (which approximates market)	4,501,394	2,500,000
Accounts and notes receivable (less allowance for doubtful accounts $245,000 and $240,000)	19,472,484	19,632,162
Inventories (Note 3)	42,275,563	37,241,345
Prepaid and other current assets	1,731,700	1,489,564
Total current assets	$77,740,485	$70,685,794

Notes to Financial Statements

Note 1 (in part): Summary of Accounting Policies

Inventories—Inventories are stated at the lower of standard cost (determined principally by use of the last-in, first-out method commencing in 1974 and the first-in, first-out method in 1973) or market. See Note 2 for additional information concerning the change in method of stating inventory costs.

Note 2: Change in Accounting Method for Inventories—Effective January 1, 1974, the Company changed its method of stating inventory costs from the first-in, first-out (FIFO) method to the last-in, first-out (LIFO) method for substantially all inventories. This change was made because management believes LIFO more clearly reflects income by providing a closer matching of current costs against revenues. The change had the effect of reducing inventories at December 31, 1974, by $3,511,934 and net income by $1,698,371 (equal to $.36 per share of common stock) for the year then ended. There is no cumulative effect of the change on prior years, since the December 31, 1973, inventory as previously stated using the FIFO method is treated as the amount of the beginning inventory for the current year under the LIFO method. Accordingly, pro forma results for prior years under the LIFO method are not applicable.

Note 3: Inventories—Inventories at December 31, 1974 and 1973, were as follows:

	1974	1973
Finished goods	$26,571,599	$25,296,131
Work in process	2,414,790	2,138,673
Raw materials and supplies	13,289,174	9,806,541
	$42,275,563	$37,241,345

EMERSON ELECTRIC CO. (SEP)

	1974	1973
	($000)	
Current assets		
Cash	$ 7,081	7,437
Short-term investments, at cost which approximates market	6,826	23,904
Receivables, less allowance for doubtful accounts of $2,429,000 (1973—$2,094,000)	182,718	164,365
Unbilled costs and estimated earnings under government contracts, less progress billings of $5,619,000 (1973—$3,626,000)	4,167	3,841
Inventories:		
Finished products	74,899	62,723
Raw materials and work in process	209,234	160,776
Total inventories	284,133	223,499
Prepaid expenses	5,041	4,854
Total current assets	$489,966	$427,900

Notes to Consolidated Financial Statements

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

Inventories—Inventories are stated at the lower of cost or market. The majority of inventories are based upon standard costs which approximate average costs. In prior years, standard costs also approximated actual costs on a first-in, first-out basis. With the rapid rise in material costs in 1974 following the elimination of economic controls, material costs more closely approximated average costs at September 30, 1974.

Standard costs are revised at the beginning of each fiscal year and a pro rata allocation of incurred variances is included in ending inventories. Other inventories are principally valued on a first-in, first-out basis.

HEWLETT-PACKARD COMPANY (OCT)

	1974	1973
	(Thousands)	
Current Assets:		
Inventories, at standard cost, which approximates first-in, first-out and average, not in excess of replacement market:		
Finished goods	$51,627	$51,652
Work in process	82,410	84,687
Raw materials	61,177	52,307

PITNEY-BOWES, INC. (DEC)

	1974	1973
Current assets		
Cash	$ 11,912,000	$ 10,798,000
Marketable securities, at cost which approximates market	33,962,000	8,466,000
Accounts receivable, less allowance: 1974, $5,014,000; 1973, $3,950,000	87,859,000	82,894,000
Inventories	106,376,000	83,232,000
Tax recoverable on discontinued operations	3,004,000	27,462,000
Other current assets and prepayments	8,660,000	7,560,000
Total current assets	$251,773,000	$220,412,000

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of significant 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

	1974	1973
Raw materials and work in process	$ 60,329,000	$ 40,766,000
Supplies and service parts	17,023,000	15,532,000
Finished products	29,024,000	26,934,000
Total inventories	$106,376,000	$ 83,232,000

Retail Method

FEDERATED DEPARTMENT STORES, INC. (JAN)

	1975	1974
Current Assets:		
Cash	$ 38,415,056	$ 34,618,142
Accounts receivable	465,877,007	431,944,893
Merchandise inventories (note 1)	321,477,361	336,814,893
Supplies and prepaid expenses	16,492,920	12,971,247
Total Current Assets	$842,262,344	$816,349,175

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

Merchandise inventories are substantially all valued by the retail method and stated on the LIFO (last-in, first-out) basis which is lower than market. At February 1, 1975 and February 2, 1974, they were $93,347,000 and $66,693,000 lower than they would have been had the retail method been used without the application of the LIFO basis.

S. S. KRESGE COMPANY (JAN)

	1975	1974
Current Assets:		
Cash	$ 85,345,000	$ 76,815,000
Certificates of deposit	3,872,000	871,000
Marketable securities, at cost approximating market	66,727,000	22,973,000
Customer accounts receivable, less allowance for possible losses of $8,399,000 and $5,388,000, respectively	109,890,000	110,710,000
Federal income taxes receivable	26,000,000	
Other accounts receivable	21,204,000	21,798,000
Merchandise inventories	1,072,744,000	1,002,360,000
Operating supplies and prepaid expenses	32,692,000	27,335,000
Total current assets	$1,418,474,000	$1,262,862,000

Notes to Consolidated Financial Statements

Note A (in part): Summary of Significant Accounting Policies

Inventory—Merchandise inventories at January 29, 1975 are valued at the lower of cost or market, using the retail method, on the last-in, first-out basis for approximately 64% of consolidated inventories and the first-in, first-out basis for the remainder (see Note B for further details).

Note B: Change in Accounting Method of Inventory Valuation—Effective January 31, 1974, the company changed from the first-in, first-out method (FIFO) to the last-in, first-out method (LIFO) of determining costs for 72% of its domestic inventories which approximates 64% of consolidated inventories. This change was made because management believes the LIFO method, as applied, has the effect of minimizing the impact of price level changes upon inventory valuation and more clearly reflects income by generally matching current costs against current revenues. The change has had the effect of reducing inventories at January 29, 1975 by $37,543,000 and net income by $18,343,000

($.15 per common and common equivalent share) for the year then ended. There is no cumulative effect of the change on prior years, since the January 30, 1974 inventory, as previously reported, is also the amount of the beginning inventory under the LIFO method.

A summary of inventories by method of pricing is as follows:

	January 29, 1975	January 30, 1974
Last-in, first-out (cost not in excess of market)	$ 688,457,000	$ 684,920,000
Lower of cost (first-in, first-out) or market	384,287,000	317,440,000
	$1,072,744,000	$1,002,360,000

GOLDBLATT BROS., INC. (JAN)

	1975	1974
Current Assets:		
Merchandise inventories (Note 8)	$36,260,037	$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 (69% at January 25, 1975, and 70% at January 26, 1974) of inventories has 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: If the FIFO (first-in, first-out) method of inventory accounting had been used by the Company, merchandise inventories would have been $8,454,000 and $5,199,000 higher than reported at January 25, 1975, and January 26, 1974, respectively. During 1974, the Company reduced certain inventory quantities. This resulted in a liquidation of applicable LIFO inventory quantities carried at lower costs prevailing in prior years. The effect of this was to reduce cost of sales by $1,231,000 and, accordingly, increase net income by approximately $640,000, or $.21 per share.

Production Cost

HMW INDUSTRIES, INC. (JAN)

	1975	1974
Current Assets:		
Cash (including commercial paper and certificates of deposit of $3,751,000 in 1975)	$ 4,137,000	$ 2,324,000
Notes and accounts receivable less allowances for doubtful accounts of $454,000 and $392,000	7,577,000	10,701,000
Inventories	13,396,000	20,637,000
Prepaid expenses	379,000	515,000
Total current assets	$25,489,000	$34,177,000

Summary of Significant Accounting Policies

Inventories—Inventories are valued at cost or market, whichever the lower. Inventoried costs, excluding silver and costs applicable to Government and fixed-price contracts, are determined on the first-in, first-out basis. Silver is valued at cost determined on a last-in, first-out basis, and at January 31, 1975 current replacement cost exceeded the last-in, first-out cost by approximately $2,330,000. Inventoried costs relating to Government and fixed-price contracts are stated at the actual production cost, including factory overhead and initial tooling incurred to date, reduced by amounts identified with revenue recognized on units delivered. The costs attributed to units delivered under such contracts are based on the estimated gross profit percentage applicable to the contract.

Notes to Consolidated Financial Statements

Note 2: Inventories—Inventories consist of the following:

	January 31 1975	1974
Finished products and work in process	$ 6,992,000	$15,167,000
Inventoried costs relating to long-term contracts, net of amounts attributed to revenues recognized to date	2,977,000	1,410,000
Raw materials purchased parts and supplies	5,037,000	5,361,000
	15,006,000	21,938,000
Less progress billings	1,610,000	524,000
Less reserve for losses	—	777,000
	$13,396,000	$20,637,000
The cost elements included in inventory related to long-term contracts are as follows:		
Production costs of goods currently in process	$ 2,588,000	$ 1,132,000
Initial tooling	389,000	278,000
	$ 2,977,000	$ 1,410,000

WARNER COMMUNICATIONS INC. (DEC)

	1974	1973
Current assets:		
Cash	$ 33,588,000	$ 20,164,000
Accounts and notes receivable, less allowances for doubtful receivables and magazine and record returns (1974 — $74,622,000; 1973 — $51,758,000)	156,779,000	139,852,000
Inventories	71,383,000	86,521,000
Other current assets	26,765,000	24,621,000
Total current assets	288,515,000	271,158,000
Marketable securities, at cost (market value; 1974 — $128,985,000; 1973 — $166,093,000)	197,233,000	192,806,000
Accounts and notes receivable due after one year	36,916,000	49,107,000
Inventories	51,196,000	64,704,000

Summary of Significant Accounting Policies

Accounting for Motion Pictures—During 1973 the Company retroactively changed its method of classifying film production costs to conform its accounting to the Motion Picture Industry Accounting Guide (the Guide) issued during 1973.

The December 31, 1974 and 1973 balance sheet has been prepared in conformity with the revised principles as set forth in the Guide and accordingly the following film costs are classified as current assets: unamortized cost of film inventory in release allocated to its primary market; completed films not released reduced by the portion allocated to secondary markets and television films in production which are under contract of sale. Amounts allocated to secondary markets, films in production and all other costs related to film production are classified as non-current assets.

Production costs, applicable to theatrical and television release of each film production are amortized based upon revenue to date and management's estimate of the total revenue that will be realized. Such estimates are revised when appropriate; losses are provided for in full when known.

Film rights for television exhibition include (1) a portion of the cost of released feature productions which is allocated to television exhibition based generally upon the income expected to be derived therefrom and (2) the cost of exclusive licenses to distribute certain feature motion pictures for television exhibition.

In accordance with the Guide, WCI is recognizing income from television licensing agreements entered into after December 31, 1973 when each film is available for telecasting by the licensee provided certain conditions of sale have been met.

For all license agreements entered into prior to January 1, 1974 non-network revenues and related expenses were included in income upon execution of the exhibition contract and, in the case of network revenues, upon delivery of prints and related material at the request of the networks. As required by the Guide, interest, which in prior years was capitalized to production costs, is being expensed as incurred.

The implementation of these revised accounting principles had the net effect of decreasing revenues, net income and earnings per share for the year ended December 31, 1974 as follows:

Revenues	$14,529,000
Net income	$ 4,750,000
Earnings per share:	
Average Common and Common equivalent share	$.26
Assuming full dilution	$.23

Notes to Consolidated Financial Statements

Note 1: Inventories—Inventories at December 31, 1974 and 1973 consist of the following:

	1974		1973	
	Current	Non-Current	Current	Non-Current
Film productions for theatrical exhibition:				
Released, less amortization	$23,516,000	$ —	$32,724,000	$ —
Completed and not released	13,688,000	—	16,514,000	—
In process	—	25,978,000	—	40,167,000
Film rights for television exhibition, less amortization	5,326,000	25,218,000	6,148,000	24,537,000
Records, tapes, magazines and books	28,853,000	—	31,135,000	—
	$71,383,000	$51,196,000	$86,521,000	$64,704,000

Inventories of motion picture films are stated at the lower of cost less amortization, or market. Records, tapes, magazines and books are stated at the lower of average cost or market.

In accordance with industry practice, records, tapes, magazines and books are usually sold to customers with a right to return unsold items. Revenues from such sales represent gross sales less actual returns and a provision for future returns. It is WCI's general policy to value returned goods included in inventory at estimated realizable value but not in excess of cost.

Market

ARCHER DANIELS MIDLAND COMPANY (JUN)

	1974	1973
Current Assets		
Cash	$ 24,744,592	$ 6,469,824
Marketable securities at cost less allowance of $604,000 ($136,000—1973) — approximately market	9,452,655	21,686,360
Receivables—Note 3	104,408,883	77,400,181
Inventories—Note 4	157,030,450	144,970,654
Prepaid expenses	6,349,232	4,612,665
Total Current Assets	$301,985,812	$255,139,684

Notes to Consolidated Financial Statements

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

Inventories—Inventories of most grains, flour and meal are valued on the basis of market prices in the applicable market location 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. Unrealized losses in any open position are charged to operations currently whereas any unrealized gains are deferred.

Inventories of soybean oil and certain other oils, raw sugar, corn syrup and starch and certain grains of a subsidiary company are valued at cost (last-in, first-out method) which is not in excess of market prices.

Inventories of other raw materials, sundry products and supplies are valued at the lower of cost (first-in, first-out method) or market prices.

Note 4: Inventories

	1974	1973
Grains, flour and meal	$113,964,963	$ 99,736,282
Soybean oil and other inventories at LIFO	16,390,142	21,640,834
Other raw materials, sundry products and supplies	26,675,345	23,593,538
Total	$157,030,450	$144,970,654

Inventories at LIFO have a FIFO cost in excess of the inventory basis used in the financial statements of $41,103,000 at June 30, 1974 and $9,708,000 at June 30, 1973. In addition, accounts payable include $23,950,000 ($3,657,000 for 1973) for the anticipated cost in excess of LIFO basis of replacing quantities of certain LIFO inventories by December 31, 1974, the end of the reporting year for income tax purposes.

CENTRAL SOYA COMPANY, INC.

	1974	1973
	(In thousands)	
Current assets:		
Cash	$ 17,808	$ 24,376
Inventories	153,331	130,965
Equities in commodity accounts	31,085	8,059
Other current assets	6,048	8,558

Statement of Accounting Policies

Inventory valuation—Grain, soybeans, and soybean oil and meal are valued at market adjusted for hedges and undelivered contracts. The policy of hedging the grain and soybean position is followed to minimize the risk arising from market fluctuations. Feeds, special soybean products and poultry are valued at processed cost (not in excess of market) and other items of inventory are valued principally at the lower of first-in, first-out costs or market.

Notes to Consolidated Financial Statements (all tabular amounts are in thousands)

Inventories—Inventories consist of the following:

	1974	1973
Grain, soybeans and soybean oil and meal	$ 75,969	$ 51,977
Feed, special soybean products and poultry	29,439	40,071
Ingredients, containers, supplies and other merchandise	47,923	38,917
	$153,331	$130,965

CONAGRA, INC. (JUN)

Summary of ConAgra's Accounting Policies

Inventories—Grain, flour and major feed ingredient inventories are hedged to the extent practicable and are generally stated at market including adjustments to market of open contracts for purchases and sales. Inventories not hedged are priced at the lower of average cost or market.

Financial Comments

Inventories—Details of inventories are as follows:

	June 30, 1974	June 24, 1973
Grain, flour and cornmeal	$25,826,356	22,655,656
Formula feeds, ingredients and related inventories	11,200,921	19,756,457
Packaged foods	2,402,115	1,634,301
Poultry, livestock and related inventories	12,071,078	17,767,318
Containers, supplies, etc.	3,918,862	1,406,257
	55,419,332	63,219,989
Purchase advances and margin deposits	5,968,302	10,102,245
	$61,387,634	73,322,234

PREPAID EXPENSES

Table 2-11 summarizes the nature of prepaid expense items appearing in the current asset section of the survey companies' balance sheets. Table 2-11 shows that the caption *prepaid expenses* is frequently shown, without further explanation, as a current asset.

ADAMS-RUSSELL CO., INC. (SEP)

	1974	1973
Current Assets:		
Prepaid expenses, etc.—		
Film contract rights (Note 1d), ..	$275,838	$233,519
CATV supplies, ...	47,269	80,261
Advances on commissions, ...	—	66,985
Consulting and noncompetitive agreements, ...	53,567	53,400
Deposit, ...	51,475	—
Other, ...	217,047	147,380

Note 1 (d) Film Contract Rights—Film contract rights are recorded at the full contract price when purchased. Costs of such contracts are amortized on the basis of film usage, over a period not to exceed the life of each contract.

TABLE 2-11: PREPAID ITEMS

	1974	1973	1972	1971
Nature				
Prepaid expenses	297	296	294	288
Prepaid expenses and other current assets	61	60	55	54
Prepaid expenses and taxes paid in advance	30	31	28	24
Taxes paid in advance	22	20	21	25
Unexpired insurance.........	12	11	12	18
Supplies and prepaid expenses	13	14	13	15
Expenses applicable to future periods	7	7	7	8
Other captions indicating prepaid expenses........	55	57	60	56
Total Captions	**497**	**496**	**490**	**488**
Number of Companies				
Presenting prepaid items....	463	463	463	460
Not presenting prepaid items	137	137	137	140
Total	**600**	**600**	**600**	**600**

AMPEX CORPORATION (APR)

	1974	1973
	($ thousands)	
Current assets:		
Cash	$8,199	$10,951
Notes and accounts receivable, less allowances of $8,063,000 and $10,134,000	75,306	67,613
Inventories, at lower of average cost or net realizable market value.........................	101,417	84,666
Prepaid royalties.................	1,663	4,463
Other prepaid expenses..........	3,994	5,942
Total current assets	$190,579	$173,635

BASIC INCORPORATED (DEC)

	1974	1973
Current assets		
Prepaid insurance................	$439,481	$252,017

CHRYSLER CORPORATION (DEC)

	1974	1973
Current Assets:		
Cash ....$	138,037,671$	128,699,988
Accounts receivable (less allowance for doubtful accounts: 1974—$18,800,000; 1973—$17,600,000)	707,076,344	680,613,979
Refundable United States taxes on income	110,600,000	42,680,000
Inventories—at the lower of cost (substantially first-in, first-out) or market	2,452,895,335	1,803,358,859
Prepaid insurance, taxes and other expenses	111,433,879	102,629,510
Income taxes allocable to the following year	47,465,531	46,510,642

SEARS, ROEBUCK AND CO. (JAN)

	1975	1974
	$ in thousands	
Current Assets		
Prepaid advertising and other charges	$97,827	$79,277

SIGNODE CORPORATION (DEC)

	1974	1973
	(Thousands of Dollars)	
Current Assets:		
Cash	$ 6,722	$ 12,905
Marketable securities at cost (approximates market)	3,529	8,544
Receivables, less allowances for losses in collection of $1,773,000 and $1,600,000 respectively	57,451	53,152
Inventories (Notes 1 and 2)—		
Raw materials	35,197	17,577
Finished goods and work in process	60,523	34,407
	95,720	51,984
Expenses applicable to future operations	1,201	790
Total current assets	$164,623	$127,375

SQUARE D COMPANY (DEC)

	1974	1973
	($000)	
Current Assets:		
Cash	$ 2,653	$ 2,855
Marketable securities, at cost (approximates market)	10,848	11,454
Receivables, less allowances for losses, adjustments and discounts (1974—$1,420; 1973—$1,536)	63,412	59,435
Inventories (Note D)	131,283	107,446
Insurance and other prepaid expenses	902	1,070
Deferred income taxes	1,678	1,450
Total Current Assets	$210,776	$183,710

TABLE 2-12: OTHER CURRENT ASSET CAPTIONS

	1974	1973	1972	1971
Nature				
Deferred income taxes	68	67	69	55
Unbilled costs	45	44	44	48
Advances or deposits	22	21	26	21
Property held for resale	18	15	13	15
Other—identified	20	19	23	10
Other current assets	50	48	49	42
Total Captions	**223**	**214**	**224**	**191**
Number Of Companies				
Presenting other current asset captions	202	199	199	177
Not presenting other current asset captions	398	401	401	423
Total Companies	**600**	**600**	**600**	**600**

WALGREEN CO. (SEP)

	1974	1973
Current Assets:		
Cash	$ 4,526,705	$ 8,919,293
Accounts receivable, less allowances of $2,013,000 in 1974 and $1,613,000 in 1973 for doubtful accounts	27,633,559	18,951,889
Prepaid rent, insurance, taxes, etc.	3,022,660	2,976,910

OTHER CURRENT ASSET CAPTIONS

Table 2-12 summaries the nature of accounts (other than *cash, marketable securities, inventories,* and *prepaid expenses*) appearing in the current asset section of the balance sheets of the survey companies. Examples of captions describing such other current asset accounts follow.

Deferred Income Tax

MOUNT VERNON MILLS, INC. (DEC)

	1974	1973
Current Assets		
Future income tax benefits (Notes 1 and 3)	$637,894	—

Notes to Financial Statements

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

Income Taxes—Future income tax benefits result from the recognition for financial reporting purposes of the loss on the closing of the Rock Hill plant (see Note 3) in advance of its deductibility for tax purposes. Deferred income taxes arose principally from using straight-line depreciation for accounting purposes and accelerated depreciation for income tax purposes.

The companies use the flow-through method of accounting for investment tax credits.

Note 3: Loss on Plant Closing—During 1974, as part of an on-going process to improve its operating results, the Company closed its Rock Hill, South Carolina plant. The majority of the machinery and equipment at that location will be transferred to other Company plants since the principal lines of products previously manufactured at the Rock Hill plant will be continued in production at those locations.

The remaining machinery and equipment, together with the plant's land and buildings have been written down to their estimated realizable value ($212,000). The loss on closing the Rock Hill plant includes the write-down of such assets plus estimated costs and expenses directly associated with the closing and disposition of the plant. At December 31, 1974 accrued expenses include $208,000 relating to the plant closing.

NORTH AMERICAN PHILIPS CORPORATION (DEC)

	1974	1973
	($000)	
Current Assets		
Cash		
Unrestricted	$ 24,520	$ 12,959
Segregated	—	20,000
Time deposits	1,395	7,661
	25,915	40,620
Commercial paper, at cost	119	20,129
Accounts and notes receivable, less estimate for doubtful accounts, allowances and returns—$14,877,000 ($7,295,000—1973)	242,827	142,776
Inventories, at the lower of cost or market		
Finished product	180,404	97,069
Work in process, materials, parts and supplies	167,168	63,485
	347,572	160,554
Deferred federal income tax benefits (Note 7)	9,232	2,633
Prepaid expenses	6,361	3,128
Total current assets	$632,026	$369,840

Note 7 (in part): Income Taxes—For the years 1970-1974, Federal income tax returns of NAPC and certain subsidiaries are subject to examination by the Internal Revenue Service.

Deferred Federal income taxes represent the net amount of Federal taxes payable in future years when amounts deductible for tax purposes will be less than those reflected in the financial statements of those years. Such amounts result from the use of accelerated depreciation in the computation of Federal income taxes payable currently and of various other timing differences between book and taxable income. Deferred Federal income tax benefits included in current assets relate principally to timing differences for product warranty expense accruals and other current items.

Unbilled Costs

HALLIBURTON COMPANY (DEC)

	1974	1973
Current Assets:		
Cash	$ 90,886,638	$ 57,149,103
Short-term securities, at cost plus accrued interest (approximates market)	5,223,544	55,419,655
Notes and accounts receivable, less allowance for doubtful accounts (Note 1)	396,236,763	303,865,269
Unbilled work on uncompleted contracts (Note 1)	81,586,501	55,959,184

Note 1: Engineering/Construction Contracts—Notes and accounts receivable include $27,590,413 at December 31, 1974 ($21,165,282 at December 31, 1973) not currently collectible from customers in accordance with applicable retainage provisions of engineering/construction contracts. Of this amount approximately $19,800,000 is expected to be collected during 1975 with the remainder due in subsequent years.

Unbilled work on uncompleted contracts generally represents work currently billable and such work is usually billed in the next succeeding month upon completion of normal billing processes.

NEPTUNE INTERNATIONAL CORPORATION (DEC)

	1974	1973
Current assets:		
Cash	$ 1,911,539	$ 2,215,318
Trade receivables, less allowance for doubtful accounts—1974, $603,889 (1973, $430,063)	22,082,921	18,003,020
Unbilled costs and related income on contracts in progress	5,383,126	3,662,958
Refund of Federal income taxes	253,263	1,057,477
Current portion of income tax benefit relating to provision for relocation costs	1,048,000	659,650
Inventories (note 2)	23,785,238	20,004,491
Prepayments and other current assets	971,296	697,781
Total current assets	$55,435,383	$46,300,695
Current liabilities:		
Notes payable—unsecured	$ 5,014,326	$ 8,731,658
Current installments of long-term debt	748,000	800,000
Accounts payable	12,647,518	10,152,929
Billings in excess of costs and related income on contracts in progress	3,653,055	2,248,043
Accrued income taxes	3,130,444	1,208,548
Other accrued expenses	4,563,391	3,497,729

Statement of Accounting Policies

Reclassifications—The accompanying balance sheet as of December 31, 1973 reflects reclassification of unbilled costs and related income on contracts in progress and billings in excess of costs and related income on contracts in progress on an individual contract basis to conform with classifications adopted in 1974. Such reclassification increased billings in excess of cost and decreased unbilled costs by approximately $1,019,000.

A. C. NIELSEN COMPANY (AUG)

	1974	1973
	($000)	
Current Assets:		
Cash	$14,522	$17,567
Certificates of deposit	5,225	210
Marketable securities, at cost (quoted market value, $6,482,000 in 1974 and $9,014,000 in 1973)	6,540	9,336
Accounts receivable (less allowance of $473,000 in 1974 and $526,000 in 1973 for doubtful accounts)	37,465	33,091
Unbilled expenditures for clients (Note 1)	12,740	11,654
Prepaid expenses	3,450	3,954
Total current assets	79,942	75,812

Note 1 (in part): Statement of Significant Accounting Policies

Unbilled Expenditures for Clients—Coupons purchased in connection with Clearing House activities are billed to clients after required coupon processing is completed.

NORTHROP CORPORATION (DEC)

	1974	1973
Current assets:		
Unreimbursed costs and accrued profits on cost-plus-fee and construction type contracts—Note 1	$40,105,000	$51,124,000

Note 1: Unreimbursed costs and accrued profits on cost-plus-fee and construction type contracts—The components of the unreimbursed costs and accrued profits on cost-plus-fee and construction type contracts are as follows:

	1974	1973
Amounts receivable from the U.S. Government:		
Due currently	$14,316,000	$10,312,000
Due upon completion of contracts	982,000	1,385,000
Total due from U.S. Government	15,298,000	11,697,000
Due from the Imperial Government of Iran	15,513,000	37,309,000
Amounts receivable from other customers:		
Due currently	11,169,000	4,074,000
Due upon completion of contracts	417,000	203,000
Total due from other customers	11,586,000	4,277,000
	42,397,000	53,283,000
Less allowances for uncollectible amounts	2,292,000	2,159,000
	$40,105,000	$51,124,000

Of the total unreimbursed amounts due at December 31, 1974, $29,000,000 is expected to be realized in 1975 and $11,000,000 in 1976.

Amounts due from the Imperial Government of Iran are for work in connection with the performance of a long-term contract accounted for by the percentage of completion method. 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. The Corporation submitted documentation of contract changes covering the delays and additional customer needs and in 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 a final price. This amount is less than the indicated final cost of the program.

Documentation of additional contract changes as well as the impact of inflation has been submitted to cover all the expected costs to complete the program. The program construction is expected to be complete in mid-1975 and at that time the parties will commence negotiations to determine 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 the contract to be profitable; however, until the completion of final price negotiations, the Corporation continues its policy, followed since 1972, of not recording additional profits on this contract.

Advances

CROWN CENTRAL PETROLEUM CORPORATION (DEC)

	1974	1973
Current Assets		
Cash	$ 9,009,508	$11,006,759
Accounts receivable, less allowance for doubtful accounts (1974 and 1973—$218,000)	15,664,733	13,157,862
Inventories:		
Crude oil and refined products (Note B)	24,975,743	22,913,475
Materials and supplies	1,969,066	1,903,033
	26,944,809	24,816,508
Advances on oil purchase contract (Note C)	24,999,142	14,000,000
Prepaid expenses	238,769	109,892
Total Current Assets	$76,856,961	$63,091,021

Note C: Advances on Oil Purchase Contract—On December 1, 1974 the Company made advances in the amount of $25,000,000 under an agreement to purchase crude oil. The agreement requires delivery of the crude oil to the Company to be completed by February 28, 1976, at applicable prices allowable under the Economic Stabilization Program. The advances consist of $2,100,000 in cash and nine promissory notes of $2,100,000 due the first day of each month from January 1, 1975 through September 1, 1975 and two promissory notes of $2,000,000 due October 1 and November 1, 1975. All notes bear interest at the prime rate.

FMC CORPORATION (DEC)

	1974	1973
Current Assets		
Notes and accounts receivable, less allowance for doubtful accounts (1974, $9,890,000; 1973, $6,870,000)	$277,573,000	$239,264,000
Amounts receivable from U.S. Government	22,697,000	31,087,000
Advance to FMC Finance Corporation (Note 6)	4,639,000	41,544,000

Note 6: FMC Finance Corporation—FMC Finance Corporation, a wholly owned subsidiary of FMC, was activated January 1, 1973.

A substantial portion of FMC's short-term advance to the finance company was repaid during 1974 with proceeds received by the finance company from issuance of commercial paper and notes payable to banks and from the sale of a Subordinated Note Payable to FMC.

Under the terms of an operating agreement between FMC and the finance company, FMC is obligated to make payments, if necessary, to support the earnings of the finance company to the extent that its earnings before income taxes and fixed charges (interest expense and rentals) are less than 1½ times its fixed charges. Such payments have no effect on consolidated assets or net income.

Summarized financial information of the finance company follows:

	1974	1973
Condensed income statement:		
Income:		
Interest and finance charges	$ 7,183,000	$ 4,106,000
Income maintenance from FMC (1)	359,000	—
Total income	7,542,000	4,106,000
Expenses:		
Interest—FMC, less interest support from FMC of $479,000 in 1974 and $365,000 in 1973	2,842,000	2,194,000
Interest—other	1,346,000	7,000
Other expenses	1,239,000	790,000
Provision for income taxes	1,051,000	537,000
Total expenses	6,478,000	3,528,000
Net income	$ 1,064,000	$ 578,000
Condensed balance sheet:		
Finance receivables, net (2)	$73,602,000	$55,198,000
Other assets	632,000	107,000
Total assets	$74,234,000	$55,305,000
Advance from FMC	$ 4,639,000	$41,544,000
Short-term notes payable	43,090,000	—
Other liabilities	2,863,000	1,183,000
Subordinated Note Payable to FMC	10,000,000	—
Stockholder's equity	13,642,000	12,578,000
Total liabilities and stockholder's equity	$74,234,000	$55,305,000

(1) Accounted for as interest support until the fourth quarter of 1974.

(2) Including $50,168,000 in 1974 and $43,463,000 in 1973 arising from the sale of products manufactured by FMC, and which FMC is obligated to purchase if delinquent.

Property Held For Sale

HOFFMAN ELECTRONICS CORPORATION (DEC)

	1974	1973
Current Assets:		
Cash	$ 294,074	$ 804,394
Accounts receivable, less allowance (1974—$220,607; 1973—$89,574) for doubtful accounts	10,401,355	8,642,408
Income taxes refundable	608,181	492,357
Inventories, at the lower of cost (first-in, first-out) or market	6,101,258	4,842,137
Government contract inventories, less progress payments	7,412,382	2,314,487
Prepaid expenses	636,476	534,197
Deferred tax benefits	1,252,807	781,815
Assets of discontinued business (Note 4)	726,759	3,021,975
Total current assets	$27,433,292	$21,433,770

Note 4: Discontinued Operations—Effective August 16, 1974 the company made the decision to discontinue operations of its Metal Products Division. The results of operations of such business for periods prior to August 16, 1974, are included in the consolidated statements of income under the caption "Loss from operations of discontinued business." The following is a summary of the operations of this business for periods prior to August 16, 1974:

	1974	1973
Net sales	$5,811,667	$8,202,749
Costs and expenses	6,741,616	10,011,348
Income tax benefit	446,400	982,200
Net loss	$ 483,549	$ 826,399

"Loss on disposal of discontinued business," represents the estimated loss associated with the disposal of the assets of the business, together with a provision of $238,000 for estimated operating losses subsequent to August 16, 1974, including $220,000 to be incurred in 1975 during the phase-out period.

At December 31, 1974 assets associated with the Metal Products Division consisted primarily of trade receivables ($726,759) and machinery and equipment ($700,000). These assets are carried at estimated realizable value and are shown as "Assets of discontinued business" in the accompanying balance sheets.

The company's 1973 consolidated financial statements have been restated to conform with the current year's presentation.

Note 6 (in part): Income Taxes—The provision for income taxes represents Federal and State income taxes applicable to reported income. The company will report an operating loss for tax purposes in 1974 and a claim will be made for refund of taxes paid in prior years. In 1973 a similar claim was made on the basis of a loss reported for tax purposes.

SAFEWAY STORES, INCORPORATED (DEC)

	1974	1973
Current Assets		
Properties for development and sale within one year	$19,736,000	$29,601,000

Financial Review

Summary of Accounting Policies (in part)

Properties for Development and Sale Within One Year: This entry under Current Assets represents the original cost of land and improvements developed for use by the Company and for which commitments have been received for sale and leaseback during the following year.

Other

DEL MONTE CORPORATION (MAY)

	1974	1973
Current assets:		
Expenditures on growing crops..	$18,496,000	$19,565,000
Costs allocable to future operations	9,812,000	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 the case of perennial crops, over the plantings' productive life.

Prepayment 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.

FOOD FAIR STORES, INC.

	1974	1973
Current assets:		
Funds held for retirement of bonds (Note 6)..............	$6,677,000	$ —

Note to Consolidated Financial Statements

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, retired on September 1, 1974.

PROPERTY, PLANT, AND EQUIPMENT

Paragraph 5 of *APB Opinion No. 12* states:

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 2-13 and 2-14 show the property, plant, and equipment captions presented by the survey companies. The average number of captions used per company was 3. Table 2-15 summarizes the descriptive captions used to describe the accumulated allowance for depreciation.

Examples of presentations of property, plant and equipment follow.

TABLE 2-13: LAND CAPTIONS

	1974	1973	1972	1971
Land..................................	400	403	404	400
Land and improvements.....	88	85	82	80
Land and buildings...........	37	36	41	42
Land combined with other identified assets	36	37	32	32
No caption with term *land*..	5	6	11	13
	566	567	570	567
Line of business classification	34	33	30	33
Total Companies	**600**	**600**	**600**	**600**

Breakdown by Nature of Property

ADAMS-MILLIS CORPORATION (DEC)

Statements of Consolidated Financial Position

	1974	1973
Property, Plants, and Equipment		
Land	$ 778,741	$ 786,044
Buildings	7,826,423	7,689,485
Machinery and equipment	26,130,484	24,575,646
Equipment installations in progress (estimated additional cost to complete 1974 — $125,000; 1973 — $804,000)	38,324	188,220
	34,773,972	33,239,395
Less allowances for depreciation	18,707,679	17,301,364
	16,066,293	15,938,031
Facilities of fabrics division that are pending sale, less allowances for depreciation of $2,414,957 in 1974 and $2,058,877 in 1973 and estimated loss on sale or disposition of $3,246,606 in 1974	4,209,354	7,792,866
Total Property, Plants, and Equipment	$20,275,647	$23,730,897

Statements of Changes in Consolidated Financial Position

Earnings from continuing operations	$ 917,424	$2,208,906
Add (deduct) items not affecting working capital in current period:		
Provision for depreciation	2,307,771	2,211,931
Adjustment of carrying value of:		
Certron Corp. stock	311,250	168,750
Note receivable—noncurrent		138,335
Deferred income taxes—noncurrent	(316,139)	280,839
Minority interest in net earnings of subsidiary	63,516	66,248
Total from Continuing Operations	$3,283,822	$5,075,009

Notes to Consolidated Financial Statements

Note A (in part): Summary of Accounting Policies

Depreciation—The provision for depreciation is computed using straight-line and accelerated methods. For income tax purposes, the class lives permitted by the Internal Revenue Service are used for certain assets, whereas individual asset lives are used for financial reporting purposes. The annual provisions for depreciation have been computed principally in accordance with the following range of rates:

Buildings and building equipment	3% to 10%
Machinery and equipment	7 to 25
Automobiles and trucks	20 to 66

TABLE 2-14: DEPRECIABLE ASSET CAPTIONS

	1974	1973	1972	1971
Buildings				
Buildings	295	296	301	302
Buildings and improvements	147	146	135	130
Buildings and land or equipment	86	85	71	84
Buildings combined with other identified assets	23	25	27	19
No caption with term *buildings*	10	11	27	27
	561	563	561	562
Line of business classification	39	37	39	38
Total Companies	**600**	**600**	**600**	**600**
Other Depreciable Asset Captions				
Machinery and/or *equipment*	438	436	439	430
Machinery and/or *equipment* combined with other terms	95	97	91	76
Construction in progress	198	197	190	191
Leasehold improvements	106	108	113	97
Automobiles, marine equipment, etc.	80	83	66	81
Furniture, fixtures, etc.	67	70	67	71
Equipment held for rental or lease	42	43	43	41
Miscellaneous	85	87	89	90
Total Captions	**1111**	**1121**	**1098**	**1077**

ARCHER DANIELS MIDLAND (JUN)

Consolidated Balance Sheet

	1974	1973
Property, Plant and Equipment		
Land	$ 1,445,491	$ 1,265,525
Buildings	47,952,898	45,106,967
Machinery, equipment and other	118,247,724	105,372,326
Construction in progress (approximately $13,500,000 to complete)	23,920,729	5,457,793
Allowances for depreciation (deduction)	(76,992,971)	(67,490,237)
	$114,573,871	$ 89,712,374

Statement of Changes in Consolidated Financial Position

Source of working capital		
From operations		
Net earnings	$29,410,385	$16,895,208
Charges (credits) to income not requiring (providing) working capital:		
Depreciation	12,422,789	10,664,631
Deferred income taxes	8,421,727	3,365,320
Equity in net earnings of Independent Bancorporation	(1,319,613)	(1,015,077)
Other	385,991	373,606
Total from operations	$49,321,279	$30,283,688

Notes to Consolidated Financial Statements

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

Property, Plant and Equipment—Assets are recorded at cost. The Company uses the straight line method in computing depreciation and amortization for financial reporting purposes and accelerated methods, with respect to certain assets, for income tax purposes. The estimated lives are generally as follows:

Buildings	10 to 50 years
Machinery and equipment	3 to 15 years
Transportation equipment	2 to 18 years
Furniture and fixtures	6 to 20 years

Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to income as incurred.

The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal with the resulting gain or loss credited or charged to operations.

Consolidated Statement of Changes in Financial Position

Source of Funds		
Net earnings	$ 77,303	$ 26,734
Items not requiring outlay of working capital—		
Depreciation and amortization	26,501	25,545
Deferred income taxes	(1,000)	2,000
Working capital provided from operations	$102,804	$ 54,279

Notes to Financial Statements

Note 1 (in part): Summary of Accounting Policies

Property and Depreciation—Depreciation and amortization of plant and equipment are provided for by the company and its subsidiaries, generally using the straight-line method, based on estimated useful lives of the assets. For federal income tax purposes, certain assets are depreciated using allowable accelerated methods.

Ranges of annual depreciation rates used by the company and its subsidiaries were as follows:

Land improvements	2.10%
Buildings and equipment	2-10%
Machinery and equipment	4-33⅓%
Leasehold improvements	Generally life of lease

Repair and maintenance costs are charged against earnings, while renewals and betterments are capitalized by additions to the related asset accounts. The company and its subsidiaries generally record retirements by removing the cost and accumulated depreciation from the asset and reserve accounts, reflecting any resulting gain or loss in earnings.

COLT INDUSTRIES INC (DEC)

Consolidated Balance Sheet

	1974	1973
	($000)	
Property, Plant and Equipment at Cost (Note 1)		
Land and improvements	$14,887	$ 13,981
Buildings and equipment	94,076	91,786
Machinery and equipment	440,767	407,616
Leasehold improvements	4,666	4,266
Construction in progress	18,171	15,490
	572,567	533,139
Less accumulated depreciation and amortization	330,310	312,447
	242,257	220,692
Funds held by custodian for pollution equipment	9,129	—
	$251,386	$220,692

TABLE 2-15: ACCUMULATED DEPRECIATION

	1974	1973	1972	1971
Accumulated depreciation	303	301	290	278
Accumulated depreciation and amortization	130	132	128	134
Allowance for depreciation	36	36	38	37
Accumulated depreciation, amortization and depletion	29	29	28	29
Accumulated depreciation and depletion	22	22	25	22
Allowance for depreciation and amortization	20	21	22	28
Allowance for depreciation and depletion	14	14	14	14
Other captions	46	45	55	58
Total Companies	**600**	**600**	**600**	**600**

BLUE BELL, INC. (SEP)

Consolidated Balance Sheet

	1974	1973
Property (at cost):		
Land and land improvements	$ 2,266,956	$ 2,152,330
Buildings..........................	26,774,102	23,738,351
Machinery, equipment, etc.	45,359,400	41,070,880
Improvements to leased property	8,162,809	6,509,514
Total	82,563,267	73,471,075
Less accumulated depreciation and amortization	38,071,130	32,174,007
Property, net.....................	$44,492,137	$41,297,068

Statement of Changes in Consolidated Financial Position

Source of Funds:		
Operations:		
Net income	$19,761,215	$15,105,330
Add expenses not requiring working capital:		
Depreciation and amortization of property	6,797,405	6,196,442
Other...........................	516,059	181,701
Working capital provided from operations	$27,074,679	$21,483,473

Notes to Financial Statements

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

Depreciation and Amortization—Depreciation on a major portion of property is computed using the sum-of-the-years digits or other accelerated methods; on the remaining portion, depreciation or amortization is computed using the straight-line method. Trade names and other intangibles acquired subsequent to October 31, 1970 are being amortized on a straight-line basis over periods not in excess of forty years.

COMBINED COMMUNICATIONS CORPORATION (DEC)

Consolidated Balance Sheets

	1974	1973
Property, Plant and Equipment, at cost (Notes A and C)...........	$129,015,000	$117,573,000
Accumulated depreciation and amortization	(23,996,000)	(17,911,000)
	$105,019,000	$ 99,662,000

Note A (in part): Summary of Significant Accounting Policies:

Property, plant and equipment—Additions, improvements and expenditures for repairs and maintenance, and relocation of outdoor advertising structures, that significantly add to the productivity or extend the economic life of the assets are capitalized. Other expenditures for repairs and maintenance, and takedown costs of outdoor advertising structures are charged to operations.

Depreciation and amortization, for financial statement purposes, is calculated principally on the straight-line method based on estimated average useful lives.

Note C (in part): Property, plant and equipment:

	December 31 1974	1973	Estimated useful lives
Advertising and display structures...	$ 88,462,000	$ 81,512,000	5-30 years
Broadcasting equipment	14,041,000	11,956,000	4-20 years
Buildings and improvements	11,168,000	10,705,000	5-45 years
Fixtures and equipment	4,545,000	3,564,000	2-20 years
Vehicles	2,366,000	1,913,000	3-10 years
Land..................	8,433,000	7,923,000	
	$129,015,000	$117,573,000	

Depreciation expense for 1974 and 1973 was $6,502,000 and $6,844,000, respectively.

Effective January 1, 1974 costs associated with obtaining advertising locations and the construction and erection of outdoor advertising structures were segregated into various categories and, after deducting salvage value of 5% on a portion of the assets, are being depreciated using estimated useful lives of 5 to 30 years. Previously these costs were depreciated substantially over an estimated life of 15 years after deducting a 10% salvage on all of the assets. This change increased net income and earnings per share for 1974 by $406,800 and $.11, respectively.

PEPSICO, INC. (DEC)

Consolidated Balance Sheet

	1974	1973
	($000)	
Property, Plant and Equipment		
Land...............................	$ 30,192	$ 27,427
Buildings..........................	152,268	134,137
Machinery and equipment	419,194	370,004
Bottles and cases	59,902	53,885
	661,556	585,453
Less accumulated depreciation ..	230,506	209,314
	$431,050	$376,139

Consolidated Statement of Changes in Financial Position

Financial Resources Provided:		
Operations		
Net income	$ 87,419	$ 79,596
Depreciation and amortization	48,001	41,634
Deferred income taxes	10,200	10,400
Other...........................	2,333	1,641
	$147,953	$133,271

Notes to Consolidated Financial Statements

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

Property, Plant and Equipment—Land, buildings and machinery and equipment are stated at cost. Depreciation is calculated principally on a straight-line basis over estimated service lives of the respective assets. Upon the sale or retirement of property, the property accounts and the related depreciation reserves are appropriately adjusted and any profit or loss is reflected in income. Maintenance and repairs are charged to expense as incurred.

Valuation of bottles and cases is based on periodic physical inventories of those in-plant and on estimates of those in-trade. In-plant and estimated in-trade breakage is charged to cost of sales. In general, returnable bottles and cases of domestic operations are reduced to deposit value. As to foreign operations, returnable containers purchased prior to 1974 are carried at cost and those purchased since December 29, 1973 are carried at deposit value. The effect of this change in 1974 was not material to PepsiCo's reported results of operations.

GENERAL HOST CORPORATION

Consolidated Balance Sheet

	1974	1973
	($000)	
Property, plant, and equipment, at cost less accumulated depreciation and amortization of $60,829 and $55,015 (Note 4)	$ 97,827	$ 93,152

Consolidated Statement of Income

Costs and expenses:		
Cost of sales	$562,444	$552,716
Selling, general and administrative	63,586	56,366
Depreciation and amortization	8,036	7,566
Interest and debt expense	9,995	9,859
	$644,061	$626,507

Note 4–Property, Plant and Equipment:

	Dec. 28, 1974	Dec. 29, 1973
	(In thousands)	
Land	$ 10,959	$ 10,008
Buildings	63,815	54,616
Machinery and equipment	66,091	62,804
Vehicles	6,019	6,752
Leasehold improvements	6,080	5,530
Construction in progress	5,692	8,457
	158,656	148,167
Less-accumulated depreciation and amortization	60,829	55,015
	$ 97,827	$ 93,152

The Company's policy is to depreciate plant and equipment over the estimated useful lives of the assets by use of the straight-line method for both accounting and tax purposes. Leasehold improvements are amortized over the terms of the leases or their useful lives, if shorter.

G.C. MURPHY COMPANY (DEC)

Consolidated Balance Sheet

	1974	1973
Property and equipment, at cost:		
Buildings	$ 21,978,914	$ 19,211,297
Improvements to leased properties	43 568,469	42,749,740
Fixtures and equipment	81,747,896	76,308,646
	147,295,279	138,269,683
Less accumulated depreciation and amortization	72,665,222	67,806,646
	74,630,057	70,463,037
Construction in progress, distribution center	—	3,962,656
Land	3,529,957	3,578,187
Total property and equipment	$ 78,160,014	$ 78,003,880

Statement of Consolidated Income and Income Retained in the Business

Costs and expenses:		
Cost of goods sold, including occupancy costs	$348,312,348	$329,545,921
Selling, general and administrative	114,908,412	104,802,807
Taxes, other than income taxes	9,198,542	8,846,044
Depreciation and amortization	7,039,446	6,619,519
Interest	4,867,483	3,861,984
	$484,326,231	$453,676,275

Notes to Financial Statements

Note 1 (in part): Significant Accounting Policies:

Depreciation and Amortization—Depreciation and amortization of property and equipment for financial reporting purposes are generally determined on the group basis using the straight-line method.

Buildings are depreciated at annual rates ranging from 2½% to 20%, based upon their estimated useful lives. Fixtures and equipment are depreciated at annual rates ranging from 5% to 20%, based upon their estimated useful lives. Improvements to leased properties are amortized generally over the terms of leases, except that a maximum period of 25 years is used.

Accelerated methods of depreciation are used for income tax purposes.

Maintenance and repairs which do not extend the useful life of properties are expensed. Renewals and betterments which extend the useful life of properties are capitalized. Costs and accumulated depreciation and amortization related to assets which have become fully depreciated are removed from the accounts.

THE SINGER COMPANY (DEC)

	1974	1973
	(Amounts in Millions)	
Property, plant and equipment — net	$409.1	$412.4

Summary of Accounting Policies

Property, Plant and Equipment—Land, buildings, equipment, and improvements which significantly 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 sales or retirements are reflected in income.

Notes to Financial Statements

Property, Plant and Equipment—Gross additions in 1974 amounted to $96.1 million. Disposals of property, plant and equipment (net of accumulated depreciation), including amounts reclassified to non-current assets of discontinued operations, amounted to $25.9 million. The provision for depreciation in 1974 was $73.5 million compared with $70.7 million in 1973. Balances at December 31, 1974 and 1973 are:

	1974	1973
	(Amounts in Millions)	
Property, plant and equipment, at cost:		
Land	$ 16.1	$ 16.3
Buildings, less accumulated depreciation of $74.2 in 1974 and $69.5 in 1973	102.4	106.0
Machinery and equipment, less accumulated depreciation of $376.6 in 1974 and $351.6 in 1973	238.7	238.9
Equipment for lease, less accumulated depreciation of $31.0 in 1974 and $37.2 in 1973	35.3	32.0
Construction in progress	16.6	19.2
	$409.1	$412.4

UNITED BRANDS COMPANY (DEC)

Consolidated Balance Sheet

	1974	1973
	($000)	
Property, Plant and Equipment, net (Note 7)	$350,921	$403,128

Consolidated Statement of Income and Income Retained in the Business

Operating costs and expenses:		
Cost of sales	$1,855,395	$1,640,252
Selling, general and administrative expenses	131,164	117,351
Depreciation	31,877	29,523
	$2,018,436	$1,787,126

Note 1 (in part): Summary of Accounting Policies

Property, Plant and Equipment: Property, plant and equipment are stated at cost and, other than land, are depreciated on a straight-line basis over estimated useful lives. Expenditures for repairs and maintenance are charged to income; expenditures for additions and betterments are capitalized and depreciated over the estimated remaining life of the related asset. Gains and losses on sales and retirements of properties are reflected in income.

Note 7: Property, Plant and Equipment, net—Property, plant and equipment comprise the following:

	1974	1973
	(In thousands)	
Land	$ 26,699	$ 26,651
Buildings and Improvements	100,106	102,276
Machinery and Equipment	204,926	255,457
Ships	96,928	92,108
Cultivations	60,946	63,701
Other	30,429	29,144
	520,034	569,337
Less: Accumulated Depreciation	169,113	166,209
Property, plant and equipment, net	$350,921	$403,128

Property, plant and equipment, other than land, are depreciated as follows:

	Years
Buildings and Improvements	10 to 50
Machinery and Equipment	2 to 30
Ships	15 to 32
Cultivations	20 to 30
Other	2 to 50

XEROX CORPORATION (DEC)

Consolidated Balance Sheets

	1974	1973
	($000)	
Land, Buildings and Equipment		
At cost (less accumulated depreciation: 1974 — $336,750; 1973 — $268,270)	$753,045	$584,216

Consolidated Statements of Changes in Financial Position

Working Capital Provided By Operations		
Net income	$331,083	$300,484
Charges not affecting working capital		
Depreciation of rental equipment	409,744	339,384
Depreciation of buildings and equipment	85,673	64,055
Amortization of goodwill, patents and licenses	3,632	5,408
Outside shareholders' interests in income	77,217	66,153
Noncurrent deferred income taxes	22,213	171
Deferred investment tax credits	10,764	6,030
Other	19,941	14,669
Working capital provided by operations	$960,267	$796,354

Notes to Consolidated Financial Statements

Summary of Significant Accounting Policies

Land, Buildings and Equipment and Related Depreciation—Land, buildings and equipment are capitalized at cost. Significant improvements are capitalized; maintenance and repairs are charged to income. The cost of buildings and equipment is depreciated over their estimated useful lives. Declining balance methods of computing depreciation are generally used in the U.S. and in Canada; the straight line method of computing depreciation is generally used in other countries.

Land, Buildings and Equipment—A summary of land, buildings and equipment and accumulated depreciation follows:

(Dollars in thousands)	Estimated Useful Lives	1974	1973
Assets			
Land		$ 64,537	47,035
Buildings and building equipment	20 to 50 years	290,562	210,242
Leasehold improvements	Term of lease	68,397	48,340
Plant machinery	8 to 12 years	358,997	279,894
Office furniture and fixtures	5 to 10 years	148,774	103,632
Other	3 to 5 years	90,547	68,432
Construction in progress		67,981	94,911
Total		1,089,795	852,486
Less accumulated depreciation		336,750	268,270
Net land, buildings and equipment		$ 753,045	$584,216

Functional Classification

ASHLAND OIL, INC. (SEP)

Consolidated Balance Sheet

	1974	1973
	(Thousands of Dollars)	
Property, Plant and Equipment—on the basis of cost—Note A		
Petroleum	$ 422,145	$ 404,169
Exploration	347,695	303,472
Chemical	152,790	148,751
Construction	208,788	188,683
Canada	200,640	174,699
Other	58,147	16,508
	$1,390,205	$1,236,282
Less accumulated depreciation, depletion and amortization	599,486	548,028
	$ 790,719	$ 688,254

Statement of Consolidated Income

Costs and Expenses:		
Cost of sales and operating expenses	$2,722,954	$1,596,632
Excise taxes on petroleum products and merchandise	235,557	244,010
Selling, administrative and general expenses	241,006	212,246
Provision for depreciation, depletion and amortization	80,146	73,483
Exploration expenses, including nonproductive wells and amortization of undeveloped leases	21,329	24,641
Interest on debentures, notes and mineral loans	29,771	25,319
	$3,330,763	$2,176,331

Notes to Consolidated Financial Statements

Note A: Accounting Policies—The information presented on pages 34 and 35 of this Annual Report summarizes certain Accounting Policies of the Company and is an integral part of these financial statements.

Accounting Policies

Property, Plant and Equipment—With respect to United States (except Alaska) and Venezuelan oil and gas production operations, the Company's policy is to charge to income currently all exploration costs which do not result in acquisition or retention of acreage and all intangible costs of nonproductive wells. Lease acquisition costs and tangible and intangible costs of productive wells are capitalized. Costs of undeveloped leases are amortized over a five-year period; tangible and intangible costs of productive wells are amortized on a unit-of-production method over estimated recoverable oil and gas reserves of the individual leases. Annual lease rentals are charged to income.

With respect to Canada, the Company's policy is to capitalize all exploration costs, including both productive and nonproductive well drilling costs applicable to the exploration for and development of oil and gas reserves and to amortize such capitalized costs on a composite basis on the unit-of-production method.

With respect to other foreign areas and Alaska, the Company's policy is to capitalize all exploration costs, including both productive and nonproductive well drilling costs and to amortize such capitalized costs on an area-of-interest basis on the unit-of-production method when production commences. Costs of unsuccessful areas are written off and costs of undeveloped areas are amortized over a five-year period.

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

Maintenance, repairs and renewals are charged to income at the time the expenditures are made. Expenditures for betterments are capitalized.

At the time the Company retires or otherwise disposes of properties, the cost of the asset and the related accumulated depletion, depreciation, or amortization is removed from the respective accounts. Gain or loss on disposals is included in income except for normal retirements from certain composite accounts for which the gain or loss is credited or charged to the reserve account.

CROWN CENTRAL PETROLEUM CORPORATION (DEC)

Consolidated Balance Sheets

	1974	1973
Property, Plant and Equipment (Notes E, G and I)		
Land	$ 10,370,609	$ 9,739,545
Oil and gas properties	21,610,171	14,077,354
Refinery and petrochemical plant	73,515,111	67,419,899
Marketing facilities	27,168,037	24,550,801
Pipe lines and other equipment	5,797,163	5,940,876
	128,090,482	111,988,930
Less allowances for depreciation and depletion	44,516,491	40,820,591
	83,573,991	71,168,339
Total Property, Plant and Equipment	$ 93,944,600	$ 80,907,884

Statements of Consolidated Income

Costs and Expenses		
Costs and operating expenses	$365,927,437	$178,404,685
Selling and administrative expenses	13,681,150	10,273,777
Depreciation and depletion	6,403,858	5,979,782
Interest	4,836,768	3,616,724
Abandonments and sales of property, plant and equipment (net of proceeds)	610,795	1,124,496
Expenditures related to certain long-term projects	3,161,814	1,774,935
	$394,621,822	$201,174,399

Notes to Consolidated Financial Statements

Note A–Summary of Accounting Policies

Property, Plant and Equipment—Property, plant and equipment is carried at cost. Depreciation is provided on the straight-line method over estimated useful lives. Depletion is based on estimated future production which will exhaust costs under the unit of production method.

Drilling and development costs of producing oil and gas wells and lifting costs related to the production payment (Note F) are being capitalized but for income tax purposes are deducted as incurred. Exploration costs, including delay rentals and dry hole costs, and drilling and development costs related to nonproducing wells are charged against income as incurred.

The cost of all significant undeveloped leases is being amortized over the lives of the leases, which range from 2 to 10 years.

Upon sale or retirement, the costs and related accumulated depreciation or depletion are eliminated from the respective accounts, and the resulting gain or loss is included in income.

Routine current maintenance, repairs and replacement costs are charged against income. Turnaround costs, which consist of complete shutdown and opening up of certain significant units of the refinery for internal inspection and making of necessary repairs and replacements, are deferred and amortized. Expenditures which materially increase values, change capacities, or extend useful lives are capitalized.

KENNECOTT COPPER CORPORATION (DEC)

Consolidated Balance Sheets

	1974	1973
Mining land, plants, equipment and other properties, at cost, less accumulated depreciation, depletion and amortization	$1,407,405,806	$1,294,693,390

Notes to Conoslidated Financial Statements

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

Mining Land, Plants, Equipment and Other Properties—Property accounts are carried at cost. Maintenance and repairs are charged to costs as incurred. Expenditures for major betterments are capitalized. Gain or loss on retirement of property is included in income.

Depreciation and Depletion—Depreciation is computed at rates appropriate for the respective properties, under the conditions existing at each, in order to write off plant and equipment over its estimated useful life on the straight-line method. Generally, such rates are computed on a basis of average useful life of items or grouped items. Such average useful lives vary from 3 to 45 years.

Depletion is provided in the accounts over the estimated useful lives of mining properties based on a unit of production sold method.

Note 5: Mining Land, Plants, Equipment and Other Properties:

	1974	1973
Nonferrous metals (excluding titanium)	$ 927,993,744	$ 857,259,086
Coal	990,217,306	879,405,217
Iron and titanium	129,841,007	119,834,916
Metal fabricating	72,996,237	72,069,825
Other	19,595,760	23,354,573
Total	2,140,644,054	1,951,923,617
Less, Accumulated depreciation (1974, $645,828,995; 1973, $583,441,516), depletion and amortization	733,238,248	657,230,227
	$1,407,405,806	$1,294,693,390
Charged to operations:		
Depreciation	$ 77,652,348	$ 66,643,126
Depletion and amortization	13,631,751	13,911,148
	$ 91,284,099	$ 80,554,274

QUAKER STATE OIL REFINING CORPORATION (DEC)

Consolidated Balance Sheet

	1974	1973
Property (Note 3):		
Buildings, equipment and production properties	$169,886,307	$148,952,462
Less accumulated depreciation and depletion	72,416,879	61,295,697
	97,469,428	87,656,765
Construction work in progress	10,397,540	8,184,956
Land	3,534,001	3,261,058
	$111,400,969	$ 99,102,779

Statement of Consolidated Income

Costs and expenses:		
Cost of sales and operating costs (Note 1)	$184,299,107	$127,855,095
Selling, administrative and general	30,696,828	26,361,827
Depreciation and depletion	12,355,901	9,495,359
Interest	3,148,649	2,843,966
Income taxes, including deferred taxes: 1974, $2,100,000; 1973, $2,339,000 (Note 6)	16,325,000	15,455,000
	$246,825,485	$182,011,247

Notes to Financial Statements

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

Property: Cost of buildings and equipment are generally charged against income over the guideline lives of assets by application of the composite basis of computing depreciation using the straight-line method. Costs of oil and gas production properties are amortized by the unit-of-production method. Repairs and maintenance which are not considered betterments and do not extend the useful life of property are charged to expense as incurred.

Development costs of non-productive properties and all exploration costs are charged to expense as incurred. Development costs of productive oil and gas properties are capitalized. The unamortized costs of oil and gas properties determined to be uneconomical are charged to expense when abandoned.

Note 3: Property—Major classes of property, including land and construction work in progress, at cost, are detailed below:

	1974	1973
Production	$ 70,536,476	$ 54,758,456
Refining	77,061,111	73,918,337
Marketing	24,777,725	21,711,981
Transportation	5,511,332	4,965,006
Non-petroleum operations	3,514,674	2,757,945
Other	2,416,530	2,286,751
	$183,817,848	$160,398,476

THE STANDARD OIL COMPANY
(An Ohio Corporation) (DEC)

Balance Sheet

	1974	1973
	($000)	
Property, Plant, and Equipment (net), including capitalized interest: 1974—$56,008; 1973—$22,959—Note C	$1,747,248	$1,138,437

Statements of Income and Retained Earnings

Costs and expenses		
Crude oil, products, merchandise and material costs, and operating expenses	$1,706,615	$1,062,526
Selling, general, and administrative expenses	252,598	265,034
Depreciation and depletion	68,434	67,019
	$2,027,647	$1,394,579

Notes to Financial Statements

Note A (in part): Accounting Policies and Practices

Depreciation and Depletion—Depreciation of property, plant, and equipment (except for that associated with oil and gas properties, coal mine development, mineral lands, and leaseholds) is provided principally by the straight-line method. Rates are used which recover the asset 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 oil and/or gas field or coal mine using the units of production method based on estimated proved developed reserves. Undeveloped leasehold costs are amortized based on experience, except that no amortization is being provided for Prudhoe Bay, oil shale, and tar sands properties until production commences.

Note C—Property, Plant, and Equipment—on the basis of cost—Thousands of Dollars (1973 amounts omitted for presentation purposes)

	December 31, 1974		
	Cost	Accumulated depreciation and depletion	Net
Petroleum			
Production			
Alaska	$ 382,781	$ 619	$ 382,162
Other	221,413	151,657	69,756
Refining	517,705	193,647	324,058
Marketing	405,843	124,637	281,206
Transportation			
Alaska	507,563	—0—	507,563
Other	45,520	22,464	23,056
Coal	118,855	53,949	64,906
Chemicals	98,154	46,725	51,429
Plastics	26,436	12,909	13,527
Other	38,064	8,479	29,585
	$2,362,334	$615,086	$1,747,248

INVESTMENTS IN STOCK

ARB No. 51, as amended by *APB Opinion No. 10*, stipulates 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 investments in minority owned companies when an investor has "the ability to exercise significant influence over operating and financial policies of an investee even though the investor holds 50% or less of the voting stock." *Opinion No. 18* considers an investor to have the ability to exercise significant influence when it owns 20% or more of the voting stock of an investee.

Three hundred and sixty-three of the survey companies disclosed 577 investments in either subsidiaries, or corporate joint ventures, or minority owned companies 20% or more owned. All but 47 of the aforementioned investments were carried at an amount adjusted to include the investor's share of investee earnings or losses. Reasons cited for not using the equity method were: insignificance of the investment (14), lack of ability to exercise significant influence (10), foreign currency repatriation restrictions (9), and various other (8). No reason was given in 6 instances.

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. Examples of other investments not subject to the requirements of *ARB No. 51*, as amended by *APB Opinion No. 10*, and *APB Opinion No. 18* are presented in connection with Table 2-17 and Table 2-20.

AMERICAN BILTRITE INC. (DEC)

Consolidated Balance Sheet

	1974	1973
Other Assets		
Equity investments in affiliated companies (Notes A and C).	$5,480,171	$ 6,608,829
Long-term notes receivable......	1,354,854	1,588,541
Deposits and other assets	1,014,818	1,135,615
Other investments and advances	809,868	809,868
	$8,659,711	$10,142,853

Statement of Consolidated Earnings and Retained Earnings

Costs and expenses:		
Cost of products sold.............	$136,634,727	$101,943,361
Selling, general and administrative expenses	33,874,406	28,771,925
Interest	2,634,614	1,473,364
Equity interest in earnings of affiliated companies (Note C).	(289,537)	(417,258)
	$172,854,210	$131,771,392

Note A (in part): Accounting Policies

Investments—The Company uses the equity method of accounting with respect to investments in its more than 20%-owned affiliated companies. Other investments are stated at cost.

Note C: Investment in Affiliated Companies—Information as of December 31, 1974 and 1973 with respect to investments in affiliated companies, for which the equity method of accounting is used, is as follows:

	% Owned		Carrying Amount	
	1974	1973	1974	1973
American Synthetic Rubber Corporation......	34	49	$3,692,776	$4,882,213
Dairy Cap Corporation...	50	41	1,368,211	1,404,800
Compania Hulera Sula, S.A..................	50	50	419,185	321,816
			$5,480,172	$6,608,829

TABLE 2-16: CAPTIONS FOR EQUITY METHOD INVESTMENTS

	1974	1973
Investments	176	171
Investments and advances	88	95
Investments and receivables........	13	17
Investments and other assets.......	33	32
Caption does not include term Investments	11	11
	321	326
No caption for equity method investments	279	274
Total Companies	**600**	**600**

TABLE 2-17: OTHER INVESTMENTS

	1974	1973	1972	1971
Balance Sheet Caption				
Investments and *Other Investments*, etc. as a separate caption	112	109	107	98
Investments combined with other accounts	113	115	93	122
Investments described (e.g. real estate, securities, etc.)	53	52	43	63
Total Presentations	**278**	**276**	**243**	**283**
Basis of Valuation				
Cost	98	97	76	110
Cost less reserve	32	33	37	32
Cost-market value disclosed	34	33	23	16
Other	8	7	—	—
Not disclosed	106	106	107	125
Total Presentations	**278**	**276**	**243**	**283**
Number of Companies				
Presenting a caption for other investments	254	251	227	257
Not presenting such a caption	346	349	373	343
Total	**600**	**600**	**600**	**600**

On December 27, 1974, the Company sold a portion of its investment in American Synthetic Rubber Corporation, thereby reducing its equity interest from 49% to 34%.

The Company purchased a 41% equity interest in Dairy Cap Corporation on November 13, 1973 at a total cost of $1,407,109. The Company's equity interest increased to 50% in August of 1974 as the result of the purchase of treasury shares by Dairy Cap Corporation. The total excess ($1,408,464) of cost of the Company's investment over its share of this affiliate's underlying net assets is being amortized over a period of ten years.

Summary financial information of these affiliated companies, combined as a group, for 1974 and 1973 is as follows:

	Thousands of Dollars	
	1974	1973
Working capital	$ 2,568	$ 2,017
Total assets	31,916	25,990
Shareholders' equity	12,531	11,006
Total sales and revenues	65,617	52,753
Earnings before extraordinary credit	1,358	1,199
Net earnings	1,821	1,644
Carrying amount of Company's investment	5,480	6,609
Equity in earnings before extraordinary credit	290	417
Equity in net earnings	485	621

AMERICAN SMELTING AND REFINING COMPANY (DEC)

Consolidated Balance Sheet

	1974	1973
	(dollars in thousands)	
Investments:		
Non-consolidated associated companies (equity method, note 4)	$392,658	$350,109
Other companies (cost)	6,919	8,012
Total Investments	$399,577	$358,130

Consolidated Statement of Earnings

	1974	1973	1972
	(dollars in thousands)		
Sales of products and services	$1,344,050	$1,068,439	$814,345
Costs of products and services —exclusive of items deducted separately below	1,183,925	954,464	732,776
	160,125	113,975	81,569
Equity in earnings of non-consolidated associated companies (note 4)	102,606	85,105	30,908

Note 4 (in part): Investments (in millions)—Dividends from companies accounted for by the equity method were: 1974 — $43.3; 1973 — $15.3; 1972 — $18.9; 1971 — $32.4; 1970 — $47.5.

Taxes have not been provided on the undistributed earnings of subsidiaries and corporate joint ventures, accounted for by the equity method, as such earnings have been reinvested indefinitely, and no remittance of such earnings to Asarco is foreseen. At December 31, 1974, the cumulative amount of equity in such undistributed earnings on which income taxes have not been recognized is $243.7.

Major Investments Accounted for by the Equity Method

	Southern Peru Copper Corporation Dec. 31, 1974	M.I.M. Holdings Limited June 30, 1974	Total (b)
	(dollars in thousands)		
Financial Position		(a)	
Current Assets	$142,630	$223,021	
Current Liabilities	(29,897)	(161,914)	
Working Capital	112,733	61,107	
Property—Net	433,730	374,270	
Other Assets	3,781	24,853	
Deferred Income Taxes	(18,526)	(144,675)	
Long-term Debt	(176,507)	(19,593)	
Other Liabilities	(44,517)	(12,008)	
Net Assets	$310,694	$283,954	
Asarco's Percentage Owned — Dec. 31, 1974	51.5	49.0	
Asarco's Investment — Dec. 31, 1974	$159,105	$140,044	$299,149

	For the Years Ended December 31	(c)	
Net Sales			
1974	$190,526	$481,855	
1973	215,714	392,484	
1972	123,745	223,232	
1971	120,108	212,532	
1970	155,002	223,141	
Net Income			
1974	$ 40,480	$120,026	
1973	61,323	85,488	
1972	26,914	29,713	
1971	26,214	39,556	
1970	37,432	59,548	
Equity Earnings			
1974	$ 20,847	$ 58,813	$ 79,660
1973	31,501	43,903	75,404
1972	13,942	15,659	29,601
1971	13,490	20,846	34,336
1970	19,288	31,382	50,670
Dividends to Asarco			
1974	—	$ 34,985	
1973	—	13,218	
1972	$ 8,059	8,957	
1971	15,311	13,802	
1970	18,132	25,130	

(a) Translated to U.S. Dollars at rate in effect at December 31, 1974 of Australian $1=US $1.3225 (rate at June 30, 1974 was A$1=US $1.4850).

(b) Asarco's investments in "Non-consolidated associated companies" carried on the equity method includes in addition to those shown above a total of $93,509 for Revere Copper and Brass Incorporated (33.4%), Industrial Minera Mexico, S.A. (34%), Neptune Mining Company (51.8%) and some minor companies. Equity in earnings of such companies, included in the Consolidated Statement of Earnings was $22,946, $9,701, $1,307, $2,772 and $9,235 in 1974 through 1970, respectively.

(c) See note 1 for translation policy.

ESB INCORPORATED (MAR)

Consolidated Statements of Financial Position

	1974	1973
	Dollar amounts in thousands	
Investments in and advances to partially-owned companies	$ 21,399	$ 14,678

Consolidated Statements of Income

Costs, Expenses and (Other Income):		
Cost of sales	$334,743	$281,573
Selling, general and administrative expenses	73,295	63,065
Interest expense	7,491	3,989
Equity in net income of partially-owned companies	(6,261)	(3,031)
Royalties	(847)	(570)
Provision for anticipated closedown costs of discontinued product lines	3,547	—
Other, net	(806)	154
	$411,162	$345,180

Notes to Consolidated Financial Statements

Accounting Policies (in part):

Principles of Consolidation—The consolidated financial statements include the accounts of ESB and its subsidiaries which are more than 50 percent owned. Investments in partially-owned companies in which ownership is 20 percent to 50 percent are stated at ESB's equity in their net assets.

Investments in Partially-Owned Companies—At March 31, 1974, investments in partially-owned companies consisted of:

	Location	Percentage of Common Stock Ownership
Sherkat Sahami Electric Storage Battery Iran	Iran	50%
Toshiba Ray-O-Vac K.K.	Japan	50%
Microlite S.A.	Brazil	33⅓%
Others	Various	50% or less

A summary of the combined financial position and results of operations of these companies, a substantial portion of which is in Brazil, is as follows:

	1974	1973
Working capital	$ 35,366,000	$25,343,000
Other assets/liabilities, net	18,965,000	10,144,000
Net assets	$ 54,331,000	$35,487,000
ESB's share of net assets	$ 21,399,000	$14,678,000
Net sales	$114,153,000	$72,840,000
Net income	$ 17,321,000	$ 8,190,000
ESB's share of net income	$ 6,261,000	$ 3,031,000

KAISER INDUSTRIES CORPORATION (DEC)

Consolidated Balance Sheets

	1974	1973
	(thousands of dollars)	
Investments	$401,913	$355,110

Consolidated Statements of Net Earnings

Earnings from continuing operations before equity in earnings of unconsolidated companies, minority interest and extraordinary items	$ 16,443	$ 44,163
Equity in earnings of unconsolidated companies, less taxes of $6,816 and $3,981	47,521	28,825
Earnings from continuing operations before minority interest and extraordinary items	$ 63,964	$ 72,988

Financial Review

Summary of Significant Accounting Policies

Principles of Consolidation—The accompanying consolidated financial statements include the accounts of Kaiser

Industries Corporation and its majority owned subsidiaries, principally 58 percent owned Kaiser Steel Corporation and its consolidated subsidiaries (principally Kaiser Resources Ltd., a Canadian corporation 59 percent owned by Kaiser Steel). Intercompany transactions and accounts and minority interest in net earnings have been eliminated. Investments in less-than-majority-owned Kaiser Aluminum & Chemical Corporation, Kaiser Cement & Gypsum Corporation, Hamersley Holdings Limited, National Steel and Shipbuilding Company and certain other companies are accounted for by the equity method. Accordingly the accompanying consolidated financial statements include the Corporation's share of undistributed earnings and other capital changes of these companies.

Investments
(thousands of dollars)

	—Ownership—		—December 31, 1974—			—December 31, 1973—		
	Number of Shares	Percent of Outstanding Shares	Carrying Value	Quoted Market Value	Market Value Over (Under) Carrying Value	Carrying Value	Quoted Market Value	Market Value Over (Under) Carrying Value
Kaiser Aluminum	7,336,952	38%	$255,577	$ 92,629	$(162,948)	$222,838	$145,822	$(77,016)
Kaiser Cement:								
Common	2,257,113	37	31,569	11,003	(20,566)	30,673	18,339	(12,334)
Preferred	50,000	19	2,601	1,050	(1,551)	2,601	1,413	(1,188)
Hamersley (owned by Kaiser Steel)	68,679,750	28	73,800	131,178	57,378	71,830	117,442	45,612
			363,547	$235,860	$(127,687)	327,942	$283,016	$(44,926)
National Steel and Shipbuilding		50	16,400			6,492		
Other companies			21,966			20,676		
Total			$401,913			$355,110		

The market value of Kaiser Aluminium and Kaiser Cement is based on the closing price on the New York Stock Exchange as of December 31. The market value of Hamersley is based on the closing price on the Melbourne Stock Exchange on December 31 converted to U.S. dollars at the December 31 rate of exchange. No public market exists for the shares of National Steel and Shipbuilding or the other companies.

Under the equity method of accounting, the carrying value of these investments, shown in the above table, has been adjusted to include the Corporation's cumulative share of undistributed earnings or losses and other capital changes of each company but does not reflect fluctuations in the market value of the holdings.

The market value of the parent company's 58 percent holdings of Kaiser Steel common stock of $83,583,000 and $62,441,000 (based on closing bid prices in the over-the-counter market) was less than the carrying value by $128,255,000 and $115,002,000 at December 31, 1974 and 1973, respectively.

As noted previously, in May 1973, Kaiser Steel sold 15 million of its Hamersley shares reducing its ownership from 34 percent to 28 percent. Conzinc Riotinto of Australia Limited owns 54 percent of Hamersley's stock.

The aggregate market value of the above investments, including Kaiser Steel, fluctuates and might not be realizable upon sale at any particular time. At December 31, 1974, the total market value of the parent company's holdings in Kaiser Aluminum, Kaiser Steel and Kaiser Cement exceeded the aggregate tax basis of those holdings by approximately $143,000,000.

Summary financial information for the principal unconsolidated companies which are accounted for by the equity method follows:

	Kaiser Aluminum 1974	Kaiser Aluminum 1973	Kaiser Cement 1974	Kaiser Cement 1973	Hamersley 1974	Hamersley 1973	National Steel and Shipbuilding 1974	National Steel and Shipbuilding 1973
				(thousands of dollars)				
Balance Sheets—December 31								
Current assets	$ 799,417	$ 617,680	$ 75,709	$ 63,161	$ 97,967	$ 134,650	$ 41,074	$ 32,244
Investments	396,567	391,737	22,762	16,349	366	366	—	—
Property, plant and equipment — net	832,656	787,912	129,380	123,193	640,948	628,745	23,049	17,147
Other assets	28,711	16,837	3,588	2,527	49,964	45,898	—	—
	$2,057,351	$1,814,166	$ 231,439	$ 205,230	$ 789,245	$ 809,659	$ 64,123	$ 49,391
Current liabilities	$ 452,210	$ 394,124	$ 31,303	$ 28,934	$ 81,859	$ 72,490	$ 25,324	$ 36,408
Long-term debt	709,110	626,131	80,177	60,464	300,906	355,710	21,000	—
Deferred income taxes	146,000	127,900	16,101	14,592	150,891	132,746	—	—
Stockholders' equity	750,031	666,011	103,858	101,240	255,589	248,713	17,799	12,983
	$2,057,351	$1,814,166	$ 231,439	$ 205,230	$ 789,245	$ 809,659	$ 64,123	$ 49,391
Retained earnings free for dividends under the most restrictive financing covenant	$ 82,000		$ 5,100		$ 15,900		none	
Results of Operations for the Year Ended December 31								
Sales and operating revenues	$1,735,501	$1,280,731	$ 193,101	$ 169,725	$ 317,732	$ 245,753	$ 182,683	$ 119,730
Earnings before interest and taxes	235,658	124,459	14,664	18,666	77,550	69,954	10,774	13,205
Interest	60,310	55,821	6,110	4,726	28,018	30,361	699	—
Income taxes	71,000	24,100	869	4,208	18,356	15,898	5,259	6,619
Net earnings	104,348	44,538	7,685	9,732	31,176	23,695	4,816	6,586

Net earnings of Kaiser Aluminum in 1973 include a net gain of $5,700,000 on the sale of its interest in a Japanese aluminum fabricating firm and equity of $2,590,000 in 50 percent owned United International Shipping Corporation's net gain on sale of two ships.

At December 31, 1974 Hamersley had deferred $26,111,000 in losses resulting from exchange rate fluctuations. These losses will be charged to earnings as Hamersley's long-term debt is repaid.

Of National Steel and Shipbuilding's 1974 long-term debt, $7,500,000 was owed to Kaiser Industries and $7,500,000 to the other stockholder, Morrison-Knudsen Company, Inc. The company's 1974 results reflect an anticipated net loss of $2,242,000, recorded in the third quarter, on a fixed price contract for four vessels.

Except for dividends and interest from unconsolidated companies, the Corporation's equity in earnings of those companies is not available to Kaiser Industries for its separate purposes.

A summary of the equity in the earnings of unconsolidated companies, and the dividends and interest received for the years ended December 31, 1974 and 1973 follows:

	—1974— Equity In Earnings	Dividends and Interest Received	Equity In Undistributed Earnings	—1973— Equity In Earnings	Dividends and Interest Received	Equity In Undistributed Earnings
			(thousands of dollars)			
Kaiser Aluminum	$39,046	$ 6,420	$32,626	$16,083	$ 3,668	$12,415
Kaiser Cement	2,145	1,254	891	2,949	1,254	1,695
Hamersley	8,755	6,785	1,970	6,353	7,781	(1,428)
National Steel and Shipbuilding	2,707	299	2,408	3,293	5,000	(1,707)
Other companies	1,684	15	1,669	4,128	14	4,114
	54,337	$14,773	$39,564	32,806	$17,717	$15,089
Less applicable income taxes	6,816			3,981		
	$47,521			$28,825		

N L INDUSTRIES, INC. (DEC)

Consolidated Balance Sheet

	1974	1973
Investments: (Note 1)		
Lake View Trust and Savings Bank	$ 44,460,000	$ 44,143,000
Partially-owned companies, at equity, and other investments, at cost	85,105,000	85,964,000

Consolidated Statement of Income and Retained Earnings

Revenues:		
Net sales	$1,597,474,000	$1,334,176,000
Equity in partially-owned companies (Note 1)	15,271,000	9,758,000
Equity in Lake View Trust and Savings Bank (Note 1)	3,580,000	2,711,000
Other income (loss), net (Notes 5 and 6)	(5,148,000)	(2,097,000)
	$1,611,177,000	$1,344,548,000

Summary of Accounting Policies:

Basis of Consolidation—The consolidated financial statements include the accounts of the Company and all wholly-owned domestic and foreign subsidiaries.

The Company's investments in unconsolidated partially-owned domestic and foreign companies and Lake View Trust and Savings Bank are stated at cost, adjusted for subsequent changes in equity. The Company includes in income its equity in the net income of such companies.

Notes to Financial Statements

Note 1: Partially-Owned Companies—Financial data regarding certain partially-owned companies, the investments in which are accounted for on an equity basis, is as follows:

	Titanium Metals Corp. of America	Mineral Deposits, Limited	Canada Metal Co., Ltd.
% owned by N L	50%	85%	50%
		(in thousands)	
Assets			
1974	$125,620	$16,927	$20,326
1973	108,062	14,350	17,976
Liabilities			
1974	57,919	8,838	6,696
1973	53,094	7,523	5,760
Net income as reported			
1974	12,733*	2,548	2,914
1973	9,548*	1,029	1,967

*In 1974, includes an extraordinary gain of $982,000 resulting from the utilization of tax loss carryforwards and $2,376,000 relating to utilization of unused investment tax credits from prior years; in 1973, includes extraordinary gains of $4,847,000 comprising utilization of tax loss carryforwards and the reversal of a portion of income taxes previously deferred. In 1974, TMCA adopted the LIFO method of inventory valuation for certain inventories. The effect of this change reduced net income $8,275,000 in 1974.

In addition, the Company's equity in the earnings of the other companies included in the income statement caption "Equity in partially-owned companies" aggregated $5,282,000.

Summarized financial information relating to the Lake View Trust and Savings Bank follows:

	1974	1973
	(in thousands)	
Assets	$365,746	$357,485
Deposits and other liabilities	$340,939	$332,917
N L's equity in Bank's net income	$ 5,910	$ 4,447
Less: Interest cost to N L, after applicable tax benefit of $2,151,000 in 1974 and $1,603,000 in 1973, on funds borrowed to purchase bank	2,330	1,736
Net income attributable to Bank	$ 3,580	$ 2,711

The Bank Holding Company Act Amendments of 1970 provide that a bank holding company, such as the Company, shall not after December 31, 1980 engage in any activities other than banking or activities closely related to banking subject to conditions that the Federal Reserve Board may impose. The Company must divest itself of control of the Bank by December 31, 1980.

THE MAY DEPARTMENT STORES COMPANY (JAN)

	1975	1974
	($000)	
Investments and Other Assets		
Investments in and advances to affiliated partnerships at equity in net assets—		
Real Estate	$ 7,775	$10,001
Consumers Distributing Company	18,860	22,922
Notes receivable and miscellaneous	17,825	18,214
	$44,460	$51,137

Notes to Consolidated Financial Statements

Note 9: Consumers Distributing Company—A wholly-owned subsidiary of the Company is one of two general partners in Consumers Distributing Company, a general partnership. The partnership operates 57 catalog showrooms in the San Francisco and New York metropolitan areas. Subject to the occurence of certain events which might increase the subsidiary's share of profits, profits and losses of the partnership are to be shared equally by the two partners except that, if the partnership shall have accumulated losses at any time when profits or losses are allocable, all losses and to the extent of any such accumulated losses, all profits are to be allocated to the Company's subsidiary. As of February 1, 1975, the subsidiary has advanced approximately $25,700,000 to the partnership.

Sales of the partnership were $51,231,000 and $17,246,000 for the fiscal years ended December 28, 1974 (52 weeks) and December 29, 1973 (17 weeks beginning with commencement of operations on August 30, 1973), respectively. Sales of the partnership for the comparable 17 week periods from September through the end of December were $29,630,000 in 1974 and $17,246,000 in 1973. The partnership losses including start-up costs (before tax benefits realized by the partners) were $3,794,000 in 1974 and $3,579,000 in 1973. Interest expense included in the partnership's results of operations was all paid to or accrued on behalf of the Company's subsidiary in the amounts of $2,380,000 in 1974 and $483,000 in 1973.

The Company was affected by the partnership's operations as follows (after income tax credit):

52 Weeks Ended:	February 1, 1975	February 2, 1974
Company's share (50%) of the losses for the partnership's fiscal years ended December 28, 1974, and December 29, 1973, respectively	$ 920,000	$815,000
Company's share of the January, 1975 partnership's loss recognized to conform the partnership to the fiscal year of the Company....	165,000	—
Provision to reduce investment to the value of the net assets of the partnership	2,050,000	—
Total	$3,135,000	$815,000
Effect on earnings per share	$(.21)	$(.05)

The above provision of $2,050,000 has been made in order to state more conservatively the Company's investment in the partnership. The requirement for the subsidiary to advance funds to the partnership is presently limited to normal operating commitments, and further expansion is dependent on the achievement of certain earnings levels. The two partners are currently engaged in a review and discussion of each partner's interests and responsibilities in the future operation and management of the partnership's business.

MOLYCORP, INC. (DEC)

Consolidated Balance Sheet

	1974	1973
Investments in Foreign Affiliates (Note 3)	$10,997,610	$ 7,624,163

Consolidated Statement of Income and Retained Earnings

Revenues		
Net sales	$75,361,126	$57,485,812
Equity in earnings of affiliate (Note 3)	6,372,000	5,210,000
Other income, net	54,933	577,688
	$81,788,059	$63,273,500

Note 3: Investments—Columbium venture—Brazil. The Company has a 33% stock interest in Companhia Brasileira de Metalurgia e Mineracao, (CBMM). The $9,759,669 investment at December 31, 1974 included $471,890 cost of investment plus equity in undistributed earnings of the affiliate after elimination of intercompany profits and provision for estimated tax. CBMM operates a columbium mine and mill and processing facilities at Araxa, Minas Gerais, Brazil. Financial data for CBMM, expressed in U.S. dollars, follows:

	1974	1973
Assets	$50,961,800	$36,773,593
Liabilities	7,698,674	10,026,244
Net assets	$43,263,126	$26,747,349

The Company's equity share in CBMM's net income was as follows:

	1974	1973
Equity in net income	$6,372,000	$5,210,000
Deferred taxes provided	2,249,000	1,751,000
Net equity	$4,123,000	$3,459,000

Current assets, current liabilities and long-term debt were translated at the rate of exchange in effect at the close of the period; long-term assets were translated at rates in effect at the dates these assets were acquired; revenue and expense accounts were translated at the rate of exchange in effect at month-end except for depreciation, which was translated at historical exchange rates; and exchange adjustments (including $1,728,762 loss for 1974 and $66,732 gain for 1973) have been charged or credited to income. In 1974, the Company received dividend remittances of $828,280 from CBMM which compares with $727,681 received in 1973. These dividends are net of a 25% income tax which was withheld at source, and were credited to the equity investment account.

Other affiliates. The Company's investment of $1,237,941 in other affiliates is in non-operating companies whose asset values are considered equal to the Company's investment in such affiliates.

NATIONAL DISTILLERS AND CHEMICAL CORPORATION (DEC)

Consolidated Balance Sheet

	1974	1973
Investments in and Advances to Associated Companies (Note 4) ...	$35,042,000	$31,651,000

Consolidated Statement of Income and Retained Earnings

	$80,265,000	$43,266,000
Minority interests in earnings of subsidiaries	(3,204,000)	(2,358,000)
Share of earnings of associated companies — net (Note 4)	12,616,000	5,430,000
Income before extraordinary gain..	$89,677,000	$46,338,000

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.

Note 4–Investments in and Advances to Associated Companies

	December 31, 1974	1973
Investments	$35,042,000	$31,564,000
Advances		87,000
	$35,042,000	$31,651,000

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:

	1974	1973
Total assets	$212,418,000	$173,626,000
Combined equity	77,558,000	68,815,000
National's share of equity	35,042,000	31,564,000
Revenues	191,057,000	146,623,000
National's share of earnings	12,616,000	5,430,000
National's share of dividends	9,948,000	3,040,000

The Company's share of the undistributed earnings of associated companies was $15,187,000 at December 31, 1974.

The Company includes its share of the income or loss of RMI Company in computing its taxable income. The resultant tax expense or benefit is 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 effect of the Government's notice of termination is being disputed by National Helium and has not yet been resolved. National Helium's 1975 earnings will be dependent on the extraction and marketing of natural gas liquids which were profitable in 1974. The Company believes resolution of the helium dispute 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 $3,103,000 in 1974 and $4,020,000 in 1973.

The Company is contingently liable in respect of indebtednesses of certain of the associated companies for moneys borrowed. At December 31, 1974, the maximum amount of such contingent liability is estimated at $21,250,000, assuming the other investor in one of the associated companies involved makes its required contribution should the liability arise.

Other Investments

AMPCO-PITTSBURGH CORPORATION (DEC)

	1974	1973
Investments (Note 3)	$9,250,067	$9,152,928

Note 3–Investments:

	December 31, 1974	1973
Modulus Corporation:		
Common stock at cost—119,000 shares	$ —	$ 96,500
5% noncumulative convertible preferred stock at cost—5,400 shares	—	540,000
Subordinated note, secured by a second mortgage, due August 1, 1981—principal value $3,400,000 and $3,700,000, respectively, recorded at appraised value—installments of a minimum of $150,000 due semiannually	2,408,000	2,620,000
	2,408,000	3,256,500
Pittsburgh Forgings Company:		
Common stock, at cost 517,126 shares and 408,368 shares, approximate market value $6,981,000 and $5,513,000, respectively	6,842,067	5,896,428
	$9,250,067	$9,152,928

Pursuant to a Stock Purchase Agreement, between the Corporation and A.V.C. Corporation, all of the common and preferred stock held in Modulus Corporation was sold on October 10, 1974 for $2,243,937, resulting in an extraordinary credit of $1,060,000 ($.37 per share) net of applicable income taxes of $547,437, of which $72,356 is deferred. A portion of the cash proceeds ($241,189) is being held in escrow and will be released, one-third in 1975 and two-thirds in 1976, upon satisfaction of certain warranties. The Corporation may receive an additional payment not to exceed $321,574, contingent upon the sum of the net income of Modulus Corporation for the years 1975 and 1976. No recognition has been given to this contingent payment in the determination of the extraordinary credit.

Concurrent with the sale, the Modulus Corporation subordinated note was amended to provide a second mortgage on real property and equipment, and to increase the interest rate on the note from 7.28% to 9.58%. Beginning in 1974 the discount on the note is being amortized as interest earned over the remaining term.

The investment in Pittsburgh Forgings Company at December 31, 1974 represents an approximate 23% equity interest. The Corporation accounts for this investment under the cost method because the criterion for the use of the equity method is not fully satisfied.

THE CLEVELAND-CLIFFS IRON COMPANY (DEC)

	1974	1973
Investments		
Listed securities, at or below cost—quoted market price — $40,758,000 (1973 — $39,926,000)	$26,968,000	$27,171,000

THE SPERRY AND HUTCHINSON COMPANY (DEC)

	1974	1973
	($000)	
Investments in:		
Marketable securities, at cost (market value $58,722 and $76,258) (Note 1)..........	$76,179	$86,118

Summary of Significant Accounting Policies

Investments in marketable securities—The Company regards its investments in marketable securities as part of its long range investment policy. Consistent with this policy the Company invests primarily in bonds which are generally held to maturity, amortizes bond premium and accrues interest earned. The balance of the investments are made in preferred and common stocks which the Company believes will afford a satisfactory long-term return. The Company accordingly follows the practice of recognizing neither unrealized gains nor losses in the portfolio. However, where the Company determines that in its opinion there is a permanent impairment in value, the securities are sold and the loss recognized. The Company will also dispose of securities where more favorable investment opportunities become apparent. The cost of securities for determining gain or loss on the sale of securities is determined principally on the first-in, first-out method.

Notes to Consolidated Financial Statements

Note 1: Investments in Marketable Securities ($000)

	1974 Cost	1974 Quoted market value	1974 Unrealized depreciation	1973 Cost	1973 Quoted market value	1973 Unrealized (appreciation) depreciation
Investments classified as current assets						
State, municipal and corporate obligations, maturing within one year..	$11,140	$11,084	$ 56	$17,735	$17,772	($ 37)
Certificates of deposit......................................	50	50		50	50	
Accrued interest receivable................................	882	882		1,085	1,085	
	$12,072	$12,016	$ 56	$18,870	$18,907	($ 37)
Investments classified as non current assets						
Equity securities:						
Common stock	$23,785	$12,164	$11,621	$25,173	$16,015	$9,158
Preferred stock	10,907	7,590	3,317	3,453	3,416	37
	34,692	19,754	14,938	28,626	19,431	9,195
State, municipal and corporate obligations, maturing beyond one year..	41,487	38,968	2,519	57,492	56,827	665
	$76,179	$58,722	$17,457	$86,118	$76,258	$9,860

Reference should also be made to the Summary of Significant Accounting Policies regarding investments in marketable securities. As of February 28, 1975, equity security investments classified as non current assets amounted to $34,879 and the quoted market value was $23,377.

THE BLACK AND DECKER MANUFACTURING COMPANY (SEP)

	1974	1973
	($000)	
Other Assets		
Investment in 2,111,362 shares (12.7%) of the common stock of McCulloch Oil Corporation—at cost	$7,390	$7,390

BROCKWAY GLASS COMPANY, INC. (DEC)

	1974	1973
Investments, at cost (approximate market value $7,132,000 and $5,789,474).....................	$6,240,944	$6,323,350

Notes to Financial Statements

Note 1 (in part): Summary of Accounting Policies

Investments—Investments consist principally of an 18.9% common stock interest in Consumers Glass Company Limited and a 20% common stock interest in Productos de Vidrio, S. A. These investments are carried at cost because, in the opinion of management, the Company does not have significant influence over the operations of either company.

EMHART CORPORATION (DEC)

	1974	1973
Investments:		
USM Corporation common stock	$31,197,000	
Monsanto Company common stock		$2,201,000
Other deposits, notes receivable, etc.—at cost	535,000	10,480,000
Total investments	$31,732,000	$12,681,000

Notes to Financial Statements

Investment in USM Corporation—During 1974 the Company acquired 1,241,500 shares of common stock of USM Corporation (USM), which constitutes approximately 30% of USM's outstanding common stock and 23.5% of its outstanding voting stock for cash, notes and marketable securities.

On January 27, 1975, USM made application to the United States District Court seeking to limit the Company from making any further investment in USM or acting to exercise control over or influence the business affairs of USM.

The investment in USM is carried at cost because the Company has exercised no influence over the operations of USM. Based on USM's unaudited financial statements, the Company's equity in the net assets of USM at November 30, 1974 exceeded the amount at which its investment was carried by approximately $31,800,000. At December 31, 1974, the quoted market value of the shares held was approximately $15,053,000 ($12⅛ per share).

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* 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 2-18 summarizes the balance sheet captions used to describe noncurrent receivables. Examples of noncurrent receivables follow.

AIRCO, INC. (DEC)

	1974	1973
Long-Term Receivables (less unamortized discount based on imputed interest rate of 9½%—1974, $1,168,000; 1973, $1,703,000)	$12,205,000	$13,372,000

TABLE 2-18: NONCURRENT RECEIVABLES

	1974	1973	1972	1971
Balance Sheet Description				
Long/Term Receivables	52	50	41	42
Notes Receivable	36	29	37	33
Notes and accounts receivables combined	17	19	20	21
Accounts Receivable	11	11	10	9
Other—described	20	30	43	35
Receivables combined with other investments, deposits, etc.	110	115	106	118
Total Presentations	**246**	**254**	**257**	**258**
Number of Companies				
Presenting noncurrent receivables	215	223	233	233
Not presenting noncurrent receivables	385	377	367	367
Total	**600**	**600**	**600**	**600**

HMW INDUSTRIES, INC. (JAN)

	1975	1974
Total current assets	$25,489,000	$34,177,000
Noninterest-bearing note receivable, net of unamortized discount (imputed interest) of $900,000	1,450,000	—
Property and equipment, at cost:		
Land	215,000	215,00
Buildings and improvements	6,737,000	6,786,000
Machinery and equipment	8,859,000	8,601,000
	15,811,000	15,602,000
Less accumulated depreciation and amortization	9,861,000	9,389,000
	5,950,000	6,213,000
Other assets	350,000	597,000
	$33,239,000	$40,987,000

COLGATE-PALMOLIVE COMPANY (DEC)

	1974	1973
	($000)	
Other Assets		
Notes receivable	$17,040	$ —
Goodwill and trade-marks	10,987	10,685
Other	7,104	9,599
	$35,131	$20,284

Notes to the Consolidated Financial Statements

Note 1 (in part): Acquisitions and Sale—On December 30, 1974, the Company sold the assets of Lakeside Division, its prescription drug business, for $8,700,000 in cash and $21,300,000 in notes. These notes bear interest at the prime rate and mature in equal amounts of $4,260,000 in 1975 through 1979. The results of Lakeside Division operations have not been shown separately on the accompanying consolidated statement of net income as they account for less than 1% of sales and net income in each year and are therefore not significant.

COMBINED COMMUNICATIONS CORPORATION (DEC)

	1974	1973
Other Assets:		
Long-term receivables, less current portion (Notes A and D)	$ 4,839,000	$ 3,498,000
Film broadcasting rights, less current portion	4,192,000	2,473,000
Deferred charges	3,567,000	3,687,000
Intangibles	40,621,000	28,373,000
	$53,219,000	$38,031,000

Note A (in part): Summary of Significant Accounting Policies

Electric sign lease contracts—Electric signs manufactured by the Company are leased to customers generally on noncancellable three to eight year terms with renewal options. The sign sale price and related manufacturing costs are recorded at the time signs are installed and finance and maintenance income is recognized over the remaining lease term.

Note D—Long-term receivables:

	December 31 1974	1973
Unbilled portion of electric sign lease contracts—		
Billable during subsequent year	$2,783,000	$2,037,000
Billable after subsequent year	7,715,000	5,430,000
	10,498,000	7,467,000
Less unearned finance and maintenance charges	5,489,000	4,237,000
Lease contracts receivable	5,009,000	3,230,000
Less current portion	1,161,000	764,000
Long-term portion	3,848,000	2,466,000
Other long-term receivables	991,000	1,032,000
	$4,839,000	$3,498,000

PRATT-READ CORPORATION (JUN)

	1974	1973
Long-Term Note Receivable (Note B)	$354,159	$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 installments ($50,000 annually) to July 1, 1977, at which time the balance of $250,000 is due.

LIBBEY-OWENS-FORD COMPANY (DEC)

	1974	1973
Investments and Other Assets		
Investments in marketable securities, at cost (market value $19,400,000 and $19,300,000 respectively)	$ 7,762,161	$ 7,762,161
Investments in and advances to affiliates	5,362,733	3,673,464
Parallel loan financing—4¼% loan receivable of $9,639,834, less 5% loan payable of $9,639,834—Note E	—	—
Other assets, receivables, and deposits	2,188,752	1,924,948
	$15,313,646	$13,360,573
Long-Term Debt		
8¾% note to insurance company, payable $12,000,000 annually beginning June 1, 1982, due June 1, 1986	$60,000,000	
Note payable to bank, current interest rate 10¾%, due December 1976	15,000,000	$15,000,000
5.32% note payable to insurance company, payable $250,000 quarterly	3,000,000	4,000,000
5% loan payable—deducted contra—Note E	—	—
Other	2,967,412	737,113
	80,967,412	19,737,113
Less current maturities	1,243,542	1,260,142
	$79,723,870	$18,476,971

Note E: Parallel Loan Financing—Parallel loan agreements entered into in 1971 provide for a subsidiary of the Company to borrow pounds sterling in the United Kingdom in return for the loan of U.S. dollars in an equal amount in the United States. The loan agreements provide for the simultaneous repayment of the sterling borrowings and the U.S. dollar loan in 1981, or prior thereto under certain circumstances. In case of default by either party, principal and interest may be offset against the repayment obligation.

RAYTHEON COMPANY (DEC)

	1974	1973
Long-term receivables (note D)	$17,008,813	$20,883,111

Note D: Long-term Receivables

Long-term receivables consist of the following at December 31, 1974:

Customers, due in installments to 1983, with interest principally in the range of 5½% to 12%	$11,322,883
Others, principally due in 1979, with interest up to 7¼%	5,685,930
	$17,008,813

INTANGIBLE ASSETS

APB Opinion No. 17, as amended by *APB Opinion No. 30,* sets forth requirements as to accounting for intangible assets. *Opinion No. 17* stipulates that all intangible assets acquired after October 31, 1970 or recognized in business combinations initiated after October 31, 1970 be amortized over a period not to exceed 40 years and that "financial statements should disclose the method and period of amortization."

Table 2-19, which summarizes intangible assets by type and by accounting treatment, shows the prevalance of goodwill recognized in a business combination. Table 2-19 excludes certain assets often considered to be intangible which were presented with land or depreciable assets.

TABLE 2-19: INTANGIBLE ASSET VALUATION

	1974	1973	1972	1971
Assets Being Amortized				
Goodwill recognized in a business combination........	235	211	199	114
Goodwill—source not indicated.................	27	39	18	15
Patents, patent rights.......	78	78	77	77
Trademarks, brand names, copyrights................	21	25	29	25
Licenses, franchises, memberships............	22	24	23	19
Formulae, processing, designs..................	5	7	7	3
Various other...............	16	20	18	12
Intangible assets (not otherwise described)..........	29	34	33	25
Total Disclosures................	**433**	**438**	**404**	**290**
Assets Not Being Amortized				
Goodwill recognized in a business combination........	168	168	191	147
Goodwill—source not indicated.................	19	29	16	15
Patents, patent rights.......	1	1	4	1
Trademarks, brand names, copyrights................	10	8	11	12
Licenses, franchises, memberships............	1	2	3	2
Formulae, processes, designs..................	1	2	2	2
Various other...............	1	2	4	4
Intangible assets (not otherwise described)..........	11	10	11	6
Total Disclosures................	**212**	**222**	**242**	**189**
Other Bases				
Nominal value...............	26	26	39	32
Basis not determinable......	32	48	47	46
Total Disclosures................	**58**	**74**	**86**	**108**

Of 262 companies amortizing goodwill, 150 disclosed an amortization period of 40 years, 88 disclosed an amortization period of less than 40 years, 10 disclosed an amortization period of legal or estimated life, and the remaining 14 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 1-11.

Goodwill

AMERICAN MAIZE-PRODUCTS COMPANY (DEC)

	1974	1973
Excess of cost over net assets of acquired companies, less accumulated amortization of $145,980 in 1974 and $105,162 in 1973 (Note A)....	$2,372,594	$2,413,412

Note A (in part): Summary of Significant Accounting Policies

The excess of purchase cost over the net assets of acquired companies includes $1,625,815 relating to an acquisition in 1971. Such excess is being amortized by charges to income on a straight-line basis over 40 years in accordance with accounting rules related to acquisitions subsequent to October 31, 1970. The excess of purchase cost over the net assets of companies acquired prior to November 1, 1970 ($892,759) is not being amortized since, in management's opinion, its value has not diminished.

BAKER OIL TOOLS, INC. (SEP)

	1974	1973
	(in thousands of dollars)	
Other Assets:		
Patents and licenses—at cost less accumulated amortization: 1974, $1,888,000; 1973, $1,784,000..........	$ 4,147	$2,525
Excess costs arising from acquisitions—less accumulated amortization: 1974, $191,000; 1973, $34,000 (Note 1)......................	3,628	1,674
Other..............................	2,652	2,451
Total other assets..........	$10,427	$6,650

Summary of Significant Accounting Policies

Patents and Licenses, and Development Costs— Capitalized patents and licenses, the costs of which consist primarily of the estimated fair value of such assets which were held by companies acquired in transactions accounted for as purchases, are being amortized over their remaining useful lives. Development costs incurred in connection with research activities relating to new products and improvements of existing products and services are expensed as incurred.

Excess Costs Arising from Acquisition—Excess costs arising from acquisitions prior to October 31, 1970 are not amortized or written-off unless there is a diminution in value of the acquired company. Excess costs arising from acquisitions after such date are amortized on the straight-line method over the lesser of 40 years or the estimated operating life of the acquired company (such amortization periods range from 4 to 40 years as of September 30, 1974).

IPCO HOSPITAL SUPPLY CORPORATION (JUN)

	1974	1973
	($000)	
Intangible Assets		
Cost in excess of net assets acquired, net of accumulated amortization of $87,000 in 1974 and $49,000 in 1973	$6,651	$6,187
Patents, net of accumulated amortization of $88,000 in 1974 and $80,000 in 1973	189	151
Total Intangible Assets........	$6,840	$6,338

Summary of Significant Accounting Policies

Intangible Assets—Cost in excess of net assets acquired, which arose in connection with acquisitions prior to November 1, 1970, is not being amortized unless there is an indication of diminution in value; such cost relating to acquisitions made subsequent to October 31, 1970 is being amortized by the straight-line method over a period of 40 years.

Patents are amortized over the lesser of their legal or estimated economic lives.

LILY LYNN, INC. (NOV)

	1974	1973
Goodwill—at cost less accumulated amortization of $125,422 and $49,567—Note 1 (d)..........	$3,986,688	$2,568,543

Note 1 (d) Goodwill: The excess of investment cost over fair value of the net assets of purchased subsidiaries has been capitalized as an intangible. Goodwill of $1,197,892 incurred in connection with acquisitions prior to October 31, 1970 represents, in management's opinion, insofar as is presently determinable, an asset of continuing value and no periodic amortization is anticipated. Goodwill arising subsequent to 1970 is being amortized by the straight-line method over a period of forty years. During 1974, based on attained earnings levels of a purchased subsidiary, the Company accrued $1,494,000 in additional purchase payments and charged goodwill. See Note 7 (b) as to contingent goodwill increments.

NATIONAL STARCH AND CHEMICAL CORPORATION (DEC)

Notes to Consolidated Financial Statements

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

Intangibles—Goodwill in connection with acquisitions initiated subsequent to October 31, 1970 is being amortized over a 40-year period on a straight line basis. Goodwill acquired prior to that date has not been amortized and will be written off only when diminution in value is shown. Patents and formulas are amortized over the period of their useful lives.

Note 4: Other Assets—Included in Other Assets are:

	1974	1973
Stock grants at amortized value (see Note 8)	$ 421,300	$ 487,300
Goodwill, prior to October 31, 1970	1,869,460	1,896,667
Goodwill, subsequent to October 31, 1970.........................	5,150,141	5,041,471
Other.................................	1,083,655	1,104,214
	$8,524,556	$8,529,652

Goodwill amortization amounts to $140,306 and $153,327 for 1974 and 1973, respectively.

THE RUCKER COMPANY (DEC)

	1974	1973
Total Current Assets................	$58,242,704	$41,886,318
Notes Receivable, due after one year..............................	218,587	830,261
Equipment for Rent and Property, Plant and Equipment, at Cost (Note 5)	29,235,845	20,683,085
Less: Accumulated depreciation, and amortization.......	12,764,965	10,682,806
Net Equipment for Rent and Property, Plant and Equipment	16,470,880	10,000,279
Patents, Goodwill and Other Intangible Assets, net (Note 6)	1,296,345	1,952,783
Other Assets	271,907	254,584
	$76,500,423	$54,924,225

Note 1 (in part): Accounting Policies

Intangible Assets—Goodwill is amortized on the straight-line method over 25 years. Costs of purchased patents are amortized over the remaining lives of the patents acquired and cost of securing patents within the Company are charged to current operations.

Note 6: Patents, Goodwill and Other Intangible Assets—Patents, goodwill and other intangible assets are summarized as follows:

	1974	1973
Patents	$1,172,881	$1,321,643
Goodwill	1,374,729	1,374,729
Other intangibles....................	292,240	331,991
	2,839,850	3,028,363
Accumulated amortization...........	1,543,505	1,075,580
	$1,296,345	$1,952,783

Amortization expense for 1974 and 1973 was $656,438 and $244,996, respectively.

RICHFORD INDUSTRIES, INC. (DEC)

Consolidated Balance Sheet

	1974	1973
Total current assets	$21,077,775	$17,999,435
Property, plant and equipment — at cost less accumulated depreciation — Notes 1 and 3	7,473,395	7,931,517
Goodwill — Note 4	1,907,901	2,659,111
Other assets	1,303,749	1,059,994
	$31,762,820	$29,650,057

Consolidated Statement of Income

Operating income (loss)	$1,346,209	$(76,274)
Write-off of goodwill — Note 4	751,210	—
Income (loss) before federal income taxes	$ 594,999	$(76,274)

Note 4: Goodwill—The excess of investment cost over fair value of net assets acquired on a purchase basis (all prior to October 31, 1970) has been capitalized as an intangible. Management has reviewed recorded goodwill and determined that with respect to certain acquired companies in its Zipper Division, an impairment in value had resulted based on current and estimated future operating results in relation to equity employed. A portion of such excess cost no longer has continuing value; accordingly, $751,210 (with no tax effect) was written off in the last quarter of the year, with a per share effect of $.64. Other goodwill represents, insofar as is presently determinable, an asset of unlimited life and no attrition through periodic amortization to income is anticipated.

Patents

THE DUPLAN CORPORATION (SEP)

	1974	1973
Estimated net relizable value of assets held for disposal and future use (Notes 9 and 11)	$ 2,695,000	$ —
Other assets	1,338,000	1,456,000
Patents (at amortized cost) and trademarks (Note 1)	795,000	930,000
Excess of purchase price over net assets of companies acquired (Notes 1 and 8)	12,754,000	26,636,000
	$17,582,000	$29,022,000

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

The cost of purchased patents is amortized by the straight-line method over the estimated useful life of the patents. The Company believes that its purchased trademarks are of such a nature that amortization is not required.

THE EASTERN COMPANY (DEC)

Consolidated Balance Sheets

	1974	1973
Goodwill	$198,384	$199,387
Patents (less amortization) and Other Assets	113,505	85,744

Notes to Consolidated Financial Statements

Note A (in part): Summary of Significant Accounting Policies:

Intangibles: Patents are amortized on a straight line basis over the lives of the patents. Licenses and agreements are generally amortized on a straight line basis over a period of five to ten years.

Goodwill attributable to businesses purchased prior to November 1, 1970 is considered to have continuing value over an indefinite period and is not being amortized. Goodwill purchased subsequent to October 31, 1970 is being amortized over a 20-year period.

OXFORD INDUSTRIES, INC. (MAY)

Consolidated Balance Sheet

	1974	1973
Other Assets:		
Notes receivable	$ 379,000	$ 392,000
Cash surrender value of life insurance, deposits and other	463,000	569,000
Patents and non-compete agreements, at cost, less amortization of $1,420,000 and $1,068,000, respectively (Note A)	1,723,000	2,225,000
	$2,565,000	$3,186,000

Note A (in part): Summary of Significant Accounting Policies:

Patents and Non-Compete Agreements—The policy of the Company is to amortize the cost of purchased patents over the remaining terms thereof. The cost of non-compete agreements is being written off over a ten-year period expiring in 1980.

WHITTAKER CORPORATION (OCT)

	1974	1973
	($000)	
Other Assets		
Goodwill, net of amortization	$35,280	$38,605
Notes receivable—non current (with interest rates ranging from 6% to 14% in 1974 and 6% to 10% in 1973)	18,318	15,589
Deferred Federal and foreign income taxes	5,308	7,689
Patents, net of amortization	5,595	6,448

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

Intangibles: Goodwill resulting from acquisitions made prior to November 1, 1970 is not amortized unless, in the opinion of management, it has diminished in value. Goodwill arising from acquisitions subsequent to October 31, 1970 is amortized on the straight-line basis over 40 years in accordance with Accounting Principles Board Opinion No. 17. All goodwill associated with businesses disposed of and to be disposed of has been written off.

Patents are amortized on the straight-line basis over the lesser of economic or legal life.

Research and development costs are expensed as incurred.

Other

COMBINED COMMUNICATIONS CORPORATION (DEC)

	1974	1973
Other Assets:		
Long-term receivables, less current portion	$ 4,839,000	$ 3,498,000
Film broadcasting rights, less current portion	4,192,000	2,473,000
Deferred charges	3,567,000	3,687,000
Intangibles (Notes A and E)	40,621,000	28,373,000
	$53,219,000	$38,031,000

Note A: Summary of Significant Accounting Policies:

Intangibles—Intangibles, which include values assigned to station licenses, network affiliations and goodwill (excess of purchase price over values ascribed to identifiable net assets), are recorded at cost and generally considered by management to have continuing value over an indefinite period. Intangibles acquired subsequent to October 31, 1970 are being amortized on a straight-line basis over forty years in accordance with the Accounting Principles Board Opinion No. 17. Intangibles acquired prior to October 31, 1970 will be amortized only to the extent that a decline in value becomes evident or a definite term of existence is indicated.

Note E: Intangibles:

	December 31	
	1974	1973
Intangibles representing broadcast licenses, network affiliations and goodwill (excess of purchase price over values ascribed to identifiable net assets)		
Not subject to amortization	$ 8,849,000	$ 8,849,000
Subject to amortization (1)	31,600,000	19,363,000
Other intangibles (2)	172,000	161,000
	$40,621,000	$28,373,000

(1) Amortized over 40 years.
(2) Amortized over 5-20 years.

Intangible assets relative to certain acquisitions made subsequent to October 31, 1970 are being amortized in compliance with Opinion 17 of the Accounting Principles Board of the American Institute of Certified Public Accountants which became effective on that date. Management of the Company disagrees with the requirement of the Opinion and believes most intangibles relating to broadcasting properties have continuing value, and actually increase in value; accordingly, they should not be amortized. Retroactive application of the Opinion was not required; therefore, intangibles acquired prior to October 31, 1970 will be amortized only to the extent that a decline in value becomes evident or a definite term of existence is indicated.

Earnings per share for 1974 would have been $1.81 before the deduction of $.16 for amortization of intangibles and 1973 earnings per share would have been $1.58 before the deduction of $.12 for amortization of intangibles.

TWENTIETH CENTURY-FOX FILM CORPORATION (DEC)

	1974	1973
	($000)	
Other Assets:		
Excess of cost over net assets acquired (note 16)	$1,042	$4,979
Music copyrights	2,171	2,440
Television station license and contracts	1,410	1,522
Other	5,948	3,351

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

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 $3,871,000 in 1974 and $3,252,000 in 1973.

The 1974 excess of cost over net assets acquired which relates solely to a 1974 acquisition is being amortized over 40 years on the straight-line method.

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.

Note 16: Discontinued Operations—The elements of the loss on discontinuance are summarized as follows:

	1974	1973
	(in thousands)	
Loss from discontinued operations	$ (990)	$(1,403)
Less applicable tax benefits	425	420
	(565)	(983)
Loss on discontinuance of subsidiary	(6,000)	—
Less applicable tax benefit	2,074	—
	(3,926)	—
Total loss from discontinued operations	$(4,491)	$ (983)

The $6,000,000 provision for loss on discontinuance of subsidiary (Wylde Films & Associates, Inc.) is based upon the write-off of the unamortized portion of the goodwill of $4,512,000, contractual commitments and the write down of certain assets to their net realizable amounts. It is management's opinion that adequate provision has been made in the accounts of the Company for all amounts which can reasonably be anticipated.

PUROLATOR, INC. (DEC)

Consolidated Statements of Financial Condition

	1974	1973
Intangible assets (note 5)	$17,625,488	$17,012,140
Less accumulated amortization	1,197,329	860,042
Net intangible assets	$16,428,159	$16,152,098

Notes to Consolidated Financial Statements

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

Intangible Assets—The excess of cost over the net assets of companies acquired after October 31, 1970 is being amortized on a straight-line basis over its estimated life, not exceeding forty years, in accordance with Accounting Principles Board Opinion No. 17. The excess of cost over the net assets of companies acquired prior to October 31, 1970 is not being amortized as, in the opinion of management, there has been no diminution in the value of the investments.

Franchise costs and other intangibles are being amortized on a straight-line basis over their estimated lives.

Note 5: Intangible Assets—Intangible assets consist of the following:

	December 31 1974	1973
Excess of cost over net assets of companies acquired	$14,799,713	14,537,315
Franchise costs and other intangibles	2,825,775	2,474,825
	$17,625,488	17,012,140

At December 31, 1974, approximately $6,760,000 of the excess of cost over net assets of companies acquired is subject to amortization ($6,710,000 at December 31, 1973).

TABLE 2-20: OTHER NONCURRENT ASSETS

	1974	1973	1972	1971
Segregated cash or securities	66	87	86	89
Debt expense	49	44	48	48
Prepaid expenses	44	44	46	58
Deferred income taxes	39	38	46	38
Property held for sale	31	30	35	29
Cash surrender value of life insurance	26	28	33	39
Start up costs	18	13	18	27
Employee benefits	13	12	16	10
Research and development costs	10	10	18	20
Other identified noncurrent assets	20	68	35	25
	316	374	381	383
Deferred charges or *Other Noncurrent assets*—not described	560	546	560	572
Total Presentations	**876**	**920**	**941**	**955**

OTHER NONCURRENT ASSET CAPTIONS

Table 2-20 summarizes the nature of accounts (other than property, investments in stock of other companies, noncurrent receivables, and intangible assets) identified as noncurrent assets on the balance sheets of the survey companies. Effective for fiscal periods beginning on or after January 1, 1975, *Statement of Financial Accounting Standards No. 2*, issued in October 1974 by the Financial Accounting Standards Board, stipulates that research and development costs be charged to expense when incurred. Excluded from the above mentioned requirement are costs of research and development activities conducted for others under a contractual arrangement.

Examples of other noncurrent assets follow.

Segregated Funds

CROWN CENTRAL PETROLEUM CORPORATION (DEC)

	1974	1973
Other Assets		
Deposit on land purchase agreement (Note K)	$1,000,000	$1,000,000

Note K: Contingencies and Commitments—In connection with a planned refinery to be built in the Baltimore Harbor area, a wholly-owned subsidiary had 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 subsidiary has filed suit to have such contract declared null and void and/or cancelled and to recover the $1,000,000 on the grounds that such lands were subject to certain material encumbrances and/or defects. In the opinion of management and legal counsel for the Company, the Company has no liability under such contract, although the probability of recovery of the deposit by the subsidiary cannot be determined at this time.

The Company has a contract with The Nigerian National Oil Corporation for the purchase of 30,000 barrels per day of crude oil during 1975 and the first nine months of 1976, subject to price renegotiations on a quarterly basis. The Company has provided an unconditional letter of credit in an amount up to $11,430,000 for performance under this contract.

DART INDUSTRIES, INC. (DEC)

	1974	1973
Investments and other assets:		
3M Company common stock held in escrow for exchange by holders of 4¼% and 4¾% debentures (quoted market value: 1974—$39,068,000; 1973—$66,066,000)	$35,162,000	$35,162,000

M. H. FISHMAN CO. INC. (DEBTOR IN POSSESSION)

	1974	1973
Other Assets, including cash of $266,000 (1974) in escrow, in connection with liens filed by creditors prior to filing of bankruptcy petitions	$293,697	$ 28,575

GENERAL AMERICAN TRANSPORTATION CORPORATION (DEC)

	1974	1973
	($000)	
Capital Construction Fund	$23,788	$15,970

Notes to Financial Statements

Note F (in part): Income Taxes and Capital Construction Fund—GATX has entered into a capital construction fund agreement with the United States Maritime Administration, pursuant to the Merchant Marine Act of 1936, as amended. Under the agreement, deposits have been made to the fund (including deposits made by ASC prior to acquisition by GATX—see Note B) to be used for the acquisition, construction or reconstruction of "qualified vessels." Certain of these deposits are deductible in determining taxable income and, therefore, reduce the amount of taxes currently payable. On a cumulative basis, such reductions in provisions for federal income taxes have amounted to $26,000,000 through December 31, 1974 (including $9,800,000 relating to ASC prior to acquisition).

The depreciable cost basis of vessels for income tax purposes is reduced as a result of "qualified withdrawals" from the fund attributable to deposits which were deducted in determining taxable income. GATX expects to continue to make deposits under the agreement in amounts which will exceed the reduction in depreciation charges relating to such vessels for income tax purposes, and accordingly, the reduction in depreciable cost basis will not result in increased federal income taxes for as long as GATX follows such practice.

HOMASOTE COMPANY (DEC)

	1974	1973
Other Assets:		
Revocable deposit — insurance — note 5	$67,652	$70,594

Note 5: Revocable Deposit-Insurance—The Company's property, buildings and contents and business interruption values are insured with the Arkwright-Boston Mutual Insurance Company under a single policy. The present policy, dated July 1, 1972, was written for a three year period. The original "Insurance Deposit" amounted to $109,659 including a certain portion which remains continually on deposit. Based on the insurance company's statement, the unused portion at December 31, 1974 amounted to $77,206 and $80,856 at December 31, 1973 distributed as follows:

	1974	1973
Revocable deposit—insurance......	$67,652	$70,594
Prepaid insurance expense	9,554	10,262

The "Revocable Insurance Deposit" is collectible upon cancellation of the policy. Borrowings can be effected against the revocable insurance deposit up to 100%.

LYKES-YOUNGSTOWN CORPORATION (DEC)

	1974	1973
Restricted Funds	$55,103,000	$37,230,000

Summary of Significant Accounting Policies

Restricted Funds—An agreement between the steamship subsidiary and the Maritime Administration was executed in 1974 to replace the former Capital Reserve Fund with an Interim Capital Construction Fund, without federal income tax incidence. The purpose of the Fund is to provide for the replacement or modification of vessels and certain related equipment and for the repayment of Merchant Marine Bonds.

The application for the Fund, approved in January 1974, stated that deposits in amounts sufficient to meet specific objectives for which the Fund was established would be made into the Fund and that deposits of book depreciation would not be required after December 31, 1972. The agreement requires minimum annual deposits into the Fund of earnings from Fund investments and proceeds from the disposition of vessels and certain related equipment. Additional amounts may be deposited in order to meet the specific objectives of the Fund, but these deposits may not be in excess of taxable income attributable to the operation of the steamship subsidiary's vessels and vessel depreciation allowable during the year for federal income tax purposes. Under certain circumstances, the Maritime Administration could require deposits above the minimum annual deposit requirements. The Company will deposit $23,680,000 for the year 1974, of which $18,540,000 was deposited in 1974. This amount exceeds the minimum annual deposit requirement by approximately $23,000,000. Deposits for the year 1973 aggregated $1,150,000 which approximated the minimum annual requirement.

Amounts deposited into the Fund may be withdrawn with resulting income tax implications depending upon the purpose for which the amounts are withdrawn.

Pollution Control Bonds were issued by the Company's steel subsidiary in 1973 as security for the payment of principal and interest on three offerings of Environmental Improvement Revenue Bonds by two governmental authorities. The proceeds of the revenue bonds (included in restricted funds in the balance sheet) are being used to finance the construction of air and water pollution control facilities which will be leased to the steel subsidiary under long-term agreements. The agreements restrict the use of the proceeds and provide for the purchase of the facilities for a nominal sum after full payment of the bonds. The cost of such facilities will be capitalized and depreciated over their useful lives.

A summary of restricted funds follows:

	December 31	
	1974	1973
Interim capital construction fund ...	$25,938,000	$ 6,976,000
Pollution control bond fund	29,165,000	30,254,000
	$55,103,000	$37,230,000

The amounts deposited in the funds are substantially all invested in marketable securities carried at cost, which approximates market.

KIMBERLY-CLARK CORPORATION (DEC)

	1974	1973
	($000)	
Other Assets		
Funds held by trustee for construction (Note 6)............	$34,265	—

Note 6: Funds Held by Trustee for Construction—In December, 1974, $35 million of 7.40% pollution control revenue bonds were issued by the Industrial Development Board of the City of Childersburg, Alabama, to finance installation of air and water pollution control, and sewage and solid waste disposal facilities at the Coosa Pines, Alabama, mill. The funds have been deposited with a trustee and will be used to pay for the pollution control facilities as they are installed. Upon completion, the company is obligated to purchase the facilities from the Industrial Development Board; payment of the principal and interest thereon will be made over the life of the Childersburg bond issue. Kimberly-Clark's liability under the purchase agreement has been recorded in the financial statements as long-term debt.

THE UNITED PIECE DYE WORKS (DEC)

	1974	1973
Other assets (Note H)...............	$223,681	$240,177

Note H (in part): Commitments and Contingencies—In connection with improved municipal waste disposal facilities near one of its plants, the Company has agreed to pay monthly service charges through 2001 based upon its usage of the facilities. It is estimated that minimum future payments in declining annual amounts from $47,400 to $21,000 will aggregate $931,000 through 2001. The Company, in a prior year, deposited $200,000 in an interest-bearing escrow account to secure its performance under this agreement. The deposit is included in other assets.

Deferred Income Taxes

LOCKHEED AIRCRAFT CORPORATION (DEC)

	1974	1973
	(Dollars in Millions)	
Current Assets:		
Current portion of future tax benefits (Note 6)............	$39.7	$ —
Future Tax Benefit, long-term portion (Note 6)	64.6	104.3

Note 6: Income Taxes—Income tax expense, excluding amounts applicable to an extraordinary gain in 1973, is summarized as follows:

	Millions of Dollars			
	Current		Deferred	
	U.S. Federal	Foreign	U.S. Federal	Total
1974	$ —	$5.1	$6.6	$11.7
1973	—	2.7	3.2	5.9

State taxes on income, included in general and administrative expenses, were not material in 1973 and were $3.5 million in 1974. The deferred tax provision consists of the tax effect of differences in the timing of revenue and expense for income tax and financial reporting purposes (see Note 1e).

There is a $492 million operating loss carryforward available to offset taxable income of future years which expires as follows: $81 million in 1975, $107 million in 1976, $22 million in 1977, $224 million in 1978 and $58 million in 1979. The Company anticipates that in 1975 and 1976 significant amounts of earnings will be realized from sales (which are substantially covered by firm backlog) on non-TriStar programs on which the Company has had favorable historical experience. In addition, anticipated earnings during this two year period will be favorably affected by the reduced interest rate on borrowings under the amended 1971 Credit Agreement (see Note 8). Because of these anticipated earnings, the Company believes that realization of the tax benefit attributable to $217 million of this carryforward is assured beyond any reasonable doubt within the next two years and therefore, in connection with the losses prior to 1973 resulting from the change in accounting discussed in Note 2, $104 million was retroactively recorded as a future tax benefit. The tax effect ($36 million) of approximately $74 million of carryforwards has not been recorded and is available to reduce the provisions for income taxes in future years. In 1973 and 1974 deferred taxes aggregating $11 million were provided. The accumulated difference between book and tax income at the end of 1974 amounted to about $223 million, primarily differences arising on the TriStar program.

Because of the operating loss carryforward, it is not expected that cash outlays for Federal income taxes will be required in any of the succeeding three years.

Unused investment tax credits of approximately $24 million are available for reduction of future taxes of which $7 million in 1974 and $4 million in 1973 were recorded as a reduction of deferred taxes on the flow-through method and the remainder will be reflected in earnings as a reduction of income taxes to be provided in future years. Realization of these credits is dependent upon future taxable income. The credits expire in varying amounts from 1978 to 1981.

Income tax expense was 34% of earnings before income taxes for 1974 and 30% of earnings before income taxes and extraordinary gain for the year 1973. A reconciliation of the difference between these effective rates and the Federal rate of 48% on earnings before taxes and extraordinary gain follows:

Year Ended	December 29, 1974	December 30, 1973
Statutory tax rate	48%	48%
Increases (reductions) in tax rate resulting from:		
Investment tax credits	(19)	(16)
Other	5	(2)
Effective tax rate	34%	30%

NCR CORPORATION (DEC)

	1974	1973
	($000)	
Total current assets	$1,357,721	$1,133,356
Rental equipment	678,121	607,427
Less: Accumulated depreciation	388,658	349,014
	289,463	258,413
Property, plant and equipment		
Land	24,019	22,620
Buildings	205,672	180,273
Machinery and equipment	481,728	434,614
	711,419	637,507
Less: Accumulated depreciation	357,246	326,199
	354,173	311,308
Future income tax benefits	63,223	88,509
Other assets	45,837	42,330
Total assets	$2,110,417	$1,833,916

Notes to Consolidated Financial Statements

Note 4 (in part): Income Taxes—As a result of recording certain revenue and expense items in the Statement of Consolidated Results of Operations in a year different from the year in which recorded for income tax purposes, several significant differences exist between financial statement income and taxable income. These timing differences are primarily attributable to (a) deducting currently from taxable income items charged to reserves established in prior years for excess and obsolete inventories, for plant realignment and equipment write-offs, and (b) recurring items such as depreciation, timing of receipt of maintenance contract income, and timing of recording of gross profit on installment sales. In years prior to 1973, these differences resulted in financial statement loss carryforwards and accordingly, anticipating that the Company would be profitable in future years and that the charges which resulted in the financial statement loss carryforwards would reduce future taxable income, the Company recorded anticipated future income tax benefits. The Company has not incurred net operating losses for income taxes purposes and, accordingly, does not have tax loss carrybacks or carryforwards under definitions of the Internal Revenue Code.

In 1974 the Company's domestic operations were profitable and as a result, $25,286,000 ($10,087,000 in 1973) of the future income tax benefits recorded in prior years has been included in the determination of the 1974 provision for United States income taxes. At December 31, 1974 the remaining balance of the previously recorded future income tax benefits, ($63,223,000) was classified as a long-term asset. The tax effect of accumulated timing differences in excess of the unrealized future income tax benefits at December 31, 1974 ($17,255,000) has been included in deferred income taxes.

The realization of the estimated future income tax benefits is dependent upon obtaining sufficient future domestic taxable income, which in the opinion of management is assured beyond reasonable doubt.

At December 31, 1974, the cumulative amount of undistributed earnings of international subsidiaries was $233,123,000. Since a substantial portion of these earnings have been reinvested, no additional income taxes have been provided other than incremental income taxes applicable to planned remittances.

Cash Surrender Value of Life Insurance

HERMAN MILLER, INC. (MAY)

	1974	1973
Other Assets:		
Cash surrender value of $1,514,050 life insurance	$451,542	$407,609

THE MAPLE PLAIN COMPANY, INC. (MAY)

	1974	1973
Other Assets:		
Cash surrender value of insurance on life of officer ($46,469 face amount)	$10,323	$8,985

Property Held for Sale

ARDEN-MAYFAIR, INC. (DEC)

	1974	1973
Property for resale, at market.....	$2,485,055	$5,313,658

HYGRADE FOOD PRODUCTS CORPORATION (OCT)

	1974	1973
Property, plant and equipment, at cost (note 4)		
Land................................	$ 537,451	$ 590,963
Buildings and leasehold improvements...............	11,817,798	12,180,317
Machinery and equipment	14,252,394	16,123,382
Delivery equipment...............	146,378	179,653
Construction in progress	1,601,462	775,482
	28,355,483	29,849,797
Less accumulated depreciation ..	8,662,262	11,280,563
Net property, plant and equipment	19,693,221	18,569,234
Other assets (note 4)................	675,067	680,394

Note 4: Idle Properties—The Company has reclassified, as of the beginning of 1974, properties no longer used in business; the 1973 balance sheet has been restated accordingly. Such reclassification and subsequent transactions had no effect on earnings in 1974. Idle properties are included in other assets at estimated net realizable values of $355,000 at November 2, 1974 and $503,000 at November 3, 1973.

EVANS PRODUCTS COMPANY (DEC)

	1974	1973
	($000)	
Total Current Assets.................	$329,187	$422,255
Discontinued Facilities Held for Sale	17,422	—
Property, Plant and Equipment.....	172,894	194,762
Investments in Unconsolidated Subsidiaries	136,758	82,607
Deferred Tax Benefits...............	21,771	—
Other Assets	31,073	27,138
	$709,105	$726,762

Significant Accounting Policies

Discontinued Facilities are valued at estimated net realizable values. All costs expected to be incurred in future periods by these facilities are recognized at the date the decision is made to discontinue operations.

Notes to Financial Statements

Discontinued Facilities Held For Sale are a result of the Company's decision to discontinue certain unprofitable or marginal manufacturing and warehousing activities. These facilities consist of eighteen wholesale building materials distribution centers, seven home producing facilities, two prefinished paneling plants, a sawmill, a high pressure laminate plant, an extruded plastic molding plant, and a mobile home component manufacturing facility. The total amount charged against operations in 1974 relating to the closure of these discontinued facilities was $35,038,000.

Discontinued facilities held for sale consist of land and buildings of $12,064,000 and machinery and equipment of $5,358,000, and have been reduced to net realizable values by a reserve of $8,726,000. All other assets have been reduced to estimated net realizable values and have not been reclassified.

LESLIE SALT CO. (DEC)

	1974	1973
	(in thousands)	
Other Assets:		
Unrecovered cost of Redwood City facilities being phased out	$2,015	$ —

Financial Review

Summary of Accounting Policies and Other Financial Information

Financial Statement Presentation (in part)—On December 3, 1973, the Board of Directors approved a plan to phase out the Company's Redwood City plant and shift the salt-making capacity to its Newark plant. No provision for loss upon discontinuance was included in 1973 operations because it is anticipated that proceeds from the sale of the salt inventory and the facilities will exceed plant closedown costs and remaining book values. The remaining book values of plant equipment and inventories (including a final partial salt harvest in 1974) to be disposed of over the next few years are included in non-current assets as "Unrecovered cost of Redwood City facilities being phased out" at December 31, 1974. The Company will account for the plant phase out in the cost recovery method, wherein net proceeds from sales ($544,000 in 1974) of the remaining salt inventory and from dispositions of the other property are credited direclty to this caption and not included in operating income.

MCA INC. (DEC)

	1974	1973
Investments and other assets		
Film production costs — non-current (Note 2)	$114,456,000	$106,527,000
Television receivables — non-current (Note 10)............	6,927,000	—
Land held for sale—Colorado ...	14,398,000	14,469,000
Investment in unconsolidated companies (Note 1)..........	40,315,000	37,801,000
Deferred charges and other assets.........................	17,703,000	19,307,000
	$193,799,000	$178,104,000

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.

UNITED BRANDS COMPANY (DEC)

	1974	1973
	($000)	
Assets Held for Disposal, at estimated realizable value (Note 9)	$6,062	$10,247

Note 9: Assets Held for Disposal—In late 1971, after extensive study of future transportation needs, the Company determined that it would replace a significant portion of its conventional refrigerated fleet. Provision for estimated losses from this fleet replacement program, which has not been completed, together with provisions for estimated losses from the discontinuance of certain fast food operations and Jamaican operations were charged to 1971 income. Related assets are included in the consolidated balance sheet at amounts estimated to be realized upon disposal. In 1974, based on the disposition of substantially all the Jamaican and fast food properties, portions of the estimated losses provided in 1971 were deemed in excess of amounts required and were credited to income (see Note 15).

WESTINGHOUSE ELECTRIC CORPORATION (DEC)

	1974	1973
Estimated realizable value — discontinued businesses	$202,442,000	—

Financial Review

Discontinued Operations (in part): During 1974, decisions were reached to dispose of two major business segments, the major appliance business and the mail order and record club business. In addition to the two major segments, the phase out of other subsidiaries has been undertaken.

Estimated Realizable Value—Discontinued Businesses includes the assets and liabilities being divested. Net cash proceeds to be realized during 1975 from sale or liquidation of assets and liabilities is estimated to be $122 million.

Start-Up Costs

CHAMPION INTERNATIONAL CORPORATION (DEC)

	1974	1973
	($000)	
Other Assets and Deferred Charges:		
Preoperating expenses and start-up costs	$5,616	$6,619

Notes to Financial Statements

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

Capitalization and Amortization of Certain Costs—Net interest charges on funds borrowed to acquire or construct major properties are capitalized as a part of the asset cost until the properties become operational and subsequently amortized over the life of the asset. 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 acquired subsequent to October, 1970 will be amortized ratably over periods up to 40 years. Such excess applicable to businesses acquired prior to that date is not presently being amortized.

NEPTUNE INTERNATIONAL CORPORATION (DEC)

	1974	1973
Other assets:		
Patents, less applicable amortization	$1,764,840	$490,869
Deferred charges, less applicable amortization	372,648	147,390
Preoperating costs, less applicable amortization	983,166	1,388,487

Statement of Accounting Policies

Other Assets—The Corporation has incurred costs prior to attaining normal levels of production in connection with the start-up of two new manufacturing facilities during 1973 and 1972, and the start-up of a new foundry during 1974. These costs are being amortized over three-year periods.

The cost of patents and trademarks is amoritzed on a straight-line basis over their legal lives.

UNIFI, INC. (JUN)

	1974	1973
Deferred Charges and Other Assets	$1,463,145	$599,318

Notes to Financial Statements

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

Deferred Start-Up Cost—Start-up costs were deferred for amortization to income over a sixty-month period after commencement of income producing operations for the respective operations. Unamortized balances applicable to operations discontinued are included in loss on disposals. Research and development costs are expensed as incurred.

Note 2 (in part): Details of Balance Sheet Captions.

Deferred Charges and Other Assets:		
Deferred charges:		
Start-up costs	$ 192,931	$469,301
Debt expense	61,560	82,625
Second mortgage note receivable	1,150,000	—
Other assets	58,654	47,392
	$1,463,145	$599,318

Employee Benefits

DRESSER INDUSTRIES, INC. (OCT)

	1974	1973
	($000)	
Investments and Other Assets		
Investments—		
Unconsolidated subsidiaries and affiliates—Note A ..	$28,435	$26,230
Other securities—at cost (approximate market).......	1,234	1,263
Notes and accounts receivable ..	12,614	4,418
Common shares of the Company held for deferred compensation—at cost—Note F	4,213	4,263
Excess of cost over net assets of businesses acquired	20,868	22,494
Other assets.......................	12,947	11,110
Total Investments and Other Assets	$80,311	$69,778

Note F: Deferred Compensation—A portion of the incentive compensation for officers and key employees is deferred for payment after termination of employment, either in common shares of the Company or in cash at the equivalent market value of the common shares. The accrued deferred compensation liability may be satisfied by the future issuance of such common shares. At October 31, 1974, 246,221 treasury shares have been designated for that purpose and, to the extent available, additional shares will be designated to satisfy the deferred liability accrued for the year ended October 31, 1974.

A.O. SMITH CORPORATION (DEC)

	1974	1973
	(000 omitted)	
Other Assets:		
Prepaid pension costs (Note 2)..	$8,700	$6,200

Note 2: Retirement Plans—The Company and its consolidated subsidiaries have noncontributory pension plans covering substantially all employees. Provisions for such plans are based on actuarially determined current cost plus interest on unfunded liabilities employing the frozen liability actuarial method. Provisions also include a 30-year amortization of prior service cost for substantially all plans. Pension expense for 1974 and 1973 was $9,100,000 and $7,300,000, respectively. The increased pension expense in 1974 is principally attributable to increased benefits. For most of the plans, vested benefits are fully funded. The actuarially computed value of vested benefits under the remaining plans exceeded the assets of the related trusts by $28,000,000 at January 1, 1974, 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 $8,700,000 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.

Other

AMERICAN AIR FILTER COMPANY, INC. (OCT)

	1974	1973
Deferred charges	$2,085,018	$2,067,172

Notes to Consolidated Financial Statements

Deferred Charges

Deferred charges consist of:	1974	1973
Unamortized bond debt expenses ..	$ 349,908	$ 263,788
Unamortized preoperating expenses	995,820	693,870
Unamortized portion of deferred translation adjustment — long-term debt, 1972 — $553,589	1,831,690	2,344,431
Translation exchange adjustments resulting from translation of the accounts of subsidiaries outside the U.S., 1972 — ($404,551)	(1,504,406)	(1,531,682)
Other..................................	412,006	296,765
Total	$2,085,018	$2,067,172

Amortization of preoperating expenses charged to operations amounted to $391,724 in 1974 and $31,752 in 1973.

BLISS & LAUGHLIN INDUSTRIES INCORPORATED (DEC)

	1974	1973
Realty:		
Land and related costs	$15,265,000	$16,800,000
Receivables........................	2,954,000	3,575,000
Deferred income tax benefits....	2,197,000	93,000
Other...............................	325,000	573,000
	$20,741,000	$21,041,000

Financial Review

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

Realty sales are recorded when the buyer has a significant and continuing cash equity in the property. Real estate taxes, interest expenses ($115,000 in 1974 and $435,000 in 1973) and development costs applicable to land are capitalized as part of the cost of the land prior to the marketing stage provided that such capitalization does not state land and related costs in excess of net realizable value. Costs are allocated to the various parcels of individual projects based upon the area or relative value method, whichever most equitably reflects such costs.

During 1974 $3,239,000 was provided to reduce land and related costs to net realizable value.

PRATT & LAMBERT, INC. (DEC)

	1974	1973
Other Assets:		
Advertising materials and supplies (Note A)	$ 633,466	$ 842,262
Other	421,335	343,272
Total other assets	$1,054,801	$1,185,534

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)

	1974	1973
	($000)	
Other Assets		
Sweetener plant (Note 11)	$14,494	$3,870

Note 11: Sweetener Plant—During 1974, the company completed certain site preparation and preliminary steps in the construction of a major facility to produce aspartame, a product which received limited approval by the FDA for use as a sweetener in July of 1974. As of December 31, 1974, costs incurred on this plant amounted to $14,494,000. The costs included expenditures of $4,677,000 for land and site improvements, $5,582,000 for professional fees and expenses and $4,235,000 for materials and supplies. Commitments for expenditures in 1975 approximate $5,500,000. Further construction activities have been suspended pending the resolution of economic uncertainties and the results of further market testing. Estimated costs to complete the facility as designed approximate $75,000,000.

CURRENT LIABILITIES

Paragraphs 7 and 8 of Chapter 3A of ARB No. 43, as amended by *Statement of Financial Accounting Standards No. 6,* discuss the nature of current liabilities. Examples of the various types of current liabilities follow:

SHORT-TERM DEBT

Table 2-21 shows the number of survey companies disclosing short-term debt. Amounts of long-term debt due within one year are detailed separately in Table 2-25.

ABBOTT LABORATORIES (DEC)

	1974	1973
Current Liabilities:		
Short-term borrowings, including commercial paper of $12,985,000 in 1974 and $50,547,000 in 1973 (Note 5)	$ 79,293,000	$ 92,009,000
Trade accounts payable	46,752,000	31,650,000
Other accrued liabilities	42,387,000	44,097,000
Salaries, wages and commissions	19,455,000	15,212,000
Payroll savings plan	7,602,000	7,729,000
Dividends payable	4,567,000	4,158,000
Income taxes payable	16,416,000	15,161,000
Current portion of long-term debt	4,912,000	2,457,000
Total current liabilities	$221,384,000	$212,473,000

Note 5: Short-Term Borrowings—Short-term borrowings at December 31, 1974 and 1973 consisted principally of domestic commercial paper and international bank loans. Following is a summary of such borrowings during the years:

	1974	1973
Domestic		
Average borrowings during the year	$66,042,000	$21,254,000
Weighted average interest rate during the year	10.3%	8.9%
Highest level of borrowings at any month-end during the year	$102,571,000	$50,547,000
Weighted average interest rate at December 31	8.9%	8.9%
International		
Average borrowings during the year	$53,723,000	$36,553,000
Weighted average interest rate during the year	15.0%	11.2%
Highest level of borrowings at any month-end during the year	$66,158,000	$41,462,000
Weighted average interest rate at December 31	16.1%	12.0%

At December 31, 1974 and 1973, unused domestic credit lines of $50,000,000 supported commercial paper issued by the Company.

TABLE 2-21: SHORT TERM DEBT

Description	1974	1973	1972	1971
Notes or loans				
Payee indicated	207	252	204	213
Payee not indicated	224	217	256	294
Short-term Debt or Borrowings	36	27	27	20
Commercial Paper	36	36	16	21
Other	10	13	11	7
Total Presentations	**513**	**545**	**514**	**555**
Number of Companies				
Showing short-term debt	452	448	430	453
Not showing short-term debt	148	152	170	147
Total	**600**	**600**	**600**	**600**

AMERICAN BAKERIES COMPANY (DEC)

	1974	1973
	(In Thousands)	
Current Liabilities:		
Notes payable to banks (Note 3)	$ 2,200	$ 2,500
Current maturities of long-term debt	3,491	853
Accounts payable	31,041	17,197
Accrued liabilities	7,813	8,518
Dividends payable	204	229
Total current liabilities	$44,749	$29,297

Note 3: Notes Payable to Banks—The short-term bank indebtedness data is shown as follows:

	Short-term Bank Indebtedness Outstanding	
	December 28, 1974	December 29, 1973
At the end	$2,200,000	$2,500,000
Maximum level outstanding during the year	$4,250,000	$3,600,000
Interest rates at year end	Prevailing prime, one bank; prime plus 1%, one bank	Prevailing prime, two banks; 8%, one bank
Average rate at year end	11.4%	9.0%
Average outstanding during year	$3,202,000	$1,473,000
Weighted average interest rate computed on monthly outstanding loan balances	9.2%	9.0%
Short-term lines of credit (two banks)	$4,500,000	$2,000,000
Unused at year end	$2,300,000	$1,500,000

During 1974, the Company agreed to an informal compensating balance arrangement with one of its banks and is expected to maintain average compensating balances of 10% of the line of credit ($2,500,000) and 10% to 15% of the amounts due on loans with this bank. The balances are subject to withdrawal by the Company at any time.

BLUE BELL, INC. (SEP)

	1974	1973
Current Liabilities:		
Notes payable—Banks and other (Note 3)	$ 36,208,024	$37,736,127
Current maturities of long-term debt	1,698,345	1,785,539
Accounts payable, principally trade	46,406,499	42,507,926
Dividends payable	1,210,592	980,579
Accrued liabilities:		
Compensation	9,483,154	7,256,981
Income taxes	4,202,159	2,836,548
Taxes—Other than income	2,380,218	1,633,289
Interest	2,499,256	2,248,744
Other	4,522,992	2,464,586
Total current liabilities	$108,611,239	$99,450,319

Note 3: Short-Term Borrowings and Compensating Balances—Short-term borrowings totaling $36,208,024 at September 30, 1974 consisted principally of thirty-day and demand obligations at a weighted average interest rate of 12.06% per annum. Substantially all these borrowings were under lines of credit, the unused portion of which totaled $44,000,000 at September 30, 1974. The lines of credit are renewed as of December 31 each year.

Arrangements relating to certain lines of credit require maintenance of compensating balances expressed in bank collected balances. These balances may be withdrawn on a day-to-day basis without restriction; however, the Company is expected to maintain average bank balances measured on a calendar year basis generally totaling 10% of applicable lines of credit or 20% of related bank loans, whichever is greater. The average compensating balance requirement during the year ended September 30, 1974 was approximately $4,450,000. This requirement was satisfied substantially by "float" (normal delays in the presentation of checks for payment less delays in deposits reaching the banks). Cash included in the accompanying balance sheet on deposit at banks with which the Company had compensating balance arrangements totaled $345,277 at September 30, 1974.

The maximum amount of short-term borrowings at the end of any month during the year ended September 30, 1974 was $65,100,000 at March 31, 1974. Average daily short-term borrowings during the year ended September 30, 1974 were $44,400,000 at a weighted interest rate of 11.24% per annum. This average amount reduced by average daily cash invested was $35,600,000 for the year ended September 30, 1974.

GIDDINGS & LEWIS, INC. (DEC)

	1974	1973
Current Liabilities:		
Notes payable—banks	$13,500,000	$10,400,000
Loans and overdrafts of overseas subsidiary	1,169,997	1,470,183
Accounts payable	3,500,868	3,428,649
Income taxes	2,425,455	1,823,316
Wages, salaries and other compensation	1,625,495	1,294,898
Other liabilities	3,865,850	2,654,906
Long-term debt due within one year	282,906	362,455
Total current liabilities	$26,370,571	$21,434,407

DRESSER INDUSTRIES, INC. (OCT)

	1974	1973
	In Thousands of Dollars	
Current Liabilities		
Notes payable—Note G	$ 89,604	$ 38,894
Accounts payable, etc.	105,663	55,710
Advances from customers on contracts	33,739	7,405
Accrued compensation	35,507	23,155
Accrued taxes, interest and other expenses	77,549	47,898
Estimated warranty costs	12,570	6,812
Federal, state and foreign income taxes	29,575	12,456
Current portion of long-term debt	14,614	11,816
Total Current Liabilities	$398,821	$204,146

Note G: Short-Term Notes Payable—At October 31, 1974 short-term notes payable consisted of commerical paper of $28,450,000 and notes payable to banks of $61,154,000, of which $28,054,000 is payable in currencies other than U.S. dollars. At October 31, 1974 the average interest rate was 11.5% applicable to commerical paper, 11.4% applicable to U.S. dollar short-term notes, and 12.6% applicable to short-term loans payable in currencies other than the U.S. dollar. The average of short-term notes payable throughout the year, computed on an end-of-month basis, was $65,300,000 and the maximum amount payable at any month end was $124,816,000. Interest rates throughout the year averaged 12.0% for commerical paper, 11.6% for U.S. dollar loans, and 11.9% for loans payable in other currencies. The foregoing average interest rates are based on weighted average rates computed quarterly.

At October 31, 1974 the Company had unused lines of credit aggregating $65,900,000 for short-term bank borrowings within the United States. Such lines provide for borrowings at the prevailing prime interest rate. The lines are not restricted for use as support of outstanding commerical paper but are available for such support as well as for general corporate purposes. The lines of credit may be terminated at the option of the banks or the Company.

Loan arrangements have been established with banks outside the United States under which the Company's foreign subsidiaries may borrow on an overdraft and short-term note basis. At October 31, 1974 the amount available and unused under these arrangements aggregated $10,300,000.

The Company has understandings with certain of the banks regarding deposit balances as compensation for credit arrangements but the aggregate amount of such compensating balances was not material at October 31, 1974. The Company was not legally restricted from withdrawing all or any portion of the compensating balances at any time during the year.

GENERAL FOODS CORPORATION (MAR)

	1974	1973
Current Liabilities		
Notes Payable (Note 4)	$ 91,068	$ 82,693
Current Portion of Long-Term Debt	56,817	7,469
Acceptances and Drafts Payable	29,887	52,278
Accounts Payable	162,003	148,241
Accrued Liabilities	179,250	180,070
Accrued Income Taxes	65,521	83,085
Current Liabilities	$584,546	$553,836

Note 4: Notes Payable

	1974	1973
Commercial Paper	$19,412,000	$ 3,000,000
Bank Notes	71,656,000	79,693,000
Total	$91,068,000	$82,693,000

The average interest rates for notes payable outstanding at March 30, 1974 and March 31, 1973 were approximately 8.4% and 6.9%, respectively.

During the fiscal years ended March 30, 1974 and March 31, 1973, the maximum amount of notes payable outstanding at any one fiscal month-end was $94,000,000 and $87,000,000, respectively; the average amount of all notes payable outstanding (based on month-end amounts) and the weighted average interest rates approximated $79,000,000 (7.8%) and $70,000,000 (6.8%), respectively.

At March 30, 1974 short and long-term borrowing arrangements negotiated with banks and other lenders aggregated $227,000,000. Borrowings under these arrangements bear interest at a rate that approximates the banks' lending rates extended to prime borrowers; such arrangements consist of agreements aggregating $61,000,000 that expire after fiscal 1976 and agreements aggregating $166,000,000 that are cancellable at any time. As of March 30, 1974, borrowings amounting to $91,400,000 (including $77,300,000 of short-term notes payable) were outstanding under these arrangements. The amount of compensating balances that related to all of the aforementioned agreements and arrangements was not material.

OHIO FERRO-ALLOYS CORPORATION (DEC)

	1974	1973
Current Liabilities		
Current portion of long-term liability	$ 595,000	$ 280,000
Notes payable to bank	2,000,000	3,500,000
Revenue bond anticipation note—Note C	1,000,000	—0—
Accounts payable and accrued expenses	11,735,368	6,507,841
Federal taxes on income	8,296,681	1,400,133
Total Current Liabilities	$23,627,049	$11,687,974

Notes to Financial Statements

Note C—The Corporation has commenced construction of a new three-furnace manufacturing facility located near Montgomery, Alabama, which is expected to cost approximately $20,000,000 and be in limited production by the end of 1975. The Corporation has entered into an inducement agreement with The Industrial Development Board of the City of Montgomery, Alabama for the issuance of Industrial Development First Mortgage Revenue Bonds to finance the cost of this facility. As of December 31, 1974, approximately $3,000,000 has been disbursed for this construction, of which $1,000,000 has been financed by a 7 percent, six-month revenue bond anticipation note issued by The Industrial Development Board of the City of Montgomery, Alabama.

WEST POINT-PEPPERELL, INC. (AUG)

	1974	1973
Current Liabilities:		
Notes payable—banks (Note F)	$13,390,000	$ —
Notes payable—commercial paper (Note F)	10,360,000	—
Accounts payable	32,627,193	29,086,665
Dividends payable	—	3,326,540
Federal income tax	7,834,559	5,041,886
Other accrued taxes	3,360,586	3,066,712
Accrued payrolls and related expenses	7,258,947	4,094,541
Other accrued liabilities	7,380,752	4,593,434
Current maturity of long-term debt	565,354	562,074
Total current liabilities	82,777,391	49,771,852

Note F: Short-Term Borrowings and Compensating Balances—The Company has lines of credit with banks totaling $39,000,000. The Company maintains cash balances with the banks equal to 10% of the lines of credit plus 10% of the amount borrowed; these compensating balances also serve to reimburse the banks for other services which they provide the Company. Substantially all of the cash in the accompanying balance sheet represents compensating balances for credit lines and bank services of which approximately $2,100,000 is applicable to lines of credit not used during the year.

At August 31, 1974 short-term loans from banks were represented by unsecured 31 day notes which bear interest at the prime rate (12% at August 31, 1974) and the commercial paper borrowings bear interest at an average rate of 13.01% and mature at various dates through November 27, 1974.

The maximum amount of short-term borrowings outstanding at any one time during 1974 was $33,554,000, the approximate average daily amount of such borrowings was $16,770,000, and the weighted daily average interest rate was 11% per annum.

TRADE ACCOUNTS PAYABLE

AMERICAN SMELTING AND REFINING COMPANY (DEC)

	1974	1973
	(dollars in thousands)	
Current Liabilities:		
Accounts and notes payable:		
Bank loans	$ 9,965	$ 4,700
Trade	122,688	95,001
Non-consolidated associated companies	16,298	36,219
Other	17,237	12,367
	166,188	148,287
Accrued liabilities:		
Salaries and wages	9,104	7,182
Taxes on income	17,674	14,124
Other taxes	10,405	8,437
	37,183	29,743
Current portion of long-term debt	18,231	8,600
Other	12,779	9,369
Total Current Liabilities	$234,381	$195,999

TABLE 2-22: CURRENT LIABILITIES — TRADE CREDITORS

Description	1974	1973	1972	1971
Accounts payable, payables, or trade payables in a separate caption	392	389	381	364
Accounts payable combined with accrued liabilities or accrued expenses	184	187	192	210
Other captions	24	24	27	26
Total Companies	**600**	**600**	**600**	**600**

BROWN GROUP, INC. (OCT)

	1974	1973
Current Liabilities		
Notes payable to banks	$ 5,710,000	$ 5,700,000
Commercial paper	21,247,947	
Trade accounts payable	36,560,592	33,755,631
Employee compensation	10,607,723	11,713,010
Pension and profit sharing contributions	5,941,103	6,167,534
Other accrued expenses	3,608,372	3,236,541
Federal and state income taxes	655,961	7,728,743
Current maturities of long-term debt	1,683,210	1,033,220
Total Current Liabilities	$86,014,908	$69,334,679

HYGRADE FOOD PRODUCTS CORPORATION (OCT)

	1974	1973
Current liabilities:		
Short-term loan of foreign subsidiary	$ 500,000	$ —
Current installments on long-term debt	803,745	794,515
Trade accounts and drafts payable	18,198,770	18,293,576
Accrued taxes (other than income taxes)	479,086	618,516
Salaries, wages and commissions	1,197,305	968,254
Pensions	2,024,637	1,965,785
Other	1,621,915	1,460,814
Income taxes	4,070,397	720,219
Total current liabilities	$28,895,855	$24,821,679

TABLE 2-23: CURRENT LIABILITIES — LIABILITIES TO OR FOR EMPLOYEES

Description	1974	1973	1972	1971
Salaries, wages, payrolls, commissions	196	194	184	179
Withholdings, payroll taxes	37	36	39	47
Pension or retirement plan contributions	37	31	28	25
Profit-sharing contributions	22	30	27	24
Other captions	44	42	32	34
Total Presentations	**336**	**333**	**310**	**309**
Number of Companies				
Showing liabilities to or for employees	206	206	202	193
No such liabilities	394	394	398	407
Total	**600**	**600**	**600**	**600**

LIABILITIES TO OR FOR EMPLOYEES

Table 2-23 shows the nature of accounts identified as current liabilities to or for employees.

BRISTOL PRODUCTS, INC. (DEC)

	1974	1973
Current Liabilities		
Notes Payable—Bank	$ 850,000	$1,350,000
Accounts Payable, Trade	536,081	1,067,521
Accrued Liabilities:		
Salaries and Wages	340,588	266,681
Profit-Sharing Plan Contribution	323,085	331,907
Taxes, Other Than Income Taxes	172,695	192,471
Interest and Other	3,225	42,094
Income Taxes Payable	307,513	51,030
Total Current Liabilities	$2,533,187	$3,301,704

MOSINEE PAPER CORPORATION (DEC)

	1974	1973
Current Liabilities:		
Principal payments due within one year on 5% First Mortgage Promissory Notes	$ 500,000	$ 400,000
Contract payable	200,000	
Accounts payable	1,936,546	2,265,251
Accrued and other liabilities (Note 4)	1,501,192	1,348,430
Accrued income taxes	1,565,000	840,000
Total current liabilities	$5,702,738	$4,853,681

Note 4: Accrued and Other Liabilities—Details of accrued and other liabilities are as follows:

	1974	1973
Payrolls	$ 830,321	$ 580,868
Taxes, other than income	255,175	480,475
Employee retirement plans	166,846	55,376
Cash dividends declared	145,054	112,845
Other	103,796	118,866
	$1,501,192	$1,348,430

OSCAR MAYER & CO. INC. (OCT)

	1974	1973
	(thousands of dollars)	
Current Liabilities:		
Notes payable to banks	$ —	$10,389
Current installment of long-term debt	1,040	1,040
Accounts payable	14,118	8,947
Accrued expenses	28,288	20,503
Pension plan contributions	8,673	—
Dividend payable	2,185	1,537
Income taxes	16,334	2,460
Total current liabilities	$70,638	$44,876

SIGNODE CORPORATION (DEC)

	1974	1973
	(Thousands of Dollars)	
Current Liabilities:		
Bank loans	$ 5,401	$ —
Current portion of long-term debt	4,959	1,523
Accounts payable	15,232	15,470
Accrued expenses—		
Salaries and wages	5,620	5,294
Other	9,128	7,097
Accrued income taxes	8,263	5,304
Accrued profit sharing contribution	5,710	4,295
Total current liabilities	$54,313	$38,983

ZENITH RADIO CORPORATION (DEC)

	1974	1973
	($000)	
Current liabilities:		
Notes payable—		
Bank loans payable in Swiss francs	$ 11,982	$15,390
Commercial paper	113,660	—
Accounts payable	37,341	70,372
Accrued expenses—		
Salaries, wages, commissions and bonuses	14,010	14,097
Taxes, other than taxes on income	5,960	5,556
Contribution to profit-sharing retirement plan	8,344	15,328
Product warranty	28,293	45,693
Co-op advertising and merchandising programs	12,725	15,591
Other accrued expenses	16,834	14,828
Accrued income taxes	1,957	9,685

TABLE 2-24: CURRENT INCOME TAX LIABILITY

	1974	1973	1972	1971
Income Taxes	289	271	239	210
Federal income taxes	61	56	82	90
Federal and state income taxes	56	44	48	53
U.S. and foreign income taxes	37	42	40	48
Federal and foreign income taxes	30	41	54	53
Federal, state, and foreign income taxes	23	23	21	20
Taxes — type not specified	40	40	39	42
Other captions	35	49	48	50
	571	566	571	566
No caption for taxes payable	29	34	29	34
Total Companies	**600**	**600**	**600**	**600**

INCOME TAX LIABILITY

Table 2-24 summarizes the descriptive balance sheet captions used to describe the current liability for income taxes.

AMERICAN MOTORS CORPORATION (SEP)

	1974	1973
	(Dollars in Thousands)	
Current Liabilities		
Accounts payable	$278,341	$184,179
Accrued expenses	68,420	88,849
Taxes on income (Note H)	8,414	11,670
Current portion of long-term debt	942	957
Total Current Liabilities	$356,117	$265,655

Note H: Taxes on Income—A reclassification in the amount of $5,639,000 has been made between current United States income taxes and deferred taxes for 1973 as a result of accelerating certain additional deductions on the 1973 income tax return.

THE BABCOCK & WILCOX COMPANY (DEC)

	1974	1973
Current Liabilities		
Notes payable	$ 23,408,049	$ 72,939,235
Accounts payable and accrued liabilities	272,558,405	217,964,523
Provision for warranty expense	40,839,272	42,421,229
Cash dividends payable	2,421,156	2,420,981
U.S. and foreign income taxes (including deferred taxes: 1974 — $102,160,000; 1973 — $79,405,000)	104,196,218	82,316,053
Total Current Liabilities	$443,423,100	$418,062,021

THE EASTERN COMPANY (DEC)

	1974	1973
Current Liabilities		
Note payable to bank	$ 60,000	$ 30,000
Accounts payable	1,768,478	1,493,871
Accrued compensation and withholdings	377,647	331,628
Accrued taxes and other expenses	881,609	495,650
Federal income taxes	1,680,950	350,599
Current portion of long-term debt	663,112	509,108
Total Current Liabilities	$5,431,796	$3,210,856

EX-CELL-O CORPORATION (NOV)

	1974	1973
Current Liabilities:		
Notes payable to banks	$14,964,596	$ 6,264,691
Current portion of long-term debt	1,530,659	1,588,463
Accounts payable and accrued liabilities	54,812,384	43,637,417
Dividend declared	1,990,322	1,849,789
Income taxes	8,531,701	4,181,869
Deferred income taxes	474,858	329,675
Total current liabilities	$82,304,520	$57,851,904

THE GREYHOUND CORPORATION (DEC)

	1974	1973
Current Liabilities:		
Short-term financing:		
Bank loans	$ 39,189,562	$ 3,360,277
Commercial paper		71,131,000
Due to unconsolidated subsidiaries, net (Note H)	3,340,352	18,052,849
Accounts payable	119,955,401	113,216,743
Salaries and wages	45,293,655	43,102,552
Dividends	10,939,595	10,962,466
Income and other taxes (Note H)	21,923,928	34,713,968
Other accrued expenses	27,222,560	22,342,685
Current portion of long-term debt	13,033,487	12,282,221
Total Current Liabilities	$280,898,540	$329,164,761

Note H (in part): Income Taxes—Greyhound Leasing and CSCC, as well as other eligible subsidiaries of Greyhound, are included in the consolidated federal income tax returns of Greyhound. As a result, Greyhound Leasing and CSCC received tax benefits in 1974 and 1973 in excess of the amounts available to them on a separate return basis. The benefits to these unconsolidated subsidiaries, aggregating $23,663,000 in 1974 and $13,461,000 in 1973, are not included in the provision for federal income taxes currently payable in the above table, but the currently payable tax liability has been reduced and the amounts credited to such subsidiaries. Such benefits are currently paid to these subsidaries when realized by Greyhound. Payments to Greyhound Leasing for similar benefits aggregating $32,189,000 for years prior to 1971 were made in 1974 ($12,189,000) and in 1973 ($20,000,000). For a description of Greyhound Leasing's policy with respect to investment tax credits and its agreement with Greyhound relative to the payment of federal income tax benefits, see Notes A and E to the financial statements of Greyhound Leasing.

LESLIE SALT CO. (DEC)

	1974	1973
	(In thousands)	
Current Liabilities:		
Current portion of long term debt	$ 739	$1,217
Accounts payable	1,319	1,440
Accrued taxes:		
Income	805	147
Property	572	583
Other	124	91
Accrued expenses:		
Compensation	519	161
Interest	380	285
Other	253	133
Cash dividends payable	55	
Total current liabilities	$4,766	$4,057

LOCKHEED AIRCRAFT CORPORATION (DEC)

	1974	1973
	(Dollars in Millions)	
Current Liabilities:		
Accounts payable	$260.8	$233.5
Salaries and wages	106.2	107.5
Income taxes		
Current	5.8	1.0
Deferred	10.6	4.3
Other taxes	23.5	18.5
Customers' advances in excess of related costs	160.7	107.1
Retirement plan contribution	95.4	81.7
Other liabilities	96.4	74.9
Current portion of long-term debt	16.5	16.6
Total current liabilities	$775.9	$645.1

UNITED STATES GYPSUM COMPANY (DEC)

	1974	1973
	($000)	
Current Liabilities		
Notes payable	$ 4,829	$ 76,625
Commercial paper	26,135	20,650
Accounts payable	36,532	43,401
Accrued expenses		
Payrolls	4,361	4,533
Taxes other than taxes on income	5,389	6,956
Miscellaneous	13,105	7,883
Current maturities of long-term debt	1,382	979
Taxes on income	23,037	19,726
Total current liabilities	$114,770	$180,753

CURRENT AMOUNT OF LONG TERM DEBT

Table 2-25 summarizes the descriptive balance sheet captions used to describe the amount of long term debt payable during the next year.

ELECTRIC HOSE & RUBBER COMPANY (AUG)

	1974	1973
Current liabilities		
Demand notes payable to banks bearing interest at 10½%..	$2,000,000	
Accounts payable	2,040,400	$2,698,800
Current installments of long-term debt	878,400	862,000
Federal and state income taxes payable	43,000	725,000
Accrued liabilities	2,180,700	1,602,700
Total Current Liabilities	$7,142,500	$5,888,500

KOPPERS COMPANY, INC. (DEC)

	1974	1973
Current liabilities:		
Federal income tax	$ 13,483,408	$ 12,950,500
Other taxes	7,680,047	6,729,639
Accounts payable, principally trade	48,605,005	40,344,857
Accrued pensions	9,331,222	7,647,000
Other accruals	29,553,334	19,980,552
Advance payments received on contracts	30,337,549	16,844,015
Debt due within one year including short-term borrowings of $2,401,000 in 1974........	5,032,202	2,540,589
Total current liabilities	$144,022,767	$107,037,152

MIDLAND-ROSS CORPORATION (DEC)

	1974	1973
	(Thousands of Dollars)	
Current Liabilities		
Accounts payable	$36,219	$27,440
Dividends payable	1,610	197
Advance billings on contracts in process	12,069	5,464
Accrued compensation and benefits	12,238	10,726
Other liabilities	11,249	6,923
Income taxes	13,974	5,213
Current portion of long-term liabilities	1,269	1,406
Total Current Liabilities	$88,628	$57,369

TABLE 2-25: CURRENT AMOUNT OF LONG-TERM DEBT

	1974	1973	1972	1971
Current *maturities* of long-term debt	165	159	144	133
Current *portion* of long-term debt	152	138	132	129
Long-term debt *due* or *payable* within one year	92	89	87	88
Current installment of long-term debt	66	59	59	60
Type of long-term debt — e.g. Bonds Payable, Notes Payable, etc.	15	10	21	29
Caption combining maturing portion with other amounts	31	55	71	68
Total Captions	**521**	**510**	**514**	**507**

NATIONAL DISTILLERS AND CHEMICAL CORPORATION (DEC)

	1974	1973
Current Liabilities		
Accounts payable and accrued liabilities	$ 81,524,000	$ 92,782,000
Federal excise taxes payable....	26,402,000	30,923,000
Taxes on income	49,831,000	23,443,000
Loans payable to banks and others	12,715,000	16,028,000
Long-term debt payable within one year	10,313,000	10,987,000
Total current liabilities	$180,785,000	$174,163,000

WHIRLPOOL CORPORATION (DEC)

	1974	1973
	(thousands of dollars)	
Current Liabilities		
Notes payable	$ 86,819	$ 45,280
Accounts payable	47,646	72,016
Payrolls and other compensation	32,009	40,468
Accrued pension costs	21,166	17,078
Taxes and other accrued expenses	19,573	18,953
Income taxes	5,267	27,004
Product warranty—Note A	17,940	19,418
Current maturities of long-term debt	4,112	22,094
Total Current Liabilities	$234,532	$262,311

Note A (in part): Summary of Principal Accounting Policies

Product Warranty—The Companies recognize the estimated cost of warranty obligations (both current and in excess of one year) to the consumers of its products at the time the products are sold.

OTHER CURRENT LIABILITIES

Table 2-26 summarizes other identified current liabilities. 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 2-26. There were 344 such presentations.

TABLE 2-26: OTHER CURRENT LIABILITIES

	1974	1973	1972	1971
Dividends payable	109	102	104	110
Taxes not combined with Federal income taxes	95	112	129	110
Deferred taxes	43	57	63	46
Interest	35	38	38	38
Customer advances, deposits	34	25	28	34
Estimated costs relating to discontinued operations	20	12	14	N/C
Billings on uncompleted contracts	15	11	13	5
Guarantees, warranties, service contract obligations	13	17	16	17
Due to affiliated companies	12	17	15	12
Other — Described	66	54	46	50
Total Captions	**442**	**445**	**466**	**422**

N/C — Not Compiled.

BUCYRUS-ERIE COMPANY (DEC)

	1974	1973
Current Liabilities		
Accounts payable and accrued expenses	$26,030,144	$16,614,401
Taxes, other than income taxes	2,977,999	1,984,798
Advances in excess of related costs and earnings on uncompleted contracts	32,765,893	6,795,878
Federal and state income taxes	4,280,250	5,133,493
Current maturities on long-term debt	—	410,000
Total Current Liabilities	$66,054,286	$30,938,570

CARRIER CORPORATION (OCT)

	1974	1973
Current Liabilities		
Accounts payable	$100,635,000	$ 71,216,000
Accrued expenses	42,963,000	35,417,000
Notes payable to banks	34,955,000	17,277,000
Product guarantees, etc.	28,707,000	25,896,000
Current portion of long-term debt	7,951,000	5,924,000
Dividends payable	3,239,000	3,259,000
Accrued taxes on income	2,559,000	6,984,000
Total Current Liabilities	$221,009,000	$165,973,000

CHOCK FULL O'NUTS CORPORATION (JUL)

	1974	1973
Current liabilities:		
Short-term notes payable to bank	$ 2,200,000	$ —
Broker margin loan account (note 4)	7,004,905	—
Accounts payable	11,922,346	2,731,182
Current installments of long-term debt	480,715	201,439
Accrued expenses	6,839,054	970,001
Income taxes	1,506,671	76,131
Total current liabilities	$29,953,691	$3,978,753

Note 4 (b): Broker Margin Loan Account—During fiscal 1974, the Company entered into a margin loan agreement with Salomon Brothers under which all its marketable securities were pledged as collateral for a demand loan of $7.8 million. Interest on these borrowings is determined daily and is a calculated rate which approximates the prime rate plus ½%.

THE CLEVELAND-CLIFFS IRON COMPANY (DEC)

	1974	1973
Current Liabilities		
Accounts payable, including $5,051,000 (1973 — $3,753,000) to associates	$19,226,000	$ 6,640,000
Accrued expenses	1,417,000	1,398,000
Employee compensation	4,189,000	2,871,000
Royalties payable	1,708,000	1,987,000
Income taxes	1,033,000	1,473,000
Current portion of long-term debt	1,000,000	1,000,000
Other liabilities	1,120,000	2,334,000
Total Current Liabilities	$29,693,000	$17,703,000

GRANGER ASSOCIATES (AUG)

	1974	1973
Current liabilities:		
Notes payable to banks — unsecured	$ 624,496	$ 226,321
Current portion of long-term liabilities	20,000	220,000
Bank overdraft	51,028	—
Accounts payable	1,035,000	446,605
Other current liabilities	607,194	447,533
Contract advances	515,205	219,007
Income taxes payable	13,988	17,000
Total current liabilities	$2,866,911	$1,576,466

LAFAYETTE RADIO ELECTRONICS CORPORATION (JUN)

	1974	1973
Current liabilities:		
Notes payable, bank	$ 1,500,000	$ 1,500,000
Current portion of long-term debt	250,000	250,000
Import acceptances payable	4,296,530	3,204,733
Accounts payable	3,511,417	2,132,613
Income taxes	559,715	1,510,680
Accrued expenses	1,687,587	1,556,864
Total current liabilities	$11,805,249	$10,154,890

THE MAGNAVOX COMPANY (DEC)

	1974	1973
	(In Thousands)	
Current liabilities:		
Notes payable to banks	$14,000	$ —
Current portion of long-term debt	801	804
Accounts payable	34,858	50,838
Accrued income taxes	—	1,802
Accrued wages, interest and other liabilities	17,474	20,744
Accrued product warranty costs.	16,817	6,779
Total current liabilities	$83,950	$80,967

Notes to Consolidated Financial Statements

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

Warranties—Anticipated costs and related accrued expenses for product warranties are based upon estimates derived from experience factors and are recorded at the time of sale of the products.

J. RAY MCDERMOTT & CO., INC. (MAR)

	1974	1973
Current Liabilities:		
Notes payable and current maturities of long-term debt	$ 43,281,760	$ 32,458,877
Accounts payable and accrued expenses	44,885,271	34,948,429
Dividend payable	2,302,621	1,683,800
Billings on uncompleted contracts (in excess of related costs, 1974, $90,643,393; 1973, $65,185,746)	52,809,446	24,462,379
Accrued employees' pension plan contributions	2,798,269	2,174,427
Accrued interest	2,351,951	1,513,112
Accrued taxes, other than taxes on income	1,737,112	1,624,344
Accrued taxes on income	18,928,270	10,688,097
Total current liabilities	$169,094,700	$109,553,465

A.C. NIELSEN COMPANY (AUG)

	1974	1973
Current Liabilities:		
Accounts and drafts payable	$ 6,685	$ 8,717
Accrued retirement and profit sharing	3,988	4,826
United States and foreign income taxes	2,925	3,576
Other accrued expenses	7,083	5,584
Loans payable to banks	2,162	1,853
Deferred revenue on uncompleted contracts (Note 1)	14,060	12,761
Total current liabilities	$36,903	$37,317

Note 1 (in part): Statement of Significant Accounting Policies

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. Revenue from other services is recorded in income when billed.

PHOENIX STEEL CORPORATION (DEC)

	1974	1973
Current liabilities:		
Current portion of long-term debt	$ 4,635,000	$10,691,000
Accounts payable	14,103,000	11,821,000
Accrued expenses and other current liabilities—(Note 5)	7,869,000	9,085,000
State income taxes payable	616,000	—
Total current liabilities	$27,223,000	$31,597,000

Note 5: Accrued Expenses and Other Current Liabilities—Accrued expenses and other current liabilities comprise:

	1974	1973
Payrolls	$2,747,000	$2,129,000
Interest	786,000	916,000
Taxes other than income taxes	634,000	2,085,000
Pensions and other employee benefits	3,086,000	2,487,000
Other current liabilities	616,000	1,468,000
	$7,869,000	$9,085,000

POLAROID CORPORATION (DEC)

	1974	1973
	($000)	
Current liabilities		
Notes payable to banks (Note 5)	$ 9,254	$ 716
Payables and accruals (Note 6)	96,940	82,596
Federal, state and foreign income taxes	25,223	39,202
Total current liabilities	$131,417	$122,514

Note 6: Payables and Accruals—The following items are included in payables and accruals:

(in thousands)	1974	1973
Trade accounts payable	$48,754	$59,493
Warranty accruals	10,361	4,132
Dealer rebate (SX-70 Program)	9,052	4,721
Other accrued expenses and current liabilities	28,773	14,250
Total	$96,940	$82,596

SNAP-ON TOOLS CORPORATION (DEC)

	1974	1973
Current Liabilities:		
Current maturities of long-term debt	$ 372,606	$ 1,000,000
Notes payable to banks	—	4,475,000
Accounts payable		
Trade	6,759,541	5,600,884
Payroll deductions	1,069,819	1,023,840
Accrued liabilities		
Compensation	7,477,829	6,495,083
Property, payroll and other taxes	520,064	537,571
Retirement plans and other	3,647,771	2,266,902
Income taxes	2,492,448	2,215,515
Dealers and salesmen deposits	7,408,917	5,914,263
Total current liabilities	$29,748,995	$29,529,058

STANDARD MOTOR PRODUCTS, INC. (DEC)

	1974	1973
Current liabilities:		
Notes payable—bank	$12,800,000	$ 8,000,000
Accounts payable	5,380,653	6,974,421
Loans payable—other	166,035	88,657
Customers' rebates	252,576	469,895
Taxes (other than based on income)	290,695	263,074
Sundry payables and accrued expenses	1,848,647	1,792,614
Taxes based on income	—	102,696
Total current liabilities	$20,738,606	$17,691,357

STANLEY HOME PRODUCTS, INC. (DEC)

	1974	1973
Current Liabilities		
Notes and loans payable	$11,336,464	$ 821,297
Accounts payable	15,325,704	14,800,871
Dealers' security deposits	4,816,939	4,902,658
Federal, state and foreign taxes on income	2,732,561	4,173,669
Unredeemed coupons and certificates	2,628,187	2,625,665
Accrued payroll and commissions	1,237,108	1,019,645
Other accrued expenses	5,403,255	4,184,460
Dividends payable	711,333	711,140
Total current liabilities	$44,191,551	$33,239,405

LONG-TERM DEBT

Table 2-27 summarizes the types of long-term debt disclosed by survey companies. *APB Opinion No. 21* 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.

ADAMS-MILLIS CORPORATION (DEC)

	1974	1973
Long-Term Debt—less current maturities — Note C	$15,609,771	$17,114,881

Note C: Long-Term Debt—Long-term debt at December 29, 1974 and December 30, 1973 consisted of the following:

	1974	1973
Notes payable to banks	$ 8,550,000	$ 9,000,000
9¾% Senior Notes payable to insurance companies	8,000,000	8,000,000
5¼% note payable to bank: payable in quarterly installments of $50,000)	200,000	400,000
6½% and 8% mortgage notes (payable in quarterly and monthly installments)	106,441	122,571
8% equipment notes, payable semi-annually in equal installments of $44,200 through 1977	258,400	391,000
Various equipment loans		6,479
	17,114,811	17,920,050
Less current maturities	1,505,040	805,239
	$15,609,771	$17,114,811

On March 25, 1975 revisions were made to the loan agreements relating to the notes payable to banks and the 9¾% Senior Notes payable to insurance companies, such revisions principally restructuring the terms of repayment.

The revised bank term loan agreement provides for quarterly payments commencing April 10, 1975 of $250,000 through January 10, 1977; $450,000 from April 10, 1977 through January 10, 1978; $600,000 from April 10, 1978 through January 10, 1979; and $800,000 on April 10, and July 10, 1979. A $450,000 payment was made in January 1975 under the previous agreement. Optional prepayments of the bank term loan agreement, in multiples of $100,000, may be made under certain conditions. The interest rate on the bank term loans is ½% above the prime rate.

The revised agreement relating to the Senior Notes payable to insurance companies due November 15, 1985 provides that the Company will prepay $800,000 annually from 1976 through 1984 and that optional prepayments may be made from 1975 to 1984, under certain conditions, at a premium of 9.75% in 1975 and decreasing percentages thereafter. The agreement also provides that $2,380,000 of the notes may be converted into Common Stock of the Company at a conversion price of $10.5778 per share through November 15, 1985 subject to antidilution and certain other adjustments. Prepayments may not reduce the unpaid principal amount of the notes below the convertible amount prior

TABLE 2-27: LONG-TERM DEBT

	Number of Presentations			
	1974	1973	1972	1971
Unsecured				
Notes	463	467	448	468
Debentures	286	290	274	287
Loans	102	103	107	95
Other — Described	68	76	72	72
Collateralized				
Mortgages	213	205	228	214
Capitalized leases	175	165	156	141
Notes or loans	77	74	83	75
Other — Described	78	90	69	59
Convertible				
Debentures	196	190	210	197
Notes	33	32	41	40
Other — Described	15	13	16	12

to 1983, unless the market price of Common Stock of the Company is at least three times the conversion price.

In addition to the payments described in the above paragraphs, mandatory prepayments of 50% of cumulative net earnings, as defined in the agreements, for the fiscal years 1975 and 1976, along with payment of the proceeds from the sale of assets of the fabrics division are also required under the revised agreements, such amounts to be allocated to the lending institutions on a pro rata basis. In January of 1975 payments of $300,000 and $262,000 were made to the banks and insurance companies, respectively, from the proceeds of the sale of a fabrics division knitting mill.

The revised loan agreements contain provisions setting forth working capital requirements and restrictions on other borrowings and acquisitions and redemption of the Company's Common Stock. Payment of dividends is restricted to the amount of cumulative net earnings after December 29, 1974 less cumulative long-term debt principal payments due or paid after December 29, 1974 including the mandatory prepayments based on cumulative net earnings as described above. Short term bank borrowings and the revised loan agreements are collateralized by deeds of trust on substantially all real estate owned by the Company and a security interest in all of the Company's accounts receivable.

Under the terms of the revised agreements and including the $450,000 payment in January 1975 under the previous term loan agreement, maturities of long-term debt for the succeeding five years are as follows: 1975 — $1,505,040; 1976 — $1,905,551; 1977 — $2,499,297; 1978 — $3,068,279 and 1979 — $3,018,901. These amounts do not include the proceeds from the sale of the assets of the fabric division or the mandatory prepayments based on cumulative net earnings as discussed above.

Interest expense applicable to long-term debt was $1,284,982 and $1,099,925 in 1974 and 1973, respectively.

CUMMINS ENGINE COMPANY, INC. (DEC)

	1974	1973
Long-term Debt, Less Current Maturities (Note 5):		
Senior Debt:		
10½% notes payable to bonks under revolving credit agreement, due 1977	20,000,000	—
10½% notes payable to banks under revolving credit agreement, convertible to term loan in 1976	16,081,506	30,000,000
10-13/16% note payable to bank under revolving credit agreement, due 1976	12,000,000	12,000,000
8⅞% sinking fund debentures, due 1981 to 1995	30,000,000	30,000,000
8⅝% sinking fund notes, due 1980 to 1989	25,000,000	25,000,000
7.40% sinking fund debentures, due 1983 to 1997	20,000,000	20,000,000
8⅜% note payable to bank, due 1983 and 1984	15,000,000	—
4.6% notes payable under loan agreements, due in installments to 1990	15,000,000	16,000,000
4½% to 8% mortgage notes and capitalized leases, due in installments to 2004	14,136,003	9,464,166
10% note payable to insurance company, due 1977 and 1979	10,000,000	—
7¼% note payable to bank, due 1978	4,918,494	—
5½% notes payable, due in installments to 1981	1,084,793	1,128,969
Subordinated Debt:		
6¼% subordinated convertible debentures, due 1986	13,922,000	13,922,000
3¾% convertible unsecured loan stock, due 1994	10,637,510	10,984,570
5% subordinated convertible debentures, due 1979 to 1988	2,160,000	2,245,000
Total Long-term Debt	209,940,306	170,744,705

Note 5: Long-Term Debt and Preference Stock—The subordinated convertible debentures and unsecured loan stock and convertible preference stock are convertible into common stock of the parent, as follows:

	Price per share	Number of shares reserved
5% subordinated convertible debentures	$36.16	59,738
6¼% subordinated convertible debentures	56.50	246,407
3¾% unsecured loan stock	46.36	234,318
$7.50 cumulative convertible preference stock	37.00	675,675
		1,216,138

The per-share conversion prices for the above are adjustable for stock dividends and certain other events. The Company has the option to redeem, at certain prices, the convertible preference stock at any time upon thirty days' notice.

Aggregate maturities of long-term debt for the five years subsequent to December 31, 1974 are:

(thousands)	1975	1976	1977	1978	1979
Amount	$1,552	$17,552	$31,845	$12,122	$8,587

Restrictive covenants relating to the payment of dividends, maintenance of working capital, distributions on stock and additional borrowings are contained in certain of the Company's loan agreements and indentures. The amount of consolidated earnings retained in the business free of the most restrictive of these limitations at December 31, 1974 was $23,420,499. Permitted additional senior funded indebtedness under the most restrictive of these limitations was $33,724,518 at December 31, 1974.

GENERAL HOST CORPORATION (DEC)

	1974	1973
	($000)	
Long-term debt (Note 6):		
Senior	$ 8,960	$ 9,920
Subordinated, less original issue discount of $20,140 and $16,598	97,790	117,038
Total long-term debt...........	$106,750	$126,958

Note 6: Long-Term Debt:

	Dec. 28, 1974	Dec. 29, 1973
	(In thousands)	
Senior debt:		
Note payable to bank	$ 4,000	$ 4,000
Lease purchase obligations	3,017	3,932
Other	3,684	3,900
	10,701	11,832
Less-current portion	1,741	1,912
	8,960	9,920
Subordinated debt:		
7% subordinated debentures, due February 1, 1994, less original issue discount of $16,090—1974 and $16,598—1973............	61,747	62,240
11% convertible subordinated debentures, due June 15, 1988, less original issue discount of $4,050..........	16,280	
5% convertible subordinated debentures, due June 15, 1988..........................	12,621	47,204
6% cumulative income subordinated debentures, due December 1, 1990............	7,412	7,594
	98,060	117,038
Less-current portion	270	
	97,790	117,038
Total long-term debt...........	$106,750	$126,958

The note payable to bank represents a four-year term loan from the Union Bank bearing interest at the prime rate and payable in full on December 21, 1977. The loan agreement provides for the addition, by amendment, of certain restrictive covenants in the event the Company incurs, assumes or guarantees any long-term debt or makes acquisitions for cash in excess of $10,000,000 during any twelve month period. The loan was made in 1973 under the terms of an agreement for the settlement of a derivative action filed in 1970 (See Note 12).

At December 28, 1974 the Company had available unsecured short-term lines of credit under which a maximum of $30,000,000 may be borrowed at the prime interest rate. These arrangements generally require the maintenance of average compensating balances equal to 10% of the credit line plus 10% of any borrowings. Average month-end borrowings during the year were $1,138,000, ranging from no borrowings for three months to a maximum of $5,000,000, and the weighted average interest rate for the year was 9.8%.

The Company may, at its option, redeem the 7% subordinated debentures in whole or in part upon payment of a premium of 4⅝% prior to February 1, 1976, and at reduced amounts thereafter. The effective interest rate on the 7% subordinated debentures approximates 9% after deducting original issue discount. During 1974 the Company repurchased $1,002,000 principal amount of its 7% subordinated debentures for approximately $487,000 cash and during 1973 repurchased $11,156,000 principal amount for approximately $7,737,000 cash (See Note 11). For financial reporting purposes, the original issue discount on the 7% subordinated debentures, in the amount of $16,090,000 at December 28, 1974, is being amortized by the "interest method" over the life of the issue. The amortization amounted to $299,000 in 1974, $288,000 in 1973 and will increase to approximately $1,700,000 in 1993. For federal income tax purposes the unamortized original issue discount amounted to approximately $22,000,000 at December 28, 1974 and is being amortized by the straight-line method over the life of the issue.

The 11% convertible subordinated debentures are convertible at any time into an aggregate of 1,270,613 shares of the Company's common stock at the rate of $16 per share, subject to adjustment in certain cases. The Company may, at its option, redeem the debentures in whole or in part upon payment of a premium of 3½% prior to June 15, 1975 and at reduced amounts thereafter. The effective interest rate on the 11% debentures approximates 14% after deducting original issue discount. For financial reporting purposes, the original issue discount on the 11% debentures, in the amount of $4,050,000 at December 28, 1974, is being amortized by the "interest method" over the life of the issue. The amortization was $16,000 for the period November 1 to December 28, 1974, and will increase to approximately $580,000 in 1987. For federal income tax purposes there is no original issue discount applicable to the 11% debentures.

The 5% convertible subordinated debentures are convertible at any time into an aggregate of 467,444 shares of the Company's common stock at the rate of $27 per share, subject to adjustment in certain cases. The Company may, at its option, redeem the debentures in whole or in part upon payment of a premium of 3½% prior to June 15, 1975 and at reduced amounts thereafter. During 1974 the Company repurchased $700,000 principal amount of its 5% convertible subordinated debentures for approximately $338,000 cash (See Note 11).

The 6% cumulative income subordinated debentures are subject to redemption through the operation of a sinking fund at the rate of $450,000 principal amount each year. During 1974 the Company delivered debentures to the Trustee for satisfaction of the 1974 sinking fund obligation. The Company may, at its option, redeem the debentures in whole or in part upon payment of a premium of 1.8% prior to December 1, 1979 and at reduced amounts thereafter. During 1974 the Company repurchased $181,000 principal amount of its 6% debentures for approximately $98,000 cash and during 1973 repurchased $389,000 principal amount for approximately $258,000 cash (See Note 11). At December 28, 1974 a total of $180,000 principal amount of debentures was available for satisfying the 1975 sinking fund obligation. The indenture provides that no dividends may be paid on any class of capital stock of the Company unless all interest and sinking fund obligations relating to the 6% debentures shall have been fully paid.

The aggregate maturities of long-term debt and sinking fund requirements for the five years subsequent to December 28, 1974 were $2,011,000 in 1975, $1,316,000 in 1976, $5,122,000 in 1977, $1,455,000 in 1978 and $633,000 in 1979.

PHELPS DODGE CORPORATION DEC)

	1974	1973
Long-term debt (Schedule D, page 27)	$327,082,000	$281,868,000

Schedule D–Long-Term Debt (due after one year)

	December 31, 1974	1973
6% Notes due 1976-1984	$ 9,000,000	—
7½% Eurodollar Notes due 1977	25,000,000	$ 25,000,000
7⅜% Notes due 1978 (a)	50,000,000	50,000,000
8.10% Sinking Fund Debentures due 1982-1996 (b)	100,000,000	100,000,000
Air Quality Control Obligations:		
4⅜% Bond due 1980 (Ajo)	28,000,000	28,000,000
7% Loan due 1976-1987 (Douglas)	9,082,000	9,557,000
Series A Note (Morenci) (c):		
5.60% due 1983	1,000,000	1,000,000
6% due 1993	9,000,000	9,000,000
6¼% due 2003	50,000,000	50,000,000
Series B Note (Morenci) (d):		
5¾% due 1994	10,000,000	—
6% due 2004	28,700,000	—
Other	7,300,000	9,311,000
	$327,082,000	$281,868,000

(a) Subject to optional redemption at par beginning in 1977.

(b) Subject to optional redemption at par beginning in 1991. Annual sinking fund payments of $6,650,000 required from 1982-1995 for mandatory redemption.

(c) The maturities falling due in 1993 and 2003 are subject to mandatory redemption in accordance with sinking fund provisions beginning in 1987 and 1994, respectively.

(d) The maturities falling due in 1994 and 2004 are subject to mandatory redemption in accordance with sinking fund provisions beginning in 1990 and 1995, respectively.

Annual maturities 1975-1979 of long-term debt outstanding December 31, 1974: 1975—$2,422,000; 1976—$2,461,000; 1977—$27,503,000; 1978—$52,480,000; 1979—$2,528,000.

In January 1975, the Corporation incurred $70,000,000 of indebtedness to finance the air quality control facilities at its new Hidalgo smelter. The indebtedness bears interest at a rate of 7.25% per annum. Principal payments are due in 1979 (15%), 1980 (15%), 1981 (30%) and 1982 (40%).

RICHFORD INDUSTRIES, INC. (DEC)

	1974	1973
Long-term debt—Note 5	$7,936,931	$7,036,664
Convertible subordinated debentures — Note 6	2,611,000	2,611,000

Note 5: Long-Term Debt.

	1974	1973
Notes payable—bank (a)	$4,460,000	$2,700,000
9.85% note payable (b)	4,300,000	4,300,000
4% notes payable (less imputed interest at 8%) 1974—$23,171 1973—$48,681 (c)	286,204	398,193
Sundry indebtedness (d)	307,560	455,126
	9,353,764	7,853,319
Current portion	1,416,833	816,655
	$7,936,931	$7,036,664

(a) The financial statements give retroactive effect to an agreement dated March 17, 1975 whereby $2,300,000 (net of $150,000 paid to March 1, 1975) of a previous demand loan is now payable in 15 monthly installments of $55,000 beginning April 1, 1975, with the balance of $1,325,000 due July 1, 1976. The notes bear interest at 3% above prime. In the event consolidated net earnings, as defined, for the calendar year 1975 exceeds $1,000,000, the Company is required to prepay 50% of such excess against the principal amount due at maturity.

Another note of $2,160,000 is payable in quarterly installments of $135,000 to December 1, 1978, with interest at 1% above prime.

(b) Payable in quarterly installments of $130,000 from March 1, 1979 with a final payment of $270,000 due December 1, 1986.

(c) Payable in quarterly installments of $34,375 to January 1, 1977 and collateralized by patents. For accounting purposes, the imputed interest will be amortized over the term of the notes.

(d) Collateralized by property, plant and equipment with an unamortized cost of approximately $515,000 at December 31, 1974.

The most restrictive provisions of the various debt agreements, as amended, require minimum defined consolidated working capital of $10,000,000 and tangible net worth of $11,000,000. At December 31, 1974 consolidated working capital and tangible net worth exceeded the required minimums by approximately $2,378,000 and $430,000, respectively. The agreements also restrict future indebtedness, capital expenditures, rentals, repurchase of capital stock, payment of dividends and other items. At December 31, 1974 consolidated retained earnings of approximately $615,000 was available for payment of dividends. Additionally, assets collaterally pledged against future debt (with certain exceptions) will be equally and ratably pledged against the notes payable in (a) and (b).

Maturities relating to long-term debt during the next five years are as follows:

Year	Amount
1975	$1,416,833
1976	2,423,200
1977	591,421
1978	559,103
1979	539,100
	$5,529,657

Compensating Balance Arrangement:

The Company is required under an informal arrangement to maintain a compensating balance equal to 20% of its total outstanding bank debt. At December 31, 1974, total debt (less $560,000 credit allowed under the arrangement) aggregated $3,900,000. After giving effect to the float, such compensating balance amounted to approximately $500,000 as at December 31, 1974 and averaged approximately $620,000 during the year. The Company has been subject to service charges throughout the year pursuant to its minimum compensating balance arrangement.

There are no compensating balance requirements with respect to the availability of future credit, and there are no unused lines of credit at December 31, 1974.

During the year, the Company's aggregate outstanding short-term indebtedness ranged from $2,300,000 to a maximum month-end balance of $2,800,000 and averaged $2,500,000 with a weighted average interest rate of 15.0 percent.

Note 6: Convertible Subordinated Debentures.

6½% Convertible Subordinated Debentures due 1991 (a)	$2,000,000
6% Convertible Subordinated Debentures due 1988 (b)	611,000
	$2,611,000

(a) Redeemable in whole or in part at the Company's option at 105.3 to May 1, 1975 with decreasing premiums thereafter. The debentures are convertible at $13.00 per share into 153,840 common shares. Sinking fund payments of $100,000 per annum commence in 1976.

(b) Redeemable in whole or in part at the Company's option at 104.0 to May 1, 1975 with decreasing premiums thereafter. The debentures are convertible at $18.14 per share into 33,684 common shares.

PHOENIX STEEL CORPORATION (DEC)

	1974	1973
Long-term debt (net of unamortized discount) less current portion shown above (Note 6)	$61,271,000	$55,452,000

Note 6–Long-Term Debt:

	December 31, 1974 Current portion	1974 Noncurrent portion (in thousands)	1973 Current portion	1973 Noncurrent portion
Revolving loan agreement, expiring August 20, 1976		$ 9,602		
Note payable to bank, due August 20, 1976	$ 100	4,000	$ 5,989	$ 4,000
Convertible notes, 8%, due May 19, 1974 (net of discount of $10)			990	
Industrial revenue bonds, 5¾%, due in instalments through 1991 (net of discount of $1,046 in 1974 and $1,147 in 1973)	2,455	32,467	1,370	34,750
Convertible subordinated debentures, 6%, due in instalments through 1987 (net of discount of $212 in 1974 and $243 in 1973)	540	9,468	510	9,977
Small Business Administration loan, 1%, due in instalments through 2002	77	2,117	39	1,991
Supplier obligations payable, 6%-9%, due in various amounts through 1979	853	2,316	1,478	3,094
Payable to pension fund, 4½%, due in instalments through 1979	346	1,056	187	1,401
Equipment lease obligations	264	245	128	239
	$4,635	$61,271	$10,691	$55,452

Under the revolving loan agreement, dated August 20, 1974 the lender will, for a period of two years ending August 20, 1976, advance cash to the company equal to up to 90% (reducing by 1% a month commencing September 1975 to a level of 80%) of qualified accounts receivable as such receivables are generated by sales. The maximum borrowings under the agreement cannot exceed $11,000,000 at any time. Collection of these receivables is controlled by the lender and is applied against the amounts advanced. The company pays interest on the uncollected amounts advanced, at a rate of 5¼% above the prime rate, except that only one-half of any increases in that rate over 11½% or decreases below 10% are reflected in the rate applicable to the company's borrowings. Effective August 20, 1974, the note payable to bank was reduced to $4,500,000, payable $100,000 monthly from September 1974 to January 1975 with the remaining $4,000,000 due August 20, 1976. This note bears interest, payable monthly, at 5% above the prime commercial rate. The prime commercial rate applicable to both the note payable to the bank and the borrowings under the revolving loan agreement was 10½% at December 31, 1974. The company's inventories, excluding manufacturing supplies, and trade accounts receivable are pledged as collateral for the borrowings under both the revolving loan agreement and note payable to the bank agreement. Under these agreements the company is required to maintain a minimum of $10,000,000 of net working capital at December 31, 1974, (increasing by $300,000 each quarter thereafter) and $10,000,000 of net worth. These agreements prohibit the company from paying dividends and place certain restrictions on the company's operations including a limitation on the total annual expenditures for capital additions and improvements.

The industrial revenue bonds were issued by the Northern Delaware Industrial Development Corporation (NDIDC) to finance major improvements to the company's Claymont, Delaware facilities. In connection with this financing arrangement, the company conveyed its then existing properties at Claymont to NDIDC and leased back these facilities and the improvements to be constructed thereon. Under the terms of the lease, the company is responsible for paying for real estate taxes, insurance, repairs and maintenance and other costs incident to the ownership of the property and upon repayment of the outstanding bonds may at its option reacquire the improved property for $1. For accounting purposes, the leased property is considered to be owned by the company with the related bonds included in long term debt obligations. The bonds are secured by an assignment of the lease and by mortgages on the company's Claymont, Delaware and Phoenixville, Pennsylvania plants, which represent substantially all of the company's plant assets. The mortgage on the Phoenixville plant is subject to the prior lien under the Small Business Administration loan.

The 6% convertible subordinated debentures are convertible at $11.95 per share into common stock of the company and are subordinate to the company's other debt obligations. The indenture agreement covering these debentures requires the company to make annual sinking fund payments.

Supplier obligations include $2,874,000 at December 31, 1974 payable to one customer-supplier consisting of $662,000 repayable by the delivery of steel of equivalent value during 1975 and $2,212,000 payable in twelve equal quarterly instalments commencing June 1976. In connection with this latter amount the company has agreed to sell to this customer-supplier at the current sales prices in effect at the time of each sale, certain amounts of steel monthly through June 1976. The company will be required to accelerate repayment if the requested quantities of steel are not provided.

Equipment lease obligations represent the present value of future rental payments under various equipment lease agreements. Upon payment of the required rental payments, the equipment covered by these agreements becomes the property of the company and, accordingly, for financial reporting purposes the equipment has been capitalized at the present value of the future rent payments based on the interest rates implicit in the agreements.

The current sinking fund payments required under the industrial revenue bond and 6% convertible subordinated debenture agreements have been met by repurchasing portions of these obligations in the open market. The excess of the principal amount, less related unamortized discount and financing costs, of the debt repurchased over the cost of repurchasing such debt obligations of $528,000 in 1974 and $372,000 in 1973 has been included as a reduction of interest and amortization of debt discount and expense in those years.

The noncurrent portion of long-term debt matures as follows:

1976	$16,819
1977	3,385
1978	3,376
1979	2,745
1980-2002	
High	3,872
Low	77
Average	1,574

SEARS INDUSTRIES INC. (DEC)

	1974	1973
Long-Term Debt, excluding portion due within one year (Note 4)...	$22,755,572	$22,367,012

Note 4: Long-Term Debt—The terms of a loan agreement provide for the Corporation to maintain a specified amount of working capital and linen in circulation and to restrict dividend payments (except stock dividends) and purchases of its capital stock to $1,250,000 plus 75% of consolidated net income (as defined) since December 29, 1973. At December 28, 1974, consolidated working capital (as defined) and linen in circulation exceeded the required amount by $4,406,138 and consolidated retained earnings available for dividends was $1,916,426.

Long-term debt (excluding portion due within one year) outstanding at December 28, 1974 and December 29, 1973 was as follows:

	1974	1973
Promissory Notes:		
Insurance Company:		
5½%, due in installments of $250,000 through 1977 (a)		$ 750,000
7%, due in installments of $380,000 through 1984 and $440,000 in 1985	$ 3,860,000	4,240,000
9¾%, due in installments of $250,000 from 1977 through 1988 (a)	3,000,000	—
Banks, 1% above prime interest rate (10½% at December 28, 1974), due in varying amounts through 1977	4,800,000	6,000,000
Affiliate of a stockholder, 10%, due in varying amounts through 1978 (b)	7,421,000	7,421,000
Real Estate Mortgages, 5½% to 8¾%, due in varying amounts through 1996	1,510,382	1,420,681
Chattel Mortgages (on machinery and equipment), 6% to 10%, due in varying amounts through 1979	1,374,782	1,435,283
Purchase of business, lower of 7% or prime interest rate (10¼% at December 28, 1974), due in varying amounts through 1981	789,408	1,100,048
Total	$22,755,572	$22,367,012

(a) On October 1, 1974 the Corporation entered into a loan agreement in the principal amount of $3,000,000. In accordance with such agreement, a portion of such proceeds were applied against the 5½% promissory notes.

(b) Includes $1,671,000 of notes for which, effective February 1, 1975, the maturity was extended from February 1, 1975 to February 1, 1977 at interest rates of 1% above prime rate ($921,000), and 10% ($750,000).

The aggregate maturities of long-term debt in each year from 1975 through 1979 are as follows: 1975, $3,078,370; 1976, $3,685,109; 1977, $5,756,117; 1978, $6,825,565; 1979, $1,071,984.

At December 28, 1974, approximately $8,300,000 of fixed assets have been pledged as collateral to long-term debt.

TEXACO INC. (DEC)

	1974	1973
Long-Term Debt (Note 4)	$1,897,002,000	$1,777,903,000

Note 4: Long Term Debt

	December 31, 1974	1973
Texaco Inc.:		
3⅝% Debentures, due 1983	$ 150,000,000	$ 150,000,000
4½% Notes, due in installments through 1989	123,750,000	127,500,000
5¾% Debentures, due 1997 with sinking fund payments 1978 through 1996	200,000,000	200,000,000
7¼% Note, due in installments 1989 through 1998	250,000,000	250,000,000
7.65% Notes, due in installments 1984 through 2003	100,000,000	100,000,000
7¾% Debentures, due 2001 with sinking fund payments 1982 through 2000	200,000,000	200,000,000
Minimum royalties on coal properties payable annually through 1983, less imputed interest at 8%	68,960,000	74,963,000
Texaco Canada Ltd.:		
10¾% Debentures, due 1994 (Canadian Dollars)	100,000,000	—
Texaco International Financial Corporation:		
4¾% Convertible debentures, due 1999 (British Pounds)	29,755,000	29,995,000
5% Convertible debentures, due 1986 (German Marks)	315,525,000	280,593,000
6¾% Bonds, due 1986 (Swiss Francs)	23,530,000	18,349,000
7% Notes, due in installments through 1983 (Belgian Francs)	66,464,000	70,751,000
7½% Notes, due 1980	30,000,000	30,000,000
7¾% Notes, due in installments 1978 through 1987	40,000,000	40,000,000
9⅛% Notes, due in installments through 1980 (Dutch Guilders)	32,723,000	35,139,000
Texaco Operations (Europe) Ltd.:		
4½% Convertible debentures, due 1988	75,000,000	75,000,000
5¾% Notes, due in installments through 1980 and 1981 (Danish Kroner)	28,978,000	30,912,000
Other long-term debt:		
U.S. Dollars	102,162,000	84,685,000
Other currencies	72,217,000	64,872,000
	$2,009,064,000	$1,862,759,000
Less: Unamortized translation adjustment—		
5% Convertible debentures (German Marks)	112,062,000	84,856,000
Total	$1,897,002,000	$1,777,903,000

The convertible debentures issued by subsidiaries are guaranteed by Texaco Inc. The 4½% debentures are convertible into Texaco Inc. capital stock at $44.25 a share, the 4¾% debentures at approximately L20 a share, and the 5% debentures at DM170 a share. Texaco Inc. capital stock reserved for conversion of these debentures at December 31, 1974, amounted to 6,783,919 shares.

Texaco International Financial Corporation has issued $30,000,000 of 4¾% debentures, of which $245,000 have been converted and were held in the treasury of Texaco Inc. at December 31, 1974.

Texaco International Financial Corporation has issued $316,979,000 of 5% debentures, of which $1,454,000 have been converted and were held in the treasury of Texaco Inc. at December 31, 1974 (amounts expressed at the currency rate at December 31, 1974).

Annual maturities of long-term debt, including sinking fund payments and other redemption requirements, for the five years subsequent to December 31, 1974, are as follows: 1975 — $55,454,000; 1976 — $54,349,000; 1977 — $56,140,000; 1978 — $65,675,000; and 1979 — $64,419,000.

WHITTAKER CORPORATION (OCT)

	1974	1973
	($000)	
Total Current Liabilities	$196,361	$227,909
Long-Term Debt (Note 6)	151,455	150,027
Convertible Subordinated Debt (Note 6)	29,912	32,214
Minority Interest in Subsidiaries	3,265	4,499

Note 6: Notes Payable and Long-Term Debt—Notes payable to banks at October 31, 1974 includes $12,000,000 drawn on a revolving line of credit of $55,000,000, extended to Whittaker by a group of domestic banks. The interest rate under the line is keyed to the prime rate plus ½%. In addition, the company maintains compensating balances of approximately 14% of amounts committed plus approximately 3% of amounts borrowed, pays an annual agent's fee of ¼% of amounts borrowed and pays a commitment fee of ½% per annum on the unused balance of the line. The balance of the notes payable to banks of $27,684,000 has interest rates ranging from 7% to 14%. The average interest rate at October 31, 1974 on notes payable to banks, after giving effect to fees but not compensating balances, is 12.8%.

Notes payable to others at October 31, 1974 includes short-term notes (partially collateralized by receivables, inventory, real property and equipment) with interest ranging from 4% to 15½%. The average interest rate at October 31, 1974 on notes payable to others is 11.5%.

The maximum amount of short-term borrowing outstanding at any month end during the year ended October 31, 1974 was approximately $103,000,000, the average amount outstanding during 1974 was approximately $87,000,000 and the average interest rate (including fees but not the effect of compensating balances) during 1974 was approximately 12.9%.

Long-term debt at October 31, 1974 consists of the following:

Long-Term Debt	000 Omitted
Collateralized	
Notes collateralized by certain receivables, inventory, real property, equipment and other assets, maturing at various dates to 1997, with interest rates ranging to 12½%	$ 21,612
Uncollateralized	
Bank term loan due 1976 to 1980 with interest at prime rate plus ¾% through 1976 and increasing to prime rate plus 1¼% during the last two years (at October 31, 1974 the prime rate was 11¼%)	60,000
Notes maturing at various dates to 1989, with interest rates ranging to 14¼%	12,710
Notes due 1976 to 1980 with variable interest keyed to the three-month Eurodollar rate plus 1½% (At October 31, 1974 the three-month Eurodollar rate was approximately 10-1/16%)	5,489
Subordinated	
5% subordinated notes due 1975 through 1982	5,161
9⅝% subordinated debentures due 1981 through 1993	23,338
10% subordinated debentures due 1978 through 1988	20,647
Note payable in five equal annual installments due 1974 through 1978 with variable interest keyed to the three-month Eurodollar rate plus 1%	7,200
Subordinated notes maturing at various dates to 1979, with interest rates ranging to 12¼%	992
	157,149
Less current maturities	5,694
	$151,455

Convertible Subordinated Debt	000 Omitted
4½% convertible subordinated debentures due 1978 through 1988, convertible into common stock at $47 per share	$ 11,824
Convertible subordinated notes due 1979 to 1981, convertible into common stock at $15 per share, bearing interest at the three-month Eurodollar rate plus 1%	15,000
4¾% convertible subordinated debentures due 1977 through 1987, convertible into common stock at $17 per share	1,635
5½% convertible subordinated debentures due 1975 and 1976, convertible into common stock at $36 per share	1,007
4½% convertible subordinated promissory note due 1975 through 1988, convertible into common stock at $18 per share	500
	29,966
Less current maturities	54
	$ 29,912

Maturities of long-term and convertible subordinated debt are as follows for the periods stated:

	000 Omitted
Year ending October 31,	
1975	$ 5,748
1976	16,665
1977	17,327
1978	19,648
1979	22,651

At October 31, 1974, collateral for Notes payable to others and for Long-term debt, consisting primarily of receivables, inventory, real property and equipment, amounted to approximately $35,000,000.

Covenants in connection with bank loan agreements, indentures, lines of credit, other long-term loan agreements and preferred stock impose restrictions with respect to, among other things, the payment of dividends, maintenance of financial ratios, and redemption of capital stock, and require payments to sinking funds. At October 31, 1974, under the covenants then in effect, cash dividends cannot be paid on common stock. Whittaker had reserved 1,403,414 shares of common stock at October 31, 1974 for possible issuance upon the conversion of the convertible indebtedness.

UNIFI, INC. (JUN)

	1974	1973
Long-Term Debt	$9,300,053	$10,721,710

Note 3: Long-Term Debt.

	1974	1973
Long-term debt consists of the following:		
Mortgage notes due in quarterly amounts aggregating $993,886 at June 30, 1974 annually through 1980 and in decreasing amounts thereafter through December 1, 1983, collateralized by plants, machinery and equipment	$ 8,461,442	$ 5,468,250
Equipment note, including interest at effective rate of 10.11% due in monthly installments of $4,232 through September 1975, collateralized by airplane	59,608	114,260
7½% subordinated note — with annual installments of $341,454 including interest beginning July 1, 1974 and continuing to July 1, 1981	2,000,000	2,000,000
Revolving credit note with interest payable monthly at 1% above prime rate up to September 30, 1975, convertible at that date to a term loan with payments due equally over sixty months with interest at 1¼% above prime rate	—	2,000,000
Accounts payable for plant expansion to be converted to long-term debt	—	1,939,090
	10,521,050	11,521,600
Less: Current maturities	1,220,997	799,890
	$ 9,300,053	$10,721,710

During the year, the interest rate on the mortgage notes collateralized by plant, machinery and equipment was reduced from 2½% over prime rate with a minimum of 6% to 2% over the prime rate with 12% maximum and 8½% minimum.

At June 30, 1974, the Company was not utilizing its revolving credit line of $2,000,000 with its primary bank. This line of credit remains in full force with interest on borrowed funds payable monthly at 1% above prime rate up to September 30, 1975, convertible at that date to a term loan, at the Company's option, with payments due equally over sixty months with interest at 1¼% above prime rate.

Under the agreements relating to the mortgage notes and the revolving credit note, the Company has agreed not to pay dividends, other than stock dividends, and to various other restrictions including provisions relating to the maintenance of working capital and stockholders' equity.

The 7½% subordinated note is subordinated to any institutional lender from whom the Company shall borrow money when such debt has (a) no convertibility into, and (b) no warrants or options issued for, equity certificates of the Company. Further, the note agreement has certain restrictive covenants which are less restrictive than those contained in the preceding paragraph. In conjunction with the note, the Company issued warrants to purchase 130,000 shares of the Company's common stock (see Note 5).

CREDIT AGREEMENTS

Table 2-28 shows that loan commitments from banks or insurance companies for future loans, or extension or refinancing of existing loans were reported by 382 companies. A commitment fee on the unborrowed portion of a loan commitment was reported by 119 companies.

TABLE 2-28: CREDIT AGREEMENTS

Type of Agreement	**1974**	**1973**	**1972**	**1971**
Revolving credit	200	139	128	129
Other	281	150	84	62
Total Disclosures	**481**	**289**	**212**	**191**
Number of Companies				
Disclosing credit agreement	389	270	189	179
Not disclosing such agreement	211	330	411	421
Total	**600**	**600**	**600**	**600**
Compensating Balances	255	125	NC	NC

N/C — Not Compiled

AKZONA INCORPORATED (DEC)

Notes to Consolidated Financial Statements

Note 3: Long-term debt—At December 31, 1974 and 1973, long-term debt consisted of:

	1974	1973
Notes payable to banks under credit agreement	$ 39,000,000	$ —
7½% debentures due 1983-1997.	60,000,000	60,000,000
Term notes payable to banks under term loan agreement	25,000,000	25,000,000
5.65% notes due 1976-1986	11,000,000	12,000,000
4⅜% notes due 1976-1978	4,400,000	4,950,000
5% notes due 1976-1985	7,425,000	8,140,000
6% to 8½% notes	397,000	507,000
	$147,222,000	$110,597,000

Under the terms of the credit agreement, the Company may borrow up to $75,000,000 on a revolving basis with interest at the prevailing prime commercial rate subject to an increase of ¼% on borrowings in excess of $50,000,000 subsequent to October 1, 1975. At December 31, 1974, the interest rate was 10¼%. The loans are convertible on October 1, 1976, into 5-year term loans payable in increasing semi-annual installments, bearing interest at ½% in excess of the prevailing prime commercial bank rate. A commitment fee of ½% per year on the average daily unused portion of the $75,000,000 is payable quarterly prior to conversion. Management presently intends to exercise its option to convert outstanding borrowings into term loans, pursuant to the terms of the credit agreement.

Informal compensating balance agreements exist between the Company and several of the banks participating in the revolving credit agreement. The agreed amounts of compensating balances are set at varying levels, ranging from 10% of the maximum amount which may be borrowed to 20% of the amount borrowed, and are in each case considered in terms of average bank balances maintained over a period of time, rather than fixed balances constantly maintained on deposit. Under such arrangements approximately $10,400,000 in bank balances (equivalent to $2,100,000 after adjustment for average net float) would be an appropriate level of compensating balances at December 31, 1974, based on borrowings at that date. The Company also had informal compensating balance requirements of approximately $2,500,000 at December 31, 1974, with respect to certain short-term bank borrowings. The compensating balance requirements were lower during most of the year, due to lower levels of borrowing. The compensating balance arrangements impose no restriction upon the Company's free withdrawal of funds on deposit.

The term notes, payable October 1, 1979, bear interest at 120% of the respective prime rates of the participating banks to October 1, 1975, and at 125% of those rates subsequent thereto. Total interest payable, however, shall not exceed an average of 8% per annum for the term of the loan, which rate is used in determining the appropriate interest charge to current operations. At December 31, 1974, the average interest rate on the notes was 12.45%.

The loan agreements contain covenants relating to the maintenance of consolidated working capital, the amount of debt permitted and the payment of cash dividends. At December 31, 1974, approximately $64,000,000 of accumulated income reinvested in the business was available for the payment of cash dividends.

Long-term debt maturing annually during each of the years 1975 through 1979, assuming conversion of notes payable under the credit agreement ($39,000,000 at December 31, 1974), is: $2,331,000, $2,331,000, $6,231,000, $12,881,000 and $34,581,000, respectively.

ADDRESSOGRAPH MULTIGRAPH CORPORATION (JUL)

Financial Review

Notes Payable to Banks and Bank Loans—The company has domestic lines of credit with a number of banks extending to various dates in fiscal 1975 totaling $50,500,000 to provide for short-term borrowing at the prime rate. Loans amounting to $36,000,000 at an average interest rate of 12% and $22,000,000 at an average interest rate of 8¾% were outstanding at July 31, 1974 and July 31, 1973 respectively. Although usually not covered by written agreement, the company maintains compensating cash balances with its banks, which based on 1974 averages amounted to approximately $4,190,000.

During 1974 the company established export acceptance lines of credit with three banks totaling $9,000,000 providing for short-term borrowing at current acceptance interest rates. These lines of credit are limited to total qualified export accounts receivable arising out of the company's export of goods to foreign dealers and subsidiaries. As of July 31, 1974, loans of $9,000,000 were outstanding under these arrangements at an average interest rate of 12⅝%.

Various foreign bank lines of credit have been established for international subsidiaries totaling $36,780,000. Loans amounting to $24,657,000 at an average interest rate of 12¼% and $16,506,000 at an average rate of 8⅝% were outstanding at July 31, 1974 and July 31, 1973 respectively under these foreign arrangements. Compensating cash balance requirements during 1974 were not significant.

At the end of 1973 the company had $6.5 million in commercial paper outstanding. None was outstanding at July 31, 1974.

Additional details of the short-term lines of credit are summarized below:

	Domestic	Export Acceptance	International
Maximum amount of aggregate borrowing at any month end during 1974	$45,500,000	$9,000,000	$24,657,000
Approximate average aggregate borrowing throughout 1974	$37,750,000	$5,292,000	$20,840,000
Approximate average interest rate on average aggregate borrowing	10¼%	10¼%	11⅝%

AMERICAN SEATING COMPANY (DEC)

Notes to Consolidated Financial Statements

Short-term Borrowings and Compensating Balances — The Company has agreements with banks in the United States and Canada providing for short-term borrowings of $15,000,000, of which approximately $4,500,000 was unused at December 31, 1974. Interest rates range from ½% to ¾% over prime. The most restrictive of the agreements contains, among other things, covenants with respect to working capital, tangible net worth, additional borrowings, and restrictions on payment of dividends on common stock.

The Company has been expected to maintain average compensating balances of 15% on $13,200,000 of its line of credit and 15% of $1,500,000 of long-term notes due 1978, or pay a comparable fee. The Company was in compliance with the compensating balance arrangements during 1974. In addition, the Company must pay a commitment fee of ½ of 1% of the amount of the unused credit.

The average interest rate on short-term notes payable outstanding at December 31, 1974 was 11.3%. The average and maximum short-term borrowings outstanding during 1974 were $12,810,000 and $14,900,000 respectively, and the weighted average interest rate during the year was 11.6% excluding the effect of compensating balances.

THE AMERICAN SHIP BUILDING COMPANY (SEP)

Notes to Consolidated Financial Statements

Note 8: Notes Payable and Long-Term Debt—The following is a summary of notes payable and long-term debt:

	1974	1973
Revolving credit agreement with banks, converted into term loan on November 1, 1974	$18,000,000	$18,000,000
First mortgage bonds, 5% to 6⅛%	4,000,000	4,500,000
Industrial revenue bonds of subsidiary, 6% to 7%	1,915,000	—
Other notes and bonds, 5% to 6¾%	1,626,099	2,059,629
	$25,541,099	$24,559,629
Less—Current maturities	(2,851,517)	(973,876)
	$22,689,582	$23,585,753

The Company's revolving credit agreement, which originated in 1972, was converted on November 1, 1974, into a term loan repayable in 20 quarterly installments of $630,000 beginning February, 1975, with the balance of $5,400,000 due as the last payment. The term loan bears interest at ¾% above the prime rate whereas borrowings under the revolving credit agreement included interest at ¼% above the prime rate. Unless the bank's advance approval is received, the agreement with the bank provides, among other things, for restrictions on additional borrowings, limits the amount of fixed asset expenditures and requires the maintenance of certain specified working capital, debt to net worth ratios and minimum 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. Dividends paid in 1974 exceeded the amount limited by the loan agreement. The Company also failed to comply with other provisions of the loan agreement in 1974 and has obtained a waiver from the banks with respect to these matters.

The Company has short-term lines of credit available of $10,000,000. Of this amount, $4,000,000 of borrowings were outstanding at September 29, 1974, bearing interest at the prime rate of the lending banks. During the year ended September 29, 1974, the highest month-end balance of short-term notes was $9,600,000, and the average outstanding balance was $6,000,000 during the year. The average interest rate on the notes during the year was approximately 10.8%.

In connection with the loan agreement, the Company has orally agreed to maintain compensating balances equal to 20% of the borrowings outstanding, or pay a fee on any deficiency computed at the prime interest rate. In 1974, the Company paid approximately $100,000 of additional interest representing such fees.

Principal payments on long-term debt obligations are due in the following amounts: 1976 — $3,453,000; 1977 — $3,193,000; 1978 — $3,202,000; 1979 — $3,185,000; and thereafter through 1991 — $9,657,000.

In 1967, the Company deeded its Lorain, Ohio, properties (with a net book value at September 30, 1974, of approximately $10,500,000) 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 requiring aggregate 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.

AMP INCORPORATED AND PAMCOR, INC. (DEC)

Notes to Combined Financial Statements

Note 6: Long-Term Debt—Long-term debt was comprised of bank loans of $11,074,000 at December 31, 1974 and $5,618,000 at December 31, 1973; mortgages of $3,447,000 at December 31, 1974 and $2,777,000 at December 31, 1973; and a 6½% note due to an institutional lender ($3,000,000 at December 31, 1974 and $4,000,000 at December 31, 1973, including $1,000,000 due within one year and classified as a current liability).

Under revolving credit agreements arranged in 1974 with two major New York banks, the Company has the right to borrow up to $25,000,000 until December 30, 1977, at which point, any amount up to the maximum commitment may be converted into four-year term loans repayable in eight seminannual installments to December 31, 1981. The Company can terminate these agreements at any time without penalty. Borrowings under these agreements bear interest at

¼-½% over floating prime, and the Company is assessed a fee of ½% on any unused portion during the revolving credit period. At any time, however, the unused portion can serve as the required support for commercial paper borrowings. At December 31, 1974, usage under the revolving credit amounted to $14,000,000 which was repaid in January, 1975, and therefore was classified as current debt at year-end 1974. Other unused commitments for long-term financing were not significant at December 31, 1974.

In the Company's loan agreements there are, among other things, restrictive provisions governing the maintenance of minimum working capital levels and the payment of dividends. Under the most restrictive terms of the agreements, payment of cash dividends and the purchase of the Company's common stock, etc., are limited to $88,113,000 at December 31, 1974, plus 50% of the combined net income for subsequent periods.

THE ANSUL COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 5: Lines of Credit—We also have U.S. bank lines of credit aggregating $4,500,000 of which $3,000,000 was outstanding at December 31, 1974. Borrowings under these agreements are at the prime interest rate. The lines may be withdrawn at the discretion of the lenders at any time. Under informal agreements with the lending banks, we are generally expected to maintain annual average compensating balances of 10% of the lines of credit and 10% of any outstanding borrowings. The compensating balances may be withdrawn at any time so long as we have satisfied the average compensating balance requirement over a period of time. At December 31, 1974, the compensating balance requirements have been met.

Our non-U.S. subsidiaries have bank lines of credit and overdraft facilities aggregating $5,700,000 under which notes payable of $4,930,500 were outstanding at December 31, 1974. In general these subsidiaries pay commitment fees of 1% per annum of the unused portion of these lines.

CHRYSLER CORPORATION (DEC)

Notes to Financial Statements

Revolving Credit Agreements and Lines of Credit—In December, 1974, Chrysler Corporation entered into a revolving credit agreement with a group of banks in the United States, extending through March 31, 1978 unless sooner terminated by the Corporation, under which it may borrow for periods of 90 days, at the agent bank's prime lending rate to December 31, 1976, and at ¼% above such rate thereafter. The agreement requires payment of a fee of ¼% per annum on the full credit commitment, and a stand-by fee of ½% per annum on the unused portion. The Corporation is required by the agreement, among other things, to maintain at least $500,000,000 of consolidated working capital (defined for this purpose to include all outstanding borrowings under the agreement) and to limit the dividends paid during its term to a total of $100,000,000, plus or minus cumulative consolidated net earnings and losses after January 1, 1974. At December 31, 1974, the Corporation's working capital exceeded this requirement by $487,838,648 and the limit on dividends on such date was $47,906,228.

Chrysler Corporation also has revolving credit agreements with overseas banks, which terminate on various dates through September, 1977, provide for borrowings at various rates, and generally require payment of a fee of from ¼% to ½% on the unused portion of the commitment.

At December 31, 1974, revolving credit agreements and other lines of credit with banks were as follows:

Usage Under Revolving Credit Agreements	Used	Unused	Total
	(in millions of dollars)		
Chrysler Corporation:			
U.S. Banks	$250	$160	$410
Overseas Banks	195	—	195
Subsidiaries Outside the U.S.	22	60	82
Total	$467	$220	$687
Usage Under Bank Lines of Credit			
Chrysler Corporation—			
U.S. Banks	$ —	$170	$170
Subsidiaries Outside the U.S.	229	305	534
Total	$229	$475	$704

Chrysler Corporation also uses the other normal services of U.S. banks and maintains compensating balances with them for credit facilities and other services.

JOY MANUFACTURING COMPANY (SEP)

Notes to Consolidated Financial Statements

Long-Term Debt

	1974	1973
6½% Debentures due 1976-1992	$20,000,000	$20,000,000
Notes payable to banks under revolving credit agreement	35,000,000	7,000,000
3⅝% Debentures due 1975, less principal amount held in treasury	1,250,000	2,475,000
7¾% Eurodollar loan payable 1975	750,000	1,500,000
8% Note payable in sterling due 1979	2,385,000	2,418,000
Other due 1975-1983 at various rates	1,208,000	1,087,000
	60,593,000	34,480,000
Less long-term debt payable within one year	2,194,000	2,138,000
	$58,399,000	$32,342,000

Under a revolving credit agreement entered into in 1974 with five major banks, the Company may borrow up to $35,000,000 until December 30, 1976 bearing interest at prime rate. Upon expiration of the revolving credit period, any amount up to the maximum commitment may be converted into term loans, bearing interest at ½ of 1% above the prime rates in effect throughout the loan period, repayable in quarterly installments over a 4½ year period.

The aggregate annual principal payments for the five fiscal years subsequent to September 27, 1974, excluding amounts which may be paid under the revolving credit agreement are: 1975 — $2,194,000; 1976 — $1,351,000; 1977 — $1,357,000; 1978 — $1,311,000 and 1979 — $3,647,000.

Under the most restrictive terms of the indenture agreements, $87,437,000 of retained earnings at September 27, 1974 was available for declaration of cash dividends on common stock.

Compensating Balances and Borrowing Arrangements — At September 27, 1974, the Company was utilizing $35,000,000 under a revolving credit agreement, discussed under "Long-Term Debt," and had available $33,500,000 under short-term lines of credit with banks of which $19,500,000 was outstanding at the end of the fiscal year. Compensating balances, not restricted as to use, are maintained, on an average annual balance basis, at 10% of the total borrowing arrangements plus an additional 10% of the usage. In addition, certain non-U.S. subsidiaries had available $10,683,000 in overdraft and other borrowing arrangements of which $7,693,000 was outstanding at September 27, 1974.

Commitment fees apply to $37,629,000 of the borrowing arrangements and are generally assessed at ½ of 1% against unused credit availability.

During fiscal 1974, average daily borrowings, including those under the revolving credit agreement, amounted to $34,446,000 at an average daily interest rate of 11%.

REEVES BROTHERS, INC. (JUN)

Notes to Financial Statements

Note B—The 4% convertible subordinated debentures are due January 1, 1991, with annual sinking fund requirements of $625,000 due December 31, 1976-1989; the sinking fund payments are, at the option of the Company, subject to reduction by the principal amount ($5,644,000) of debentures previously converted. During the 1974 fiscal year, debentures of $1,588,000 were converted into 41,614 shares of Common Stock. The debentures outstanding at June 29, 1974 are convertible into 196,391 shares of Common Stock.

The 5% note is payable in 9 annual installments of $550,000 with the balance of $650,000 due in 1983.

Under a new revolving credit agreement, which became effective June 28, 1974, the Company has the option, subject to meeting certain requirements, of borrowing against short-term notes and of renewing such notes, not to exceed $25,000,000 to June 30, 1977, and then to convert the notes to a term loan due in quarterly installments to June 30, 1981. The Company expects to continue renewing its outstanding notes. The revolving credit notes bear interest at rates ranging from the lending banks' prime rates to ¼% over such rates.

The terms of the debentures, 5% note and the revolving credit agreement provide, among other matters, limitations on the payment of dividends (other than stock dividends) or other distributions on Common Stock. Consolidated Retained Earnings not restricted for such purposes amounts to approximately $19,000,000 as at June 29, 1974.

ROCKWELL INTERNATIONAL CORPORATION (SEP)

Notes to Financial Statements

Note 8: Short-term Borrowings and Compensating Balances—Short-term borrowings at September 30, 1974 and 1973 consisted of the following (in millions):

	1974	1973
Notes payable under lines of credit	$376.0	$ 75.0
Commercial paper	18.1	
Current portion of long-term debt	13.3	5.1
Other (principally foreign)	76.4	22.1
Total	$483.8	$102.2

The Company had unsecured lines of credit through informal arrangements with various domestic banks amounting to $550.0 million at September 30, 1974. The lines of credit are typically made for one year when established or renewed and unused lines may be withdrawn by the lending banks. There are no material commitment fees under the arrangements. These lines are also available to Rockwell International Credit Corporation with the Company's guarantee of related borrowings.

Under the lines of credit arrangements with the banks, the Company is generally expected to maintain, on a 12 to 15 month moving average basis, average compensating balances of approximately 15% of such lines. In connection with the credit agreement for revolving notes as described in Note 9, the Company has similar informal compensating balance arrangements wherein it is expected to maintain average balances of 15% of the $200.0 million commitment. Compensating balances are determined from bank ledger records adjusted for estimated average uncollected funds. During 1974 the aggregate lines of credit and the commitment under the credit agreement averaged approximately $470.0 million. The related average compensating balances amounted to approximately $70.0 million. Because the finance subsidiary also borrows under the Company's lines of credit, it advances funds to the Company which on average are expected to cover the subsidiary's portion of the compensating balances.

In 1974 short-term bank borrowings under the lines of credit, which were at the prime rate of interest, averaged $223.7 million for the Company and $78.8 million for the finance subsidiary. The Company and the finance subsidiary also had short-term commercial paper borrowings in 1974 which averaged $30.8 million and $17.2 million, respectively. The highest aggregate amount of short-term bank and commercial paper borrowings at any month end during 1974 was $486.0 million for the Company and $127.4 million for the finance subsidiary. The related weighted average interest rate during 1974 was 10.9% for the Company and 10.2% for the finance subsidiary.

Credit facilities available to foreign consolidated subsidiaries consist of arrangements for bank overdrafts, short-term borrowings, and letters of credit for which generally there are neither material commitment fees nor compensating balance requirements.

ZENITH RADIO CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 7: Notes payable, lines of credit and compensating balances—The Company has lines of credit available for borrowing and to support the issuance of commercial paper at a number of domestic and foreign banks aggregating approximately $148 million at December 31, 1974. Availability of certain of these lines (excluding those secured by commitment fees) requires the Company to maintain certain compensating balances including float, averaging 5.2% of such lines. Utilization of these lines requires the maintenance of additional compensating balances which averaged 9.8% of such borrowing in 1974.

Commercial paper outstanding and bank loans payable at December 31, 1974, were at average interest rates of 9.6% and the maximum month-end borrowings during 1974 was $158 million. The average borrowing outstanding during 1974 was $105 million at a weighted average interest rate of 10.6%. Of the total average borrowing, 74.1% was in commercial paper.

Subsequent to December 31, 1974, the Company has negotiated a revolving credit and term loan agreement whereby participating banks have committed to loan the Company up to $100 million. Under the commitment the revolving credit extends up to March 6, 1978, at which time Zenith has an option to convert the outstanding balances into term loans payable in quarterly installments to March 6, 1982. Interest will be at the prime rate during the first year of the agreement, ¼% over prime during the second year, and ½% over prime thereafter. The Company is obligated to pay a commitment fee equal to ½ of 1% annually on the unborrowed portion.

The agreement contains three principal covenants. The net worth covenant requires the Company to maintain a tangible net worth (including subordinated indebtedness) of at least $225 million; as of December 31, 1974, the Company's tangible net worth as defined under the agreement was approximately $261 million. The long-term indebtedness covenant restricts the total long-term debt of the Company to 40% of long-term debt and net worth; had the $100 million of borrowing been available and drawn on December 31, 1974, long-term indebtedness would have been approximately 30%. The working capital covenant requires the Company to maintain $100 million of working capital defined to include borrowings under the agreement as current liabilities; at December 31, 1974, working capital as defined was approximately $147 million.

GOLDBLATT BROS., INC. (JAN)

Notes to Consolidated Financial Statements

Note 6: The Company obtains short-term funds under lines of credit extended by its principal banks. At January 25, 1975, the Company had available from these banks short-term lines of credit totaling $31,000,000. Borrowings under the Company's primary line of credit ($26,000,000) are made at the bank's current prime rate except for the first $10,000,000 which is at a rate 1% above the bank's prime rate. The primary line of credit is available through July 31, 1975 and the Company is expected to maintain average compensating balances at the bank of 15% of the available line of credit plus an additional 5% of all loans outstanding thereunder. The Company's remaining line of credit ($5,000,000) is available at that bank's current prime rate and compensating balances are required of 10% of the available line of credit plus an additional 10% of all loans outstanding thereunder. Compensating balances are determined based on the average monthly collected balances per the banks' records. Such compensating balances are not legally restricted as to withdrawal. At January 25, 1975, the Company had borrowings outstanding under the above described lines of credit of $31,000,000 with an average interest rate of 10.2%.

During fiscal 1974 and 1973, the Company's maximum short-term borrowings, the approximate average short-term borrowings, and the approximate weighted average interest rates (averages based on fiscal period-end balances) were:

	1974	1973
Maximum short-term borrowings..	$33,000,000	$30,400,000
Average short-term borrowings outstanding	$30,300,000	$26,200,000
Weighted average interest rate on short-term borrowings outstanding	11.0%	7.8%

LONG-TERM LEASES—DISCLOSURE BY LESSEES

APB 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 non-cancelable 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, future 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.

Table 2-29 summarizes disclosures made by lessees. Examples of lessee disclosures follow.

TABLE 2-29: LONG TERM LEASES

	Number of Companies	
Information Disclosed as to Noncapitalized Leases	**1974**	**1973**
Rental Expense		
Basic	335	211
Contingent	73	45
Minimum Rental Commitments		
Schedule of	240	252
Classified by Major Categories of Property	157	108
Present Value	116	71
Subleases	76	72
Renewal or Purchase Options	63	57

Number of Companies	**1974**	**1973**	**1972**	**1971**
Noncapitalized leases only	314	297	259	247
Capitalized and noncapitalized leases	130	124	83	89
Capitalized leases only	45	41	73	52
No leases disclosed	111	138	185	212
Total	**600**	**600**	**600**	**600**
Leases financed by industrial revenue bonds	92	80	69	51

Leases Capitalized

AMERICAN BAKERIES COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 4: Long-Term Liabilities—Long-term liabilities at December 28, 1974, and December 29, 1973, consisted of the following:

	1974	1973
Term bank loan, interest at ½% over prime rate, payable quarterly to July, 1979	$ 7,600,000	$ 8,000,000
Discounted amounts of future rental payments under lease agreements:		
Real estate lease, expiring in 1996	2,757,911	2,813,461
Equipment lease, expiring in 1986	3,265,493	3,817,116
Notes payable:		
Interest at ¾% over prime, due 1980	1,500,000	1,500,000
6¼%, due in 1987	829,291	829,291
6% (or prime if less), due in 1981	620,000	720,000
6%, due in 1974	—	67,817
10%, due in 1976	1,425,000	—
Accrued pension costs to be funded after 1975	4,052,149	2,000,000
Other debt	686,950	323,697
	$22,736,794	$20,071,382
Less—Current maturities	3,490,797	853,144
	$19,245,997	$19,218,238

Under the most restrictive covenant of the term bank loan agreement, the Company must maintain consolidated net working capital of not less than $10,000,000 exluding the current maturities of this loan ($1,600,000); consolidated net working capital, as defined, at December 28, 1974, was $2,096,000 in excess of this requirement. The note agreement also provides for, among other things, certain restrictions on purchases, sales, leases and collateralization of assets; additional indebtedness; guarantees of indebtedness of others; sales, mergers or acquisitions; and issuance of capital stock.

Maturities on the above indebtedness (excluding pension funding) over the next five years are approximately as follows:

1975	$3,491,000
1976	2,646,000
1977	2,337,000
1978	2,330,000
1979	1,940,000

THE ANACONDA COMPANY (DEC)

	1974	1973
	($000)	
Long-term debt	$273,755	$252,355
Capitalized lease obligations	131,890	126,963
Other liabilities and deferred credits	58,039	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: 1975, $3.1; 1976, $3.4; 1977, $3.7; 1978, $4.0; 1979, $4.1.

Aluminum reduction facilities at Sebree, Kentucky, placed in operation in 1973, are leased from an equipment trust formed to construct and own the facilities. The lease term is 20 years with renewal options for an additional 10 years. 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 1973. The facilities have been subleased by the company 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. Rental payments under the sublease amount to $1.1 million per year for the next five years. The implicit interest rate used in accounting for this obligation is approximately 5%.

DART INDUSTRIES INC. (DEC)

	1974	1973
Current liabilities:		
Accounts payable	$ 53,166,000	$ 48,243,000
Accrued compensation	30,186,000	23,272,000
Other accrued expenses	83,375,000	69,571,000
Short term loans, foreign	10,830,000	5,428,000
Current installments of discounted rental obligations	1,378,000	1,387,000
Current installments of long term debt	6,699,000	7,373,000
Income taxes	34,000,000	19,600,000
Total current liabilities	219,634,000	174,874,000
Resort development liabilities	14,342,000	25,507,000
Discounted rental obligations, less current installments	16,462,000	17,848,000
Long term debt, less current installments	193,166,000	197,878,000
Deferred income taxes	51,900,000	54,400,000

Notes to Financial Statements

Properties leased from others—Dart has recorded as assets the cost of certain properties leased from others. The related discounted lease obligations are set forth separately in the accompanying balance sheet. Dart has no legal responsibility for payments under the terms of any of these leases except for rent, insurance, taxes and maintenance.

These lease obligations are payable approximately $2,300,000 annually until 1977, and in decreasing amounts thereafter. to 1993. Commitments under other leases are shown in a following Note.

THE DUPLAN CORPORATION (SEP)

Notes to Consolidated Financial Statements

Note 5 (in part): Long-term Debt:

	1974	1973
Senior debt:		
Term bank loans	$34,500,000(a)	$31,000,000
Capitalized lease obligations, less unamortized discount: 1974, $95,000; 1973, $1,052,000	6,022,000(b)	6,280,000
Mortgages and other long-term debt	3,471,000	2,191,000
Acquisition payments due January 1975, less unamortized discount: 1974, $48,000; 1973, $205,000	2,952,000(c)	3,795,000
Total senior debt	$46,945,000	$43,266,000

(b) The Company leases four facilities from industrial development authorities under terms requiring rental payments in amounts sufficient to pay the interest and debt retirement of the underlying indebtedness. At the Company's option these leases may be extended for additional terms at a nominal monthly rental or the property may be purchased for a nominal amount. These four leases have not been discounted because their interest rates are affected by the tax attributes or legal restrictions prescribed by governmental agencies.

The Company also leases two facilities under an agreement, modified in December 1973, which provides for the eventual purchase of such facilities. This agreement was amended in June 1974 to release the company from similar obligations with respect to a third facility. The aggregate amount of remaining lease payments and purchase price has been discounted at an imputed interest rate of 8% and is included in capitalized lease obligations. The amount of discount and remaining lease payments at September 30, 1973 related to these facilities has been substantially reduced in 1974 as a result of a change in the purchase date from October 1983 to August 1975.

For financial reporting and tax purposes all of these leases have been treated as purchases of the underlying properties.

SIMKINS INDUSTRIES INC. (SEP)

Notes to Consolidated Financial Statements

Note 3 (in part): Long-term debt

	1974	1973
7.75% Long-term lease obligations capitalized, due 1983	$1,241,961	$ —
7.75% Long-term lease obligations capitalized, due 1994	1,946,585	—
1% Small business administration note, due 1998	2,628,053	2,435,960
Note at ¼% over prime, due 1975-1980	3,490,000	—
Other debt (principally mortgages)	186,939	1,157,891
	9,493,538	3,593,851
Less: current portion	824,702	223,238
	$8,668,836	$3,370,613

On August 23, 1974 the Town of Hempstead Industrial Development Agency, issued a $3,200,000 Industrial Revenue Development bond, principal maturing in monthly installments to September 1, 1994. Current interest of 7.75% is to be recalculated each September 1st at a rate 180 basis points higher than the Moody's Rate. The funds provided were for the acquisition of the plant at Lakeview, New York, and the expansion of its facilities. At September 30, 1974 $1,540,128 had been disbursed while $1,676,817 of undisbursed funds are held by trustee. The company leases the property and facilities for an annual amount sufficient to pay the principal and interest expense on the bond. The cost of the plant and facilities to date is included in property, plant and equipment and will be increased when funds held by trustee are expended. The aggregate maturities of long-term debt and long-term lease obligations capitalized for the five years after September 30, 1974 are $824,702 $1,012,317 $981,963 $993,991 $1,010,054.

UNITED FOODS, INC. (FEB)

Notes to Consolidated Financial Statements

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

Land Lease Capitalized—The present value of the long-term lease capitalized is being amortized over 20 years on the straight-line method.

Note 6: Long-Term Debt—Long-term debt consisted of the following:

	February 28, 1974	1973
Amounts due after one year:		
Notes and contracts:		
5½ to 6¼% first mortgage revenue bonds due to 1988	$10,718,000	$ 4,824,000
12% note collateralized by the stock of John Inglis Frozen Foods Company, a subsidiary, due to 1974	—	300,000
6 to 8% mortgage notes due to 1987	3,434,109	3,825,429
Unsecured notes due to 1978 with interest from 4¾ to 8% and 1% above prime	1,249,225	1,619,246
Purchase obligations payable in installments with interest up to approximately 15%	1,149,275	720,073
Deferred compensation contracts with interest to 5½%	578,079	556,883
Land lease obligation capitalized	1,748,012	—
Totals	$18,876,700	$11,845,631
Convertible subordinated notes:		
6% notes due to 1982	$ 480,000	$ 600,000
6½% notes due to 1983	759,000	884,000
Totals	$ 1,239,000	$ 1,484,000

The terms of the various notes include certain negative covenants which provide, among other things, restrictions relating to the maintenance of minimum levels of working capital and equity, payment of dividends and the incurrence of additional indebtedness. At February 28, 1974 and 1973, approximately $3,800,000 and $2,200,000, respectively, of consolidated retained earnings was free from the dividend restrictions.

First mortgage revenue bonds relate to the financing of processing and cold storage facilities leased from two Industrial Development Boards. The payments to be made by the company are in amounts equal to the principal and interest payments on the bonds through 1988. The bonds mature serially in progressive annual amounts ranging from $606,000 in 1974 to $1,089,000 in 1988. These transactions are being treated as though the facilities were constructed and owned by the company. At February 28, 1974, part of these facilities are shown as construction in progress, with approximately $3,000,000 of the proceeds from the sale of the bonds being held by the trustee.

The land lease obligation capitalized relates to 1,173 acres of farm land leased from a partnership owned substantially by officers and employees of a subsidiary and a director of the company. The lease obligation was capitalized by discounting the amount of future payments at 8¼ to 8½% over 20 years. The lease obligation is payable $93,853 annually, plus interest.

Leases Not Capitalized

ARDEN-MAYFAIR, INC. (DEC)

Notes to Financial Statements

Note 11: Lease Commitments—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 the 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 $11,026,731 for 1974 and $12,860,616 for 1973, and is net of sublease rental income of $2,121,473 and $2,372,792, respectively. Included in the above are additional rentals based upon a percentage of sales of $506,394 for 1974 and $478,911 for 1973.

The approximate aggregate minimum annual rental commitments of the Company under all noncancelable leases (majority of which are noncapitalized financing leases) with terms of one year or more for the periods set forth below (in thousands of dollars) are as follows:

	Land and Buildings	Fixtures	Delivery Equipment	Deduct Sublease Rentals	Net Rental Commitments
1975	$ 7,987	$ 785	$1,141	$1,115	$ 8,798
1976	7,822	717	1,096	1,088	8,547
1977	7,237	496	992	984	7,741
1978	6,730	251	831	882	6,930
1979	6,131	169	486	614	6,172
1980-1984	24,727	134	322	2,074	23,109
1985-1989	14,898			696	14,202
1990-1994	6,841			283	6,558
1995 and Subsequent	938				938
	$83,311	$2,552	$4,868	$7,736	$82,995

The above data reflect existing leases and do not include future replacements upon their expiration.

The net present value at December 28, 1974 and December 29, 1973 of minimum annual rental commitments of noncapitalized financing leases is as follows:

	1974	1973
Land and Buildings	$48,510,000	$61,758,000
Fixtures	2,237,000	2,539,000
Delivery Equipment	3,733,000	2,585,000
	$54,480,000	$66,882,000

The weighted average interest rates for noncapitalized financing leases were 6.5% and 6.6% for 1974 and 1973, respectively, with rates ranging from 4.25% to 10.5%.

If all noncapitalized financing leases were capitalized the approximate effect on net earnings before extraordinary item for the years ended December 28, 1974 and December 29, 1973 would have been as follows:

	1974	1973
Rental payments (including additional rentals based on sales, less sublease rental)	$10,915,000	$11,565,000
Amortization of property rights on a straight-line basis	(5,898,000)	(6,424,000)
Interest expense	(3,612,000)	(4,618,000)
	1,405,000	523,000
Allocated income taxes	751,000	
Decrease in expense	$ 654,000	$ 523,000

BATH INDUSTRIES, INC. (DEC)

Notes to Consolidated Financial Statements

Lease Obligations—As a general rule, long term leases are not capitalized unless the terms of the lease include an option to purchase at such a price that the payments on the lease clearly represent a purchase of an economic interest. The amount of such leases capitalized at December 31, 1974 is immaterial.

The Company is obligated under other leases for plants, offices, warehouses, machinery, data processing equipment, trucks and trailers. Certain of these leases are considered to be non-capitalized financing leases which, during their noncancelable period, either cover 75% or more of the economic life of the property or have terms which assure the lessor a full recovery of the fair market value of the property plus a reasonable return on the use of the assets. Rentals may be on a basic (or minimum) rate basis or contingent upon hours used, mileage, etc.

Rental expenses for 1974 and 1973 are as follows:

	1974	1973
Non-Capitalized Financing Leases		
Basic Rental Expense	$1,260,000	$1,154,000
Contingent Rental Expense	685,000	607,000
	1,945,000	1,761,000
Other Leases		
Basic Rental Expense	3,588,000	3,451,000
Contingent Rental Expenses	2,292,000	2,378,000
	5,880,000	5,829,000
Total Rental Expense	$7,825,000	$7,590,000

Minimum rental commitments as of December 31, 1974 are as follows:

Non-Capitalized Financing Leases

	Real Estate	Machinery and Equipment	Truck Fleets	Total
1975 -	$ 946,000	$49,000	$265,000	$1,260,000
1976 -	946,000	31,000	133,000	1,110,000
1977 -	946,000	—	—	946,000
1978 -	946,000	—	—	946,000
1979 -	946,000	—	—	946,000
1980-1984	4,579,000	—	—	4,579,000
1985-1989	1,676,000	—	—	1,676,000
1990-1994	179,000	—	—	179,000
Balance	98,000	—	—	98,000
	$11,262,000	$80,000	$398,000	$11,740,000

Other Non-Cancelable Leases

	Real Estate	Machinery and Equipment	Truck Fleets	Total
1975	$1,384,000	$204,000	$ —	$1,588,000
1976 -	1,334,000	140,000	—	1,474,000
1977 -	1,157,000	32,000	—	1,189,000
1978 -	1,018,000	30,000	—	1,048,000
1979 -	644,000	5,000	—	649,000
1980-1984	1,391,000	—	—	1,391,000
1985-1989	33,000	—	—	33,000
	$6,961,000	$411,000	$ —	$7,372,000

The impact upon net income for 1974 and 1973 if all noncapitalized financing leases were capitalized is less than 3% of the average net income for the years 1972 through 1974.

CITY STORES CORPORATION (JAN)

Notes to Financial Statements

Note L: Leases

	This Year	Last Year
Total rental expense for real and personal property amounted to:		
Non-cancellable leases:		
Financing leases, as defined by the Securities and Exchange Commission (including equipment rental of $381,107 and $357,263, respectively)	$ 2,843,281	$ 2,932,540
Non-financing leases	9,794,099	9,198,388
	12,637,380	12,130,928
Other leases (including equipment rental of $228,808 and $304,319, respectively)	339,603	654,601
	12,976,983	12,785,529
Sublease income, principally applicable to financing leases........................	(1,372,485)	(1,382,101)
Total Rental Expense.......	$11,604,498	$11,403,428

Total rental expense includes percentage rental payments, based on sales, on real property of $705,045 and $745,346, respectively.

The real property leases are primarily for retail stores and for the most part are renewable. Certain leases provide for payments, in addition to percentage rentals, of real estate taxes and insurance.

The future minimum rental commitments for all noncancellable leases as at February 1, 1975 are as follows:

	(in thousands)				
		Financing			
Year Ending January	Net Total	Real Property	Personal Property	Non-financing (Real Property)	Sublease Income (Real Property)
1976..........	$ 10,770	$ 2,431	$ 302	$ 8,987	($ 950)
1977..........	10,620	2,431	284	8,798	(893)
1978..........	10,047	2,431	275	8,119	(778)
1979..........	9,567	2,431	211	7,656	(731)
1980..........	9,306	2,431	172	7,392	(689)
1981-85......	39,162	12,007	—	29,878	(2,723)
1986-90......	30,679	9,675	—	22,529	(1,525)
1991-95......	18,528	4,937	—	13,591	—
After 1995...	19,821	3,462	—	16,359	—
	$158,500	$42,236	$1,244	$123,309	($8,289)

The present values of the net minimum rental commitments for all financing leases are:

(in thousands)	This Year's Interest Rates Average	Range	This Year	Last Year
Real Property (net of the present value of minimum sublease income of $4,602 and $4,745, respectively)	7.1%	4.5%-9.0%	$16,168	$16,800
Personal Property	7.6%	6.3%-9.0%	974	980
			$17,142	$17,780

The present values were computed after reducing minimum rental commitments by estimated amounts applicable to payment of real estate taxes, insurance, maintenance and other amounts.

If all financing leases had been capitalized (net of financing subleases) and the related assets amortized on a straight-line basis and interest cost was accrued on the basis of the outstanding lease liability, the net loss would have been increased by $123,000 this year and net income would have been $140,000 less last year.

This computation includes:

	(in thousands) This Year	Last Year
Assumed amortization...............	$ 976	$ 920
Assumed interest....................	$1,228	$1,245

CONTINENTAL OIL COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 10: Long-term leases—The Company and certain of its subsidiaries lease various facilities for which the aggregate rentals thereon, net of rentals from subleases, approximated $96,702,000 and $93,388,000 in 1974 and 1973, respectively, which include net rentals applicable to noncapitalized financing leases of $40,486,000 and $39,639,000, respectively. The approximate minimum future rental commitments on facilities leased under long-term noncancelable leases, after reduction by rentals to be received from existing noncancelable subleases, and net rental commitments applicable to noncapitalized financing leases (as defined by the Securities and Exchange Commission) included therein are as follows:

	Total rental commitments Net of sublease rentals	Sublease rentals	Portion of net amount applicable to noncapitalized financing leases
1975	$ 76,883,000	$ 6,066,000	$ 48,888,000
1976	69,394,000	5,730,000	48,436,000
1977	59,232,000	5,402,000	47,232,000
1978	49,233,000	5,028,000	43,841,000
1979	44,039,000	4,452,000	41,261,000
1980-1984	177,509,000	21,699,000	171,630,000
1985-1989	135,038,000	3,530,000	132,265,000
1990-1994	62,154,000	411,000	59,766,000
Remainder	37,432,000	174,000	33,330,000
	$710,914,000	$52,492,000	$626,649,000

The minimum future rental commitments under the noncancelable leases at December 31, 1974, net of rentals on existing subleases, and the present value of noncapitalized financing leases at December 31, 1974 and 1973 are presented in the following table. The weighted-average interest rate based on the present value of noncapitalized financing leases was 8% at December 31, 1974 and the range of interest rates used in determining the present value of noncapitalized financing leases was 3% to 11%. If all noncapitalized financing leases were capitalized, the impact on net income for the year ended December 31, 1974 would be less than three percent of average net income for the most recent three years.

	Minimum rental commitments	Present value of noncapitalized financing leases* 1974	1973
Coal mining equipment	$179,201,000	$ 95,650,000	$106,724,000
Ocean-going tankers	191,142,000	89,937,000	92,714,000
Marketing facilities	147,283,000	76,815,000	76,513,000
Refining and chemical facilities	82,231,000	37,755,000	38,398,000
Other facilities	111,057,000	45,316,000	38,477,000
	$710,914,000	$345,473,000	$352,826,000

*Net of present value of subleases of $32,244,000 in 1974 and $30,430,000 in 1973.

CRANE CO. (DEC)

Financial Review

Leases—Rental expense was as follows for all leases for the years ended December 31, 1974 and 1973:

	1974	1973
	(in thousands)	
Rentals on noncapitalized financing leases:		
Minimum	$ 4,847	$ 5,440
Contingent	701	438
Rentals on operating leases:		
Minimum	8,137	7,859
Contingent	311	1,084
	$13,996	$14,821

Rental expense has been reduced by rental income from subleases of $1,514,000 during 1974 and $1,363,000 during 1973.

Financing leases are defined as those in which the initial term of the lease substantially covers the useful economic life of the property or assures recovery of the lessors' investment. All others are considered operating leases.

The Company and subsidiaries lease buildings and equipment under noncancelable leases providing for annual rentals as follows:

	Total	Operating Leases Buildings	Operating Leases Machinery and Equipment	Financing Leases Buildings	Financing Leases Machinery and Equipment
		(in thousands)			
1975	$ 7,887	$1,742	$1,441	$ 813	$ 3,891
1976	6,990	1,497	715	1,099	3,679
1977	6,187	1,260	232	1,274	3,421
1978	5,497	1,037	42	1,338	3,080
1979	5,342	860	9	1,513	2,960
1980-84	22,767	3,042	6	6,964	12,755
1985-89	20,052	1,593	—	5,872	12,587
1990-94	14,229	21	—	3,109	11,099
1995-beyond	4,306	—	—	2,559	1,747

The above amounts have been reduced for rental income from noncancelable subleases by approximately $1,209,000 in 1975 and lesser amounts thereafter (total reduction $4,166,000).

Certain of the leases may be renewed for periods of from 3 to 20 years and provide for an option to purchase or for annual rental payments of minimal amounts.

The estimated present values of the net fixed minimum rental commitments for all noncancelable financing leases, net of noncancelable subleases, are as follows:

	December 31 1974	1973
	(in thousands)	
Buildings	$15,617	$16,268
Machinery and equipment	31,626	31,797
Subleases	(2,108)	(2,807)
Net present value	$45,135	$45,258

The weighted average interest rate used in the computation was 6¼ per cent and ranged from 4½ per cent to 14½ per cent.

If all financing leases had been capitalized, net income for the years ended December 31, 1974 and 1973 would not have been significantly affected.

GENERAL HOST CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 15: Lease Commitments—At December 28, 1974 the Company was party to various noncancellable leases with minimum aggregate rental commitments for the remaining terms of approximately $31,610,000. The aggregate commitments relate to the following classes of property and are payable as shown in the table below.

Rental payments in 1974 amounted to $8,010,000 after deducting sublease rentals of $755,000. The comparable amounts in 1973 were $7,220,000 and $540,000, respectively. Substantially all of the leases have original terms of between five and fifteen years and contain renewal options at rates approximating those during the original terms.

The present value of minimum aggregate rental commitments under financing leases (defined by the Securities and Exchange Commission as leases which extend for 75% or more of an asset's life or which result in recovery of the lessor's capital in a shorter period) which have not been capitalized in the Company's financial statements approximated $14,000,000 at both December 28, 1974 and December 29, 1973. The weighted average interest rate implicit in the terms of these financing leases approximated 9.2% in 1974 and 8.1% in 1973. Interest is calculated at fixed interest rates for all leases except vehicles, which are based on the prime interest rate. If such financing leases had been capitalized at inception, it is estimated that the Company's income before extraordinary items and net income would have decreased by approximately $41,000 and $78,000, respectively, in 1974 and by $87,000 and $166,000 in 1973.

	Real Estate	Machinery and Equipment	Vehicles	Sublease Rentals	Total
		(in thousands)			
1975	$ 4,231	$ 314	$ 875	$ (658)	$ 4,762
1976	3,869	221	816	(538)	4,368
1977	3,462	178	605	(432)	3,813
1978	3,078	113	404	(365)	3,230
1979	2,762	67	299	(342)	2,786
1980-1984	9,511	130	264	(1,600)	8,305
1985-1989	4,752			(1,415)	3,337
1990-1994	1,953			(1,029)	924
After 1994	431			(346)	85
	34,049	1,023	3,263	(6,725)	31,610
Sublease rentals	(6,452)		(273)	6,725	
	$27,597	$1,023	$2,990	$	$31,610

THE MOHAWK RUBBER COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 1: Lease Commitments—The Company and its subsidiaries, under noncapitalized leases, lease certain facilities used primarily for retail and warehouse operations, and certain equipment. These leases extend for varying periods of time up to 15 years, and, in most cases contain renewal options. Minimum rental commitments under all noncancelable leases, excluding amounts payable under capitalized long-term lease agreements, are as follows:

	Total	Real Estate	Machinery and Equipment
1975	$1,648,000	$783,000	$865,000
1976	1,297,000	673,000	624,000
1977	1,024,000	601,000	423,000
1978	803,000	515,000	288,000
1979	583,000	318,000	265,000
1980-1984	1,429,000	847,000	582,000
1985-1989	116,000	19,000	97,000

Future rentals to be received from noncancelable subleases deducted from the above tabulations are: 1975 — $97,000; 1976 — $97,000; 1977 — $97,000; 1978 — $21,000; 1979 — $17,000; and 1980 to 1984 — $77,000.

Total rental expense charged to income was $2,273,000 in 1974 and $1,900,000 in 1973 which include contingent rentals of $87,000 and $106,000, respectively. Contingent rentals are based on usage of equipment in excess of specified minimums. Sublease rentals of approximately $124,000 in 1974 and $70,000 in 1973 have been deducted from total rental expense.

The present value of noncapitalized financing leases is not material, likewise, the impact on net income if such leases had been capitalized would not be material.

W.T. GRANT COMPANY (JAN)

Notes to Financial Statements

Note 12 (in part): Leases and Contingencies—Total rental expenses for all leases amounted to ($ in thousands):

	52 weeks ended Jan. 30, 1975	Year ended Jan. 31, 1974
Financing leases:		
Minimum rentals	$110,025	$101,237
Contingent rentals	1,894	2,300
Other leases:		
Minimum rentals	4,167	3,578
Less: Rentals from subleases	1,966	1,748
	$114,120	$105,367

Contingent rentals are based upon various percentages of sales in excess of specified minimums.

The future minimum rental commitments as of January 30, 1975 for all non-cancellable leases (as defined by ASR No. 147) are as follows, ($ in thousands), excluding the leases of the 66 stores described in Note 9 to the financial statements:

Years ending last Thursday in January	Financing Leases Real Estate	Financing Leases Equipment	Other Leases Real Estate	Less: Rental From Subleases Of Real Estate	Total
1976	$ 92,292	$9,072	$ 3,095	$1,726	$102,733
1977	89,754	9,072	3,017	1,502	100,341
1978	86,593	9,072	2,985	1,289	97,361
1979	84,245	6,972	2,975	1,157	93,035
1980	82,604	6,972	2,506	967	91,115
1981-1985	364,647	1,859	12,524	3,134	375,896
1986-1990	304,503	1,859	12,522	1,264	317,620
1991-1995	133,017	310	12,522	434	145,415
1996 and subsequent	5,981		5,635	38	11,578

The estimated net present value of the net fixed minimum rental commitments for all non-cancellable financing leases above are summarized below ($ in thousands):

	Range of Interest Rates Used	Present Value Jan 30, 1975	Present Value Jan 31, 1974
Real estate	2.53% to 11.94%	$386,778	$431,442
Less: Subleases	2.62% to 11.94%	9,355	7,610
Net real estate		377,423	423,832
Equipment	7.36% to 8.04%	28,695	34,465
		$406,118	$458,297

The present values were computed after reducing total rental commitments by estimated amounts, where applicable, of lessors' payments of taxes and insurance.

If all financing leases had been capitalized, it is estimated that the net loss for the 52 weeks ended January 30, 1975 would have been increased by approximately $2,599,000 (no tax effect); and that net earnings for the year ended January 31, 1974 would have been reduced by approximately $1,623,000. This computation assumes that the estimated present values were amortized on a straight-line basis over the terms of the leases and subleases and that interest expense (income) was accrued on the outstanding lease (sublease) obligations at the range of rates shown above. The amounts included in the computation for net amortization of leased and subleased property and net interest expense were approximately $34,602,000 and $34,629,000 in the 52 weeks ended January 30, 1975, and $36,614,000 and $36,038,000 in the year ended January 31, 1974, respectively.

USM CORPORATION (FEB)

Financial Review

Leased Assets and Lease Commitments—The Company rents from others certain properties and equipment used in its operations. Net rental expense for such property was $5,647,000 in 1974 and $4,993,000 in 1973. These amounts have been reduced by rents received from sublessees which amounted to $495,000 in 1974 and $237,000 in 1973.

The Company is liable under the terms of noncancelable leases for minimum rentals as follows (in thousands of dollars):

Fiscal Year	Real Estate	Machinery	Vehicles and Other	Total
1975	$1,531	$ 971	$1,252	$3,754
1976	1,302	954	836	3,092
1977	935	950	543	2,428
1978	709	945	382	2,036
1979	641	926	230	1,797
1980-1984	1,277	3,150	325	4,752
Thereafter	315	—	31	346

The amounts in the above table are net of rentals to be received from noncancelable subleases amounting to $494,000 in 1975, $436,000 in 1976, $262,000 in 1977, $124,000 in 1978, and substantially lower amounts thereafter.

Amounts payable under noncapitalized financing leases, as recently defined by the Securities and Exchange Commission, included in the table above are $2,084,000 in 1975, $1,656,000 in 1976, $1,377,000 in 1977, $1,245,000 in 1978, $1,121,000 in 1979 and $3,394,000 in the years 1980-1984, inclusive.

The present value of noncapitalized financing leases is not material, and there would not have been a significant effect on the financial statements if such leases had been capitalized.

Renewal clauses are contained in the majority of leases. Certain real estate leases have tax or other escalation clauses which will not materially affect the operations of USM. There are no restrictions on the payment of dividends by the Company under the terms of leases, and there have been no guarantees made with respect to obligations of lessors.

PENNWALT CORPORATION (DEC)

Notes to Consolidated Financial Statements

Lease Rentals and Commitments—The Company's most significant lease is for its Corporate Headquarters office building in Philadelphia which is for an initial term through the year 2000, on a net lease basis, (i.e., excluding taxes, maintenance, insurance, etc.) and contains options to renew for three additional 22-year periods. Approximately 64% of the building is subleased to others on a gross lease basis. The following includes information on the office building lease, subleases to tenants and other lease obligations of the Company.

	1974	1973
Rental expense net of $3,393,000 and $3,134,000 rental income from subleases	$8,183,000	$7,022,000
Gross rentals under noncancellable financing leases included above	3,630,000	3,597,000

The approximate future annual rental commitments under noncancellable leases, net of rentals from subleases, are as follows:

	Rental Commitments for Financing Leases Only, Net of Rentals from Subleases	Rentals for all Operating and Financing Leases Rental Commitments, Net of Rentals from Subleases			Rentals from Subleases
		Total	Real Estate	Equipment	
		(thousands of dollars)			
First five years*					
1975	$ 197	$ 3,742	$ 438	$3,304	$3,336
1976	494	3,660	814	2,846	2,881
1977	506	2,959	793	2,166	2,822
1978	556	2,593	884	1,709	2,665
1979	459	2,176	833	1,343	2,651
Five year periods*					
1980-84	6,318	12,758	8,139	4,619	8,186
1985-89	11,228	13,387	12,213	1,174	2,775
1990-94	8,647	8,866	8,866	—	538
After 1994	12,532	12,532	12,532	—	—

Present value of noncapitalized financing leases at their weighted average interest rate of 6.3% as of December 31, and before reduction for sublease rentals are as follows:

	1974	1973
Real estate	$33,260,000	$33,490,000
Equipment	1,625,000	3,248,000
Total	$34,885,000	$36,738,000
Present value of subleases, excluding renewals, determined on a net lease basis*	4,462,000	5,369,000

*Subleases with tenants in the Pennwalt Building are for terms substantially less than the initial term of the Company's lease. It is expected that most of these subleases will be renewed. However, for purposes of determining the Company's rental commitments for each year and for determining the present value of existing subleases, no credit has been taken for these renewals since the amounts are indeterminable.

There would be no material change in net earnings if financing leases had been capitalized and amortized on a straight-line basis over the life of the lease.

PENN FRUIT CO., INC. (AUG)

Notes to Consolidated Financial Statements

Note 10: Lease Commitments—The company leases substantially all of its stores and other operating properties and some of its retail and transportation equipment. Leases for stores and other operating properties are generally for terms of 15 to 25 years and usually contain renewal options. Leases for retail and transportation equipment are for a term of 10 years and contain an option to renew for an additional 5 years. For purposes of the disclosure contained in this note, the company has used the term "non-capitalized financing leases" as it is defined in Accounting Series Release No. 147 issued by the Securities and Exchange Commission. Rent expense (including $3,908 in 1974 and $2,810 in 1973 paid to Market Center Realty Co.—see Note 2) comprises ($000 omitted):

	1974	1973
Non-capitalized financing leases:		
Minimum rentals (net of sublease income of $681 in 1974 and $660 in 1973)	$4,375	$4,677
Contingent rentals based on annual sales at certain store locations	134	220
	4,509	4,897
Operating leases:		
Minimum rentals (net of sublease income of $192 in 1974 and $108 in 1973)	866	700
Contingent rentals	199	106
	1,065	806
	$5,574	$5,703

The company's minimum lease commitments (including those provided for in the reserve for losses on leases—see Note 3) under noncancellable leases in effect at August 31, 1974 (excluding taxes, insurance and maintenance expenses which are also payable by the company under most leases) are as follows ($000 omitted):

				Portion of total	
Fiscal year	Land and buildings	Retail and transportation equipment	Total	Applicable to noncapitalized financing leases	Payable to Market Center Realty Co.
1975	$ 5,615	$ 499	$ 6,114	$ 5,234	$ 3,080
1976	5,705	499	6,204	5,401	3,098
1977	5,692	499	6,191	5,405	3,102
1978	5,583	499	6,082	5,422	3,145
1979	5,569	499	6,068	5,482	3,185
1980-84	24,342	1,354	25,696	24,326	14,642
1985-89	20,913		20,913	20,461	13,059
1990-94	17,276		17,276	17,103	11,753
After 1994	11,504		11,504	11,497	9,087

The following amounts of income from noncancellable subleases on land and buildings have been excluded from the amounts shown above ($000 omitted): 1975 — $1,252, 1976 — $1,188, 1977 — $1,063, 1978 — $969, 1979 — $831, 1980-84 — $2,808, 1985-89 — $1,584 and 1990-94 — $883. The present value of the company's minimum lease commitments (including those provided for in the reserve for losses on leases) under noncapitalized financing leases based on interest rates implicit in the leases which range from 4% to 12% is as follows ($000 omitted):

	August 31, 1974	August 25, 1973
Land and buildings	$52,732	$50,398
Retail and transportation equipment	2,823	3,073
	55,555	53,471
Less: sublease income	(5,636)	(2,805)
	$49,919	$50,666
Weighted average interest rate	7.8%	7.4%

The above amounts include $30,254 at August 31, 1974 and $34,104 at August 25, 1973 applicable to leases with Market Center Realty Co. On the assumption that noncapitalized financing leases were capitalized, the related property rights amortized on a straight-line basis over their respective lease terms and interest expense computed on the declining present value of these lease commitments, net income would have been decreased by $245,000 in 1974 and $220,000 in 1973 after eliminating the effect of leases with Market Center Realty Co. Under such assumptions, amortization of the property rights would amount to $1,344,000 in 1974 and $1,245,000 in 1973 and interest expense would amount to $1,353,000 in 1974 and $1,171,000 in 1973.

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, 1974, the Company sold and leased back certain operating properties. The excess of the proceeds ($15,853,140) over the net book value of the properties sold ($10,191,766) has been deferred and will be credited to rental expense over the terms of the related leases. The unamortized balance of such deferred gains, including those which arose in prior years, aggregated $27,844,840 at February 28, 1974 ($23,165,105 at February 28, 1973) and is included in deferred credits in the balance sheet.

INTERNATIONAL MINERALS & CHEMICAL CORPORATION (JUN)

Financial Review

Divestments—During the period February to May, 1974, IMC sold, for approximately book value, the refractories business of its Lavino Division and certain product lines of its trading business. In addition, a decision has been made to discontinue certain other operations of the trading business. The refactories business was sold to Kaiser Aluminum & Chemical Corporation for $2,000,000 cash and $14,000,000 in notes. The product lines were sold for approximately $12,309,000, a portion of which was purchased by former officers of the trading business. Provision has been made for losses on the operations to be discontinued, including estimated operating losses during the shut-down period. Revenues of these operations included in consolidated revenues for 1974 and 1973 were approximately $107,000,000 and $87,000,000, respectively. Earnings and losses of these operations, in the aggregate, were not material during these years.

In October, 1973, IMC sold its corporate office facilities for approximately $8,800,000 cash and entered into a five-year lease for these facilities. The sale was made as a result of IMC's decision to relocate its headquarters. The gain on the sale, approximating $3,000,000, has been deferred. A portion of the gain is being amortized as a reduction of rental expense in connection with the leaseback transaction and the balance will be applied as a reduction of relocation costs.

In 1974, IMC disposed of its investment in Cor-Plex International Corp., acquired in September 1972. The operations of this business had no significant effect on consolidated revenues and earnings in fiscal 1973. Losses on this investment in 1974 aggregated approximately $5,200,000, including approximately $4,100,000 applicable to the disposition.

NEPTUNE INTERNATIONAL CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 10: Sale and Leaseback Transaction—On November 14, 1974, the Corporation sold the building and related land occupied by one of its subsidiaries for $2,000,000. Simultaneously the Corporation entered into a 26 year lease, with minimum annuals rentals of $205,800. This sale resulted in a gain of $939,150 which has been deferred and will be amortized over the life of the lease as an adjustment of rental expense.

Related Party Transaction

CHOCK FULL O'NUTS CORPORATION (JUL)

Notes to Financial Statements

Note 3: Leasehold Acquired from Principal Stockholder — Until February 1, 1974, a subsidiary of the Company leased store premises for a restaurant at 574 Fifth Avenue, New York, New York, from Mr. Black, Chairman of the Board, and a principal stockholder, at an annual rental of 7% of the restaurant's gross receipts (minimum $29,000) plus tax adjustments, for a term ending September 30, 1980. Mr. Black had leased the entire six story building in which the restaurant is located under a net lease acquired from an unaffiliated entity in 1957, at an annual net rental of $23,100 through September 19, 1975 and thereafter at an annual net rental of $11,550 for five successive renewal terms of 10 years each upon exercise of successive renewal options. Mr. Black had received approximately $55,000 in net rental income from this building during the calendar year 1973.

Because of the restaurant's successful operation and the desirability of its location, as well as the building's favorable rental potential (it is presently fully occupied by seven tenants, including the subsidiary, under leases expiring at various dates until 1980), a subsidiary acquired Mr. Black's net lease for $650,000 on February 1, 1974. The acquisition was negotiated between Mr. Black and the Board of Directors. The purchase price was determined based, among other factors, upon an independent appraisal of the leasehold obtained by the Board.

Under the terms of the contract dated November 1, 1973, Mr. Black was to receive down payments totaling $65,000 by the date the contract was signed and was to receive the remainder of the purchase price on the closing date. Notwithstanding such terms, the balance of the purchase price (after closing adjustments) of $584,363, remained as open account demand indebtedness of the subsidiary. Mr. Black received payments of $85,000 on such open account through July 31, 1974, and the balance of $499,363 on that date is included in Accounts Payable in the accompanying consolidated balance sheet.

DEFERRED TAXES

APB Opinion No. 11 states in part:

56. Balance sheet accounts related to tax allocation are of two types:

a. Deferred charges and deferred credits relating to timing differences; and

b. Refunds of past taxes or offsets to future taxes arising from the recognition of tax effects of carry*backs* and carry*forwards* of operating losses and similar items.

57. Deferred charges and deferred credits relating to timing differences represent the cumulative recognition given to their tax effects and as such do not represent receivables or payables in the usual sense. They should be classified in two categories—one for the net current amount and the other for the net noncurrent amount. This presentation is consistent with the customary distinction between current and noncurrent categories and also recognizes the close relationship among the various deferred tax accounts, all of which bear on the determination of income tax expense. The current portions of such deferred charges and credits should be those amounts which relate to assets and liabilities classified as current. Thus, if installment receivables are a current asset, the deferred credits representing the tax effects of uncollected installment sales should be a current item; if an estimated provision for warranties is a current liability, the deferred charge representing the tax effect of such provision should be a current item.

Table 2-30, which summarizes the balance sheet classification of deferred taxes, shows that deferred taxes were usually classified as a noncurrent liability. Examples of deferred tax presentations follow. Examples of the tax effect of interperiod tax allocation are presented in the INCOME TAXES segment of Section Three of this book.

TABLE 2-30: DEFERRED TAXES — PRESENTATION

	1974	1973	1972	1971
Noncurrent liability only	359	348	334	360
Noncurrent liability and current asset	48	58	56	42
Noncurrent liability and current liability	46	52	55	41
Current liability or current asset only	25	33	36	28
Noncurrent asset only	19	20	24	18
Noncurrent asset and current liability or asset	10	10	10	15
Other presentations	28	30	34	26
Total companies disclosing a balance sheet amount for deferred taxes	**535**	**551**	**549**	**530**

BOWNE & CO., INC. (OCT)

	1974	1973
Other assets:		
Cash surrender value of insurance on lives of key employees	$142,579	$122,864
Deferred income taxes	60,660	235,578
Deposits and sundry	84,853	128,076
	$288,092	$486,518

Summary of Accounting Policies

Income taxes—The Company and its subsidiaries file a consolidated Federal income tax return. Provisions for income taxes are calculated on pre-tax income reported for financial statement purposes. Such provisions differ from amounts currently payable because certain items of income and expense are reported in the income statements in periods different from those in which they are reported for income tax purposes. The tax effects of these timing differences, primarily depreciation, deferred compensation, and relocation costs are reflected as deferred income taxes.

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

Notes to Consolidated Financial Statements

Note 3: Income taxes—For the years ended October 31, 1974 and 1973, income tax expense of $2,366,100 and $2,157,763 differed from the amount computed by multiplying the income before income taxes by the applicable statutory rates for the following reasons:

	1974		1973	
U.S. statutory income tax	$2,206,166	48.0%	$1,858,702	48.0%
Increases (reductions) in tax resulting from:				
Investment tax credit	(82,722)	(1.8)	(115,751)	(3.0)
State and local taxes	285,884	6.2	214,846	5.5
Other	(43,228)	(.9)	199,966	5.2
Totals	$2,366,100	51.5%	$2,157,763	55.7%

Deferred tax expense results from timing differences in the recognition of revenue and expense for tax and financial statement purposes. The sources of these differences and the effect of each were as follows:

	1974	1973
Depreciation	$108,754	$ 90,077
Deferred compensation, etc.	12,832	(65,200)
Relocation costs	55,850	(55,850)
Totals	$177,436	$(30,973)

AMERICAN BUILDING MAINTENANCE INDUSTRIES (OCT)

	1974	1973
Current Liabilities:		
Notes payable—Banks and other	$ 2,398,194	$ 4,893,342
Accounts payable, trade	4,130,407	3,211,631
Accrued payroll, taxes, and other liabilities	6,025,630	4,898,431
Current maturities of long-term debt	1,258,351	1,270,269
Federal income taxes (Notes 1 and 8):		
Payable		888,244
Deferred	116,610	106,610
Total current liabilities	$13,929,192	$15,268,527
Long-term Debt, less Current Maturities, 1974, $1,258,351; 1973, $1,270,269	2,904,121	3,714,721
Deferred Income Taxes	147,200	146,900

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

Principles of Consolidation

Income Taxes—Deferred income taxes are provided on timing differences between financial and taxable income, principally with respect to a subsidiary which keeps its accounts and files its income tax returns on the cash basis of accounting and prepares its financial statements on the accrual basis. The investment tax credit is applied as a reduction of Federal income tax expense in the year the properties are acquired.

The Company does not provide for income taxes on the undistributed earnings of its subsidiaries as it intends to have the subsidiaries reinvest substantially all such earnings and to the extent not so reinvested, to remit the earnings tax-free.

Note 8: Income Taxes—The provision for income taxes for the years ended October 31, 1974 and 1973, is summarized as follows:

	1974	1973
Current	$2,901,309	$3,203,780
Deferred	8,903	(453,485)
	$2,910,212	$2,750,295

The current amounts have been reduced by investment credits of approximately $49,000 in 1974 and $58,000 in 1973.

Certain subsidiaries have unused net operating loss carryforwards aggregating approximately $306,000 at October 31, 1974, which are available to offset future Federal taxable income of such subsidiaries. The loss carryforwards expire in the following years:

1976	$ 8,000
1977	118,000
1978	180,000

BURLINGTON INDUSTRIES, INC. (SEP)

	1974	1973
	(Dollar amounts in thousands)	
Current assets:		
Cash	$ 25,391	$ 18,713
Short-term investments, at cost, which approximates market	7,019	27,546
Customer accounts receivable after deduction of $19,755 (1973, $19,088) for doubtful accounts, discounts, returns and allowances	427,835	387,886
Sundry notes and accounts receivable	10,765	7,702
Inventories (Note B):		
Raw materials	90,559	93,120
Stock in process	83,885	86,582
Produced goods	224,029	215,802
Supplies, dyes and chemicals	37,294	25,710
Total inventories	435,767	421,214
Prepaid expenses	2,435	2,729
Deferred income taxes	23,211	14,277
Total current assets	$932,423	$880,067
Investments and other assets:		
Investments and receivables	$ 19,250	$ 17,480
Deferred income taxes	1,936	4,213
Unamortized debt expense and other deferred charges	10,108	12,872
Total investments and other assets	$ 31,294	$ 34,565

Notes to Consolidated Financial Statements

Note A (in part): Summary of Significant Accounting Policies

Income taxes—Deferred income taxes are provided on items recognized in different periods for financial statements than for income tax returns.

Investment tax credits are deducted from federal income tax expense under the "flow-through" method.

No provision is made for income taxes on undistributed earnings of subsidiaries since any taxes payable would be substantially offset by tax credits and such earnings are expected to be permanently invested.

Note E: Income taxes—The consolidated tax provision was 44.9% of pretax earnings in 1974 and 48.2% in 1973. A reconciliation of these rates to the statutory United States tax rate of 48% follows:

	1974	1973
United States statutory tax rate	48.0%	48.0%
Effect of:		
Investment tax credit	(3.5)	(3.0)
State and local taxes, net of federal credit	3.6	2.9
Tax credit on disposal loss of European subsidiary	(3.0)	—
All others	(.2)	.3
Effective tax rate	44.9%	48.2%

Provision for income taxes consisted of (in thousands):

	1974	1973
United States:		
Current	$86,168	$66,113
Investment tax credits	(6,286)	(4,733)
Deferred	(7,100)	1,211
State and local	12,591	8,887
Foreign:		
Current	5,392	4,764
Deferred	500	494
	91,265	76,736
U.S. tax credit on disposal of European subsidiary	(9,815)	—
	$81,450	$76,736

The principal items in the United States 1974 deferred tax credit (1973 deferred tax charge) are as follows (in thousands):

	1974	1973
Excess of tax (ADR) over book depreciation	$2,255	$2,134
Changes in provision for commodity losses	(5,787)	2,090
Changes in insurance reserves	1,243	(340)
Changes in contractual damage accruals	1,211	(743)
Changes in provisions for plant closings	(2,829)	(867)
Accrual for claims	(2,052)	—
Changes in all other accruals and reserves	(1,141)	(1,063)
	$(7,100)	$1,211

The federal tax returns of the Company have been reviewed by the Internal Revenue Service through the 1970 fiscal year. Provision for liabilities established in these examinations has been made in the financial statements, or the liabilities have been paid.

FEDERATED DEPARTMENT STORES, INC. (JAN)

	1975	1974
Current Liabilities:		
Notes payable and long-term debt due within one year	$ 51,797,605	$ 35,275,752
Accounts payable and accrued liabilities	270,477,975	294,229,978
Income taxes (note 1)	124,724,518	109,241,297
Total Current Liabilities	$447,000,098	$438,747,027
Deferred Income Taxes (note 1)	7,248,631	—

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

The provision for income taxes includes $17,815,000 and $15,926,000 of state and local taxes (substantially all current) for the years ended February 1, 1975 and February 2, 1974. Total investment tax credits ($4,530,000 for the year ended February 1, 1975 and $4,278,000 for the preceding year) are used to reduce federal income tax expense in each year. Deferred income taxes are provided on non-permanent differences between reported and taxable income.

The current liability for income taxes includes a deferred amount of $66,656,000 at February 1, 1975 and $63,197,000 at February 2, 1974 from deferment of gross margin on installment sales.

Deferred income taxes (deferred tax charges at February 2, 1974) are principally the net result of the deferred tax liability from accelerated depreciation and the deferred tax charges resulting from deferred compensation.

A.E. STALEY MANUFACTURING COMPANY (SEP)

	1974	1973
Current assets		
Deferred income taxes	$2,948,000	—
Long-term debt	45,369,000	44,410,000
Deferred items		
Pensions	11,201,000	10,398,000
Income taxes	11,646,000	9,461,000

Financial Review

Summary of Accounting Policies (in part):

Income Taxes—Deferred taxes are provided for certain items, principally depreciation, pension costs, and hedging transactions, which are reported for income tax purposes either in advance of or subsequent to the year in which such items are recognized for financial reporting purposes. United States taxes are provided on portions of undistributed earnings of foreign subsidiaries and affiliates which are expected to be received by the Company as dividends. No provision is made for United States taxes on portions of undistributed earnings which have been indefinitely reinvested by foreign subsidiaries and affiliates. Investment tax credits are recognized in the year the assets which give rise to the credits are placed in service.

Income Taxes—The provision for income taxes, in thousands of dollars, is summarized as follows:

	1974	1973
Current:		
Federal	$14,726	$ 741
State	1,476	104
Foreign	2,176	823
	18,378	1,668
Deferred	(1,778)	6,016
Investment tax credits	(830)	(814)
	$15,770	$6,870

Deferred income tax provisions, in thousands of dollars, are summarized as follows:

	1974	1973
Hedging transactions	$(2,462)	$3,481
Depreciation expense	1,184	1,943
Other	(500)	592
	$(1,778)	$6,016

The effective tax rate was 51.2% in 1974 and 46.5% in 1973. The differences between the amounts recorded and the amounts computed by applying the federal income tax rate to earnings before provision for income taxes is explained as follows (in thousands of dollars):

	1974		1973	
	Amount	%	Amount	%
Taxes computed at statutory rate..	$14,793	48.0	$7,088	48.0
State income taxes net of federal income tax benefit..............	752	2.4	399	2.7
Investment tax credit...............	(830)	(2.6)	(814)	(5.5)
Other—net	1,055	3.4	197	1.3
	$15,770	51.2	$6,870	46.5

TEXTRON INC. (DEC)

	1974	1973
Current assets:		
Cash	$ 39,057,000	$ 27,668,000
Marketable securities, at cost (which approximates market)	634,000	13,474,000
Accounts receivable (less allowance for losses of $7,863,000 and $7,178,000)................	346,763,000	313,502,000
Inventories, at lower of cost or market:		
Finished goods	195,154,000	159,114,000
Work in process (less progress payments of $167,815,000 and $78,181,000)	236,765,000	191,970,000
Raw materials and supplies...	149,349,000	99,550,000
	581,268,000	450,634,000
Future income tax benefits	28,100,000	42,000,000
Prepaid expenses................	8,372,000	7,558,000
Total current assets	$1,004,194,000	$854,836,000

Notes to Consolidated Financial Statements

Note 1 (in part): Accounting Policies

Income Taxes—Taxes are provided on income as reported in the financial statements regardless of the period in which such income is reflected for tax purposes. As a result, future income tax benefits have been reflected in the balance sheet principally for valuation reserves and accrued expenses which have been deducted from income but are not yet available as tax deductions.

Investment credits are included in income over the average useful lives of the assets purchased or leased.

Details of the provision for income taxes are:

	1974	1973
Federal:		
Current	$53,492,000	$72,442,000
Future benefits....................	13,000,000	(5,000,000)
	66,492,000	67,442,000
State	7,856,000	6,800,000
Foreign	8,002,000	6,458,000
Total	$82,350,000	$80,700,000

Total income tax expense was $8,012,000 and $6,437,000 less in 1974 and 1973, respectively, than the amount computed by applying the Federal income tax rate of 48% to income before income taxes. This condition was caused primarily by (1) the use of DISC corporations to lower taxes on exports ($4,814,000 in 1974 and $2,826,000 in 1973), (2) the amortization of investment tax credits ($1,889,000 in 1974 and $1,585,000 in 1973), (3) the 85% dividends received exclusion and tax exempt interest on bonds ($2,226,000 in 1974 and $1,556,000 in 1973), (4) the application of capital gains rates to net capital gains ($1,265,000 in 1974 and $1,321,000 in 1973), offset by (5) the impact of state income taxes, net of related Federal income tax benefit, and lower foreign tax rates ($4,266,000 in 1974 and $1,878,000 in 1973).

MINORITY INTERESTS

Practically all of the survey companies indicated in Table 2-31 as disclosing a balance sheet amount for minority interest used the term *minority*. Examples of minority interest presentations and disclosures follow.

BORG-WARNER CORPORATION (DEC)

Balance Sheet

	1974	1973
	(millions of dollars)	
Warranties and other liabilities.....	$ 38.2	$ 28.8
Deferred income	25.0	23.4
Deferred income taxes.............	28.7	40.3
Long-term debt......................	246.8	135.5
Minority shareholders' interest in consolidated subsidiaries........	11.7	9.7

Statement of Earnings

Costs and expenses:		
Cost of sales	$1,419.9	$1,179.8
Depreciation.......................	43.1	40.5
Selling, general and administrative expenses	206.3	182.3
Interest and other financial charges	38.1	21.7
Minority interests................	2.0	2.0
Provision for income taxes	21.9	61.6
	$1,731.3	$1,487.9

TABLE 2-31: MINORITY INTEREST — BALANCE SHEET PRESENTATION

	1974	1973	1972	1971	1970
Amount of minority interest disclosed	184	196	203	197	187
Minority interest indicated but amount not disclosed............	21	21	25	26	17
No indication of minority interest	381	371	361	364	379
Statements not consolidated...........	14	12	11	13	17
Total Companies................	**600**	**600**	**600**	**600**	**600**

CONTINENTAL OIL COMPANY (DEC)

Consolidated Balance Sheet

	1974	1973
Total current liabilities	$1,327,125,000	$860,622,000
Long-term debt	892,515,000	700,228,000
Minority interest in subsidiaries	144,157,000	124,204,000
Deferred credits and other liabilities:		
Income taxes	125,347,000	106,104,000
Employee benefits	55,319,000	29,231,000
Sale of leasehold rights	6,941,000	9,577,000
Other	67,766,000	54,927,000
	$ 255,373,000	$199,839,000

Statement of Consolidated Income and Retained Earnings

Costs, expenses, and taxes:		
Costs and operating expenses	$4,944,332,000	$2,536,019,000
Selling, general, and administrative expenses	346,470,000	291,829,000
Income and other taxes	1,352,796,000	1,088,703,000
Depreciation, depletion, and amortization	231,689,000	230,422,000
Dry hole costs	52,620,000	34,574,000
Interest and debt expense	80,133,000	65,332,000
Minority interest in subsidiaries' net income	29,540,000	20,068,000
	$7,037,580,000	$4,266,947,000

W.R. GRACE & CO. (DEC)

Consolidated Balance Sheet

	1974	1973
	($000)	
Total Current Liabilities	$ 779,923	$ 603,641
Deferred Taxes on Income	61,371	40,675
Deferred Revenue from Future Natural Resource Production	50,000	—
Foreign Social Law Obligations and Other Noncurrent Liabilities	49,911	35,059
Long Term Debt	643,099	541,632
Equity of Minority Shareholders in Consolidated Subsidiaries	31,154	25,095
	$1,615,458	$1,246,102

Consolidated Statement of Income

Cost of goods sold and operating expenses	$2,447,367	$2,012,097
Selling, general and administrative expenses	592,089	529,200
Depreciation and depletion	81,402	68,118
Research and development expenses	31,407	28,106
Interest expense	67,155	50,395
Income applicable to minority shareholders	6,190	3,785
	$3,225,610	$2,691,701

E.I. DU PONT DE NEMOURS & COMPANY (DEC)

Consolidated Balance Sheet

	1974	1973
	(Dollars in millions)	
Long-Term Borrowings	$793.3	$249.7
Deferred Income Taxes	108.3	78.3
Deferred Investment Tax Credit	127.5	119.0
Other Liabilities and Reserves	82.6	116.3
Minority Interests in Consolidated Subsidiaries	92.6	85.5

Consolidated Income Statement

Earnings Before Minority Interests	$414.8	$596.5
Minority Interests in Earnings of Consolidated Subsidiaries	11.3	10.9
Net Income	$403.5	$585.6

Summary of Significant Accounting Policies

Consolidation of Majority-Owned Subsidiaries—Majority-owned subsidiaries, previously accounted for by the equity method of accounting, are now fully consolidated. The effect of this change is to include all sales and expenses as well as all assets and liabilities of Du Pont of Canada, Remington Arms Company, Ducilo (an Argentine subsidiary), and Polidura (a Brazilian subsidiary) in the accounts of the consolidated statements. The resulting minority interests are reflected as "Minority Interests in Earnings of Consolidated Subsidiaries" in the income statement and "Minority Interests in Consolidated Subsidiaries" in the balance sheet.

GETTY OIL COMPANY (DEC)

Consolidated Balance Sheet

	1974	1973
	($000)	
Total current liabilities	$700,379	$310,134
Long-Term Debt—Note 4	157,708	178,851
Deferred Credits—Note 5	102,579	85,222
Total liabilities	960,666	574,207
Minority Interest in Subsidiaries—Note 2	207,793	194,515

Consolidated Statement of Income

Income Before Minority Interest and Extraordinary Items	$316,211	$149,853
Less minority interest in income of consolidated subsidiaries—Note 2	35,238	14,821
Income Before Extraordinary Items	$280,973	$135,032

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, 1974, the company owned an 88.91 percent interest in Mission Corporation and a 5.52 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 70.01 percent interest in Skelly Oil. The comparable equity interests on December 31, 1973, were, respectively, 87.93 percent, 3.56 percent, 72.53 percent and 67.34 percent.

The equity of the minority stockholders of Mission and Skelly Oil in the net assets of these companies was $207,793,000 on December 31, 1974, and $194,515,000 on December 31, 1973, 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 ($35,238,000 in 1974 and $14,821,000 in 1973) has been deducted in arriving at the amount shown as consolidated net income.

CELANESE CORPORATION (DEC)

Balance Sheets

	1973	1974
	(millions)	
Deferred income taxes	$ 95	$ 88
Long-term debt	451	471
Minority interest in consolidated subsidiaries	136	146
Deferred investment tax credits	30	29

Statements of Income

Operating income	$198	$165
Interest expense	(35)	(32)
Equity in net income of affiliates	12	8
Other income and expense	3	19
Gain on sale of assets	—	38
Income before taxes	178	198
Provision for income taxes	75	80
Income before minority interest	103	118
Minority interest	28	20
Income before extraordinary items	$ 75	$ 98

Consolidated Financial Statements

Notes (millions)

Note F: Minority Interest

	1973	1974
Fiber Industries, Inc.	$ 78	$ 84
Celanese Canada Limited	43	46
Celanese Colombiana, S.A.	11	11
Celanese Venezolana, S.A.	3	4
Others	1	1
Total	$136	$146
Minority share of—Income before extraordinary items	$ 28	$ 29
—Dividends	8	13

MOTOROLA, INC. (DEC)

Consolidated Balance Sheets

	1974	1973
	($000)	
Total Current Liabilities	$315,002	$299,676
Long-Term Debt (Note 3)	147,810	150,338
Other Non-Current Liabilities	23,923	17,971
Minority Interest in Majority-Owned Subsidiaries	543	2,055

Statements of Consolidated Earnings and Retained Earnings

Manufacturing and other costs of sales	$ 878,675	$ 755,720
Selling, service and administrative expense (notes 6 and 7)	285,035	240,274
Depreciation of plant and equipment	43,456	33,340
Interest and amortization of debenture discount, expense and premium, net	27,201	16,194
Minority interest in losses of majority-owned subsidiaries	(794)	(280)
Total costs and other expenses	$1,233,573	$1,045,248

THE SUPERIOR OIL COMPANY (DEC)

Consolidated Balance Sheet

	1974	1973
Long-Term Debt	$130,379,000	$148,747,000
Natural Gas Sales Subject to Refund Including $2,184,000 and $6,657,000 applicable to royalty and working interest owners at December 31, 1974 and 1973, respectively	30,074,000	32,856,000
Deferred Foreign Income Taxes	20,145,000	19,290,000
Minority Interest in Canadian Superior Oil Ltd. (Note 1)	65,413,000	50,578,000

Consolidated Statement of Income

Other Income (Expense)		
Dividends and miscellaneous income	$ 14,284,000	$ 10,312,000
Gain on sale of 205,000 shares of Texaco stock	—	4,747,000
Equity in earnings of affiliated companies	3,432,000	6,534,000
Interest expense	(14,242,000)	(10,719,000)
Income taxes	(33,077,000)	(19,688,000)
Minority interest in Canadian Superior Oil Ltd. (Note 1)	(14,761,000)	(8,099,000)
	$(44,364,000)	$(16,913,000)

Note 1: Change in Principles of Consolidation—In 1974 the Company adopted the policy of consolidating all companies owned more than fifty percent. In prior years only wholly owned subsidiaries were consolidated and invest-

ments in companies owned twenty percent or more were accounted for on the equity basis. As a result of this change, the accounts of Canadian Superior Oil Ltd. (Canadian Superior), a Canadian corporation owned 53.3 percent, have been included in the consolidated financial statements. The 1973 financial statements have been restated to apply this policy retroactively. Net income for prior years is unchanged since, under the equity method, the Company's share of Canadian Superior's earnings had been included in net income.

At December 31, 1974 the Company's equity in the net assets of Canadian Superior was $16,465,000 less than its investment therein. Such amount has been included in producing oil and gas properties and is being amortized over the next 13 years.

OTHER NONCURRENT LIABILITIES

Many of the survey companies presented captions for deferred credits and/or noncurrent liabilities, other than long-term debt, deferred taxes, or minority interest. Table 2-32 summarizes the nature of such deferred credits and other noncurrent liabilities. Examples of deferred credits and other noncurrent liabilities follow.

TABLE 2-32: OTHER NONCURRENT LIABILITIES

Employee Liabilities	**1974**	**1973**	**1972**	**1971**
Deferred compensation, bonus, etc.	73	90	92	88
Pension or retirement plan	62	72	71	68
Other — not described	28	29	28	27
Estimated losses or expenses				
Discontinued operations	29	29	35	31
Foreign operations	26	41	28	32
Insurance	22	31	34	35
General contingencies	6	6	5	8
Other — described	31	12	36	31
Deferred credits				
Deferred translation gains	22	N/C	N/C	N/C
Payments received in advance, warranties, etc.	19	30	26	25
Deferred profit on sales	12	9	9	12
Production payments	13	7	13	12
Excess of acquired net assets over cost	6	8	10	12
Other — described	19	25	22	13
"Miscellaneous" or "other"	**247**	**236**	**178**	**169**
Total Presentations	**615**	**625**	**587**	**563**

N/C — Not Compiled.

Liabilities to or for Employees

ACME-CLEVELAND CORPORATION (SEP)

Long-Term Liabilities	
Long-term debt	$51,075,644
Deferred income taxes	2,103,490
Foreign severance indemnity —Note H	1,707,029
	$54,886,163

Note H: Pension, Profit Sharing, and Severance Indemnities—The Corporation and its subsidiaries have several pension plans, certain of which were amended during the year to provide for increased benefits, covering substantially all employees. The total pension expense was approximately $3,090,000 for 1974 and $2,380,000 for 1973. The Corporation's policy is to fund pension cost accrued. The actuarially computed value of vested benefits for certain plans as of their respective anniversary dates exceeds the market value of their pension funds by approximately $9,454,000 at September 30, 1974.

The Corporation has several employee profit sharing plans in effect. Amounts contributed under such plans are based upon the annual earnings of the respective operating units. Such contributions amounted to $1,583,000 in 1974 and $2,118,000 in 1973.

An indemnity is payable to all employees of certain foreign subsidiaries on termination of their employment and is based on employment category, length of service and rates of pay at termination date. Accrual for the liability has been made on the basis of accumulated service and remuneration.

FANSTEEL INC. (DEC)

	1974	1973
Long-Term Debt, Less Current Instalments:		
5½% Convertible subordinated notes, due in annual instalments of $1,000,000 commencing January 31, 1979.	$ 7,667,000	$ 7,667,000
6⅝% Promissory notes, due in annual instalments of $600,000	4,200,000	4,800,000
Other		30,000
	11,867,000	12,497,000
Deferred Pension Plan Contributions	540,421	549,207

Financial Review

Pension Plans—The Company provides pension benefits under various plans for the majority of its employees. Pension costs of $1,250,000 in 1974 and $948,000 in 1973 include normal cost, interest on unfunded past service costs, and amortization of unfunded prior service costs. The cumulative excess of pension provisions over amounts funded has been recorded as deferred pension plan contributions.

The excess of vested benefits over pension fund assets at market value was $5,183,000 at January 1, 1974, the date of the most recent actuarial valuations.

The decline in the stock market over the past two years has resulted in market values below the cost of pension trust investments. Market values were $700,000 lower than cost as of January 1, 1974 and $3,200,000 lower as of December 31, 1974. As a result of the 1974 market value decline, the excess of vested benefits over fund assets at December 31, 1974 will increase by approximately $2,500,000.

ALLIED CHEMICAL CORPORATION (DEC)

	1974	1973
Total current liabilities	$329,105,000	$259,384,000
Long-term debt	354,071,000	354,228,000
Capitalized lease obligations	84,123,000	74,406,000
Deferred income	27,894,000	18,985,000
Deferred income taxes	100,234,000	82,388,000
Accrued pension obligations	61,887,000	74,086,000
Total liabilities	$957,314,000	$863,477,000

Statement of Accounting Policies

Pension Expense provides for amortization of prior service costs, including vested benefits, principally over a twenty-five year period. The Company funds amounts equal to pension expense plus a portion of amounts recorded on its books as accrued pension obligations; accordingly, the existing accrued pension obligations provided in prior years are reduced concurrently with additions to the amounts funded with trustees.

FEDERATED DEPARTMENT STORES, INC. (JAN)

	1975	1974
Deferred Income Taxes	$ 7,248,631	$ —
Deferred Compensation (note 6)	74,311,006	69,902,143
Long-Term Debt, due after one year	126,275,149	116,505,496

Note 6: Deferred Compensation represents principally cash and stock distributable after retirement or termination under the company's Executives Deferred Compensation Plan in which eligible executives may elect to defer a portion of their compensation each year. The company maintains shares in the treasury to cover the number it estimates will be needed for distribution of stock credits currently outstanding.

UNITED BRANDS COMPANY (DEC)

	1974	1973
	($000)	
Long-term Debt	$383,100	$396,237
Accrued Pension and Severance Liabilities (Note 11)	63,395	54,369
Other Liabilities and Deferred Credits	2,509	9,040
Minority Interests in Net Assets of Subsidiaries	2,310	28,560

Note 1 (in part): Summary of Accounting Policies

Pensions and Severance: Liabilities for pensions and related charges to income are determined by the use of actuarially computed valuations of benefits; charges to income include amortization of past service costs over periods from ten to forty years. Amounts so determined have generally been funded in prior years to the extent that federal income tax benefits are obtained. Provision for Latin American severance and similar benefits is made by charges to income based on actuarial determinations of future liabilities.

Note 11: Pensions and Severance—The Company and its subsidiaries have several pension plans covering approximately 12,000 of their employees. The total pension expense applicable to continuing operations was approximately $8,200,000 and $7,300,000 in 1974 and 1973, respectively, including amortization of past service cost. The total of the pension funds and balance sheet accruals are approximately $30 million less than the aggregate actuarially computed value of vested benefits of certain plans.

The Company's U.S. pension plans are subject to the requirements of the Employee Retirement Income Security Act of 1974, beginning in 1976. Compliance with the Act will require the Company to contribute to the pension fund but is not expected to have a material effect on the Company's pension expense.

The cost of severance and similar benefits charged to income from continuing operations, primarily covering Latin American employees, was approximately $3,800,000 and $3,100,000 for the years 1974 and 1973, respectively.

Other Noncurrent Liabilities—Described

COMBINED COMMUNICATIONS CORPORATIONS (DEC)

	1974	1973
Total current liabilities	$28,178,000	$17,175,000
Customers' Deposits, less current portion	220,000	402,000
Deferred Income Taxes (Notes A and F)	4,987,000	2,947,000
Long-term Debt, less current portion (Note G)	96,485,000	94,229,000
Film Contracts Payable, less current portion	2,598,000	1,386,000
Estimated Liability to Dissenting Shareholders (Note K)	803,000	

Note K (in part): Commitments and contingencies:

P&S merger dissenting shareholders action—The Company and certain of its officers have been named defendants in an action filed by eight former shareholders of P&S. The action seeks rescission of the merger between the Company and P&S, and damages alleged to arise from that merger. The Company believes that the lawsuit is based on erroneous assumptions of fact and anticipates that its only liability to the plaintiffs will be limited to the value of their P&S stock which will be determined pursuant to an appraisal proceeding which was instituted by the Company.

ASG INDUSTRIES, INC. (DEC)

Estimated Loss on an Excess Facility (Note 5)	$4,005,000

Note 5: Estimated Loss on an Excess Facility—At December 31, 1974, there was no glass production at the Company's sheet glass plant located in Okmulgee, Oklahoma, and most of the employees had been indefinitely furloughed. The decline in demand for sheet glass caused by the decline in residential construction and the greater availability of float glass in substitution for many sheet glass applications has, in the opinion of the Company's management, impaired the economic viability of this plant. A decision to permanently close this plant has not been made. However, since plans for resuming operations are indefinite and dependent upon external factors, management believes financial results are more fairly stated if provision is made in 1974 for the estimated economic loss on this excess facility.

After this provision, Okmulgee's inventory and property, plant and equipment included in the Company's Statement of Financial Position represent less than 1.5% of the respective asset totals.

GULF OIL CORPORATION (DEC)

	1974	1973
	(Millions of Dollars)	
Total current liabilities	$4,064	$2,404
Long-term debt	1,471	1,608
Liability to nuclear partnership (Note 7)	179	—
Deferred income taxes	41	105
Other liabilities	105	122
Minority interests	314	266
Total Liabilities	$6,174	$4,505

Note 7: Investment in Nuclear Partnership—Effective July 1, 1973, the Company entered into a partnership under which the Company and the Royal Dutch/Shell Group of Companies own and operate, on a 50-50 basis, the business which had previously been conducted by the Company's division, Gulf Energy & Environmental Systems. The investment in this partnership is accounted for on an equity basis except that the Company's proportionate share of all of the partnership's revenue and expense accounts has been included on a pro-rata basis in the consolidated statements of income and retained earnings. See Note 3 for information as to the revenues and net income attributable to the Company's nuclear operations.

Provision has been made for the Company's 50% share of anticipated future losses on certain contracts of the partnership of which the Company's share aggregated $240 million, $140 million of which was recorded in 1974. Losses realized and charged to the reserve in 1974 were $15 million.

The aggregate provision for losses primarily reflects the Company's best estimate of the cost of completing the first group of advanced-design High Temperature Gas-cooled Reactor nuclear power plants to be built by the partnership for certain public utilities. The provision also includes estimated losses on related nuclear fuel supply agreements, nuclear fuel reprocessing agreements, and divestment of a light water reactor fuel fabrication division.

The excess of operating losses over the Company's equity investment at December 31, 1974 amounted to $179 million. Since the partnership agreement provides that the capital requirements will be contributed equally by the partners, this amount is reflected as a liability to the nuclear partnership.

The estimate for losses is subject to several uncertainties because it is based on cost estimates which must be projected over a long future period and which are dependent upon inflation rates and governmental regulatory factors subject to change. Moreover, sales agreements provide that, under certain circumstances, customers can defer or cancel construction.

PPG INDUSTRIES, INC. (DEC)

	1974	1973
Deferred Credits and Accumulated Provisions:		
Future income taxes	$ 64,652,000	$ 62,939,000
Investment credit-unamortized balance	6,201,000	8,068,000
Maintenance and repairs	20,683,000	19,085,000
Unfunded and uninsured pensions	34,865,000	29,085,000
Other	15,336,000	13,903,000
Total Deferred Credits and Accumulated Provisions	$141,737,000	$133,080,000

Summary of Accounting Policies

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, except for major furnace repairs. In accordance with industry practice, the estimated cost of major furnace repairs is provided for in advance by charges against earnings.

SIGNODE CORPORATION (DEC)

	1974	1973
	(Thousands of Dollars)	
Deferred Income Taxes and Credits		
Income taxes	$10,049	$ 7,141
Investment credits and grants	3,461	3,071
Total (Note 2)	$13,510	$10,212
Customer Deposits		
Deposits on strapping machines and tools in service with customers, applicable to future operations	$13,677	$13,481

Note 2 (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 29, 1974, except for an insignificant amount of taxes applicable to earnings ($9,768,000) permanently reinvested in the years prior to 1969. The Company has also provided for taxes on undistributed earnings of its Domestic International Sales Corporation (DISC) subsidiary, not currently taxable under existing tax regulations. 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 SPERRY AND HUTCHINSON COMPANY (DEC)

	1974	1973
	($000)	
Current liabilities:		
Notes due to banks	$ 39,550	$ 31,161
Current portion of long-term debt	3,580	2,762
Accounts payable and accrued liabilities	76,621	76,608
Federal, state and local taxes (Note 5)	4,910	6,409
Dividends payable	2,680	2,722
Liability for stamp redemptions (Note 5)	120,138	129,307
Total current liabilities	247,479	248,969
Long-term liabilities, less current portions:		
Liability for stamp redemptions (Note 5)	120,138	129,307
Debt	21,549	17,846
Other	4,336	4,452
	$146,023	$151,605

Summary of Significant Accounting Policies

Change in classifications—The Company has the use of funds received from the distribution of stamps while the cost to redeem these stamps is delayed to future periods. In financial statements presented in prior periods, the Company has classified the entire liability for stamp redemptions as a current liability and all investments in marketable securities as current assets. As mentioned in prior reports, a portion of the liability for stamp redemptions relates to stamps which may not be presented for redemption during the next year. During recent years, studies have been made which indicate that approximately 50% of the stamps are not presented within one year; therefore, this portion of the liability for stamp redemptions, and related Federal tax benefits, has been reclassified as a long-term liability in the accompanying financial statements.

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 liability for stamp redemptions is adjusted each year based upon current operating experience and includes the cost of merchandise and related redemption service expenses required to redeem 95% of the stamps issued.

As discussed above, the Company's studies have indicated that approximately 50% of the stamps outstanding are not presented for redemption within one year; consequently this portion of the liability for stamp redemptions has been classified as a long-term liability.

Notes to Consolidated Financial Statements

Note 5: Income Tax—The Company believes that adequate provision has been made in the accounts for Federal income taxes for 1974 and prior years.

Federal income tax returns of the Company have been examined by the Internal Revenue Service and settled for all years through 1968. The one remaining issue for the years 1969 through 1972 relates to the liability for unredeemed stamps. For more than 40 years the Company has prepared its Federal income tax returns on the basis that 95% of the stamps issued will ultimately be redeemed. On the basis of statistical studies conducted to date, the Company continues to believe it appropriate to use a 95% redemption rate for financial reporting purposes.

Current IRS regulations provide for acceptance of the Company's estimated redemption rate for Federal income tax purposes if the rate is derived from statistical studies prepared in accordance with the regulations. The Company has requested technical advice from the IRS in an effort to obtain approval of the techniques employed in its statistical studies, and further believes that such approval will be obtained. Unless the statistical studies indicate a redemption rate substantially lower than 95% to be used for Federal income tax purposes (which the Company does not anticipate), the payment of any additional tax will not have a material adverse effect on the Company's financial position or results of operations.

SPRAGUE ELECTRIC COMPANY (DEC)

	1974	1973
Long-Term Debt		
Bank loans, due 1976	$34,476,080	$29,821,120
Sinking fund debentures, 4⅜%, due 1988	10,980,000	11,650,000
Convertible subordinated debentures, 4¼%, due 1992	24,995,000	24,995,000
Lease obligations	5,586,603	4,293,092
Other loans	634,921	1,627,312
	76,672,604	72,386,524
Deferred Income Taxes	3,849,777	3,034,724
Deferred Staff Termination Pay	1,280,897	1,039,770
Provision for U.S. Customs Penalties (Note H)	1,589,800	1,589,800

Note H: Contingencies—In February, 1973, both the Company and Mostek Corporation (the Company's principal affiliate) voluntarily disclosed to the U.S. Customs Service certain deficiencies in connection with the importations of assemblies from Mexico into the United States.

Demands were subsequently made by the U.S. Customs Service, jointly and severally, against the Company and the other parties involved for the payment of $9,937,560 in penalties. In January, 1974, the original demands for penalty were mitigated to $2,080,000 of which amount the Company has agreed to assume responsibility for the payment of $1,589,800. The Company's 1972 financial statements were restated to reflect this adjustment.

The Company has filed supplemental petitions with the U.S. Customs Service and continues to pursue actively all avenues of further mitigation.

TOBIN PACKING CO., INC. (OCT)

	1974	1973
Current Liabilities:		
Accounts payable and accrued liabilities, including employees' compensation	$1,904,128	$2,651,184
Accrued pension costs...........	488,372	951,162
Federal income taxes............	50,286	105,249
Other taxes	225,257	266,170
Note payable.....................	—	93,000
Current portion of allowance for future costs (Note 2)........	34,285	65,156
Total current liabilities	2,702,328	4,131,921
Allowance for future costs (Note 2)	214,841	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. This sublease was extended for an additional year in November 1974. The 1974 and 1973 extraordinary gain, net of applicable income taxes, of $65,000 and $100,000, respectively, represents the recovery of a portion of certain costs and expenses over the sublease periods, which had been fully provided for in 1972 as an extraordinary loss.

At November 2, 1974 there remained a balance of $249,126 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 relating thereto are summarized as follows:

	Allowance for Future Costs	Deferred Taxes
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	458,460	232,900
Year ended November 2, 1974:		
Recovery	(124,000)	(59,000)
Incurred...........................	(85,334)	(32,200)
Balance, November 2, 1974:		
Current portion....................	34,285	19,000
Non-current portion...............	214,841	122,700
	$249,126	$141,700

The current portion of deferred taxes is included in prepayments and other current assets.

GATEWAY INDUSTRIES, INC. (DEC)

	1974	1973
Long-Term Liabilities, less current portion		
Long-term debt......................	$4,125,000	$3,600,000
Accrual for costs and expenses relating to vacated leased manufacturing facilities—Note C....	186,758	—
Deferred income taxes, including investment tax credits: 1974—$142,000; 1973—$134,000	340,000	573,000
	$4,651,758	$4,173,000

Note C: Idle Plant Facilities—In December, 1974, the Company permanently discontinued operations at one of its leased manufacturing facilities and presently is attempting to sublet these facilities. The financial statements include a provision of $2,000,000 for estimated costs and future expenses applicable to these facilities. The provision consists of the loss on the leasehold improvements, continuing fixed expenses up to the estimated date the facilities will be sublet, and the difference between the estimated sublet rental income and the amount of the Company's lease commitment.

Deferred Credits

WALT DISNEY PRODUCTIONS (SEP)

	1974	1973
Long Term Liabilities		
Notes payable to banks (note 4)	$55,000,000	$39,000,000
Other..............................	5,801,000	5,407,000
	60,801,000	44,407,000
Unearned Deposits and Rentals	8,580,000	9,319,000
Deferred Taxes on Income and Investment Credits................	63,144,000	51,171,000

W.R. GRACE & CO. (DEC)

	1974	1973
	($000)	
Total Current Liabilities	$ 779,923	$ 603,641
Deferred Taxes on Income..........	61,371	40,675
Deferred Revenue from Future Natural Resource Production....	50,000	—
Foreign Social Law Obligations and Other Noncurrent Liabilities.....	49,911	35,059
Long Term Debt......................	643,099	541,632
Equity of Minority Shareholders in Consolidated Subsidiaries	31,154	25,095
	$1,615,458	$1,246,102

Notes to Financial Statements

Note 5: Deferred Revenue from Future Natural Resource Production—In December 1974, the Company received $50,000,000 as the principal sum of proceeds from the sale of natural resources in advance of production. Repayment of this principal sum and financing costs will be made only from the proceeds generated by the sale of a portion of the production from certain dedicated properties that will be operated by the Company under the terms of this production payment agreement. It is currently estimated that this production payment will be liquidated by 1980.

KOPPERS COMPANY, INC. (DEC)

	1974	1973
Total current liabilities	$144,022,767	$107,037,152
Term debt due after one year		
6% notes due $3,000,000 annually commencing August 1, 1977	50,000,000	50,000,000
Term loan payable to banks	60,000,000	30,000,000
Notes payable to banks	33,000,000	10,000,000
5.8% promissory notes due $670,000 annually	7,320,000	7,990,000
Pollution control notes	10,600,000	10,600,000
Other	5,725,960	4,167,568
	166,645,960	112,757,568
Deferred compensation	5,464,629	4,982,295
Deferred income taxes	18,765,718	20,565,869
Deferred foreign exchange gain	855,160	629,000
Minority shareholders' interest in subsidiaries	46,281	214,804
Total liabilities	$335,800,515	$246,186,688

MELVILLE SHOE CORPORATION (DEC)

	1974	1973
Total current liabilities	$59,769,538	$74,805,315
Long-term debt	34,985,375	35,659,427
Deferred credit	180,450	310,450
Deferred credit on condemnation of property (note 2)	6,620,000	6,620,000
Deferred Federal income taxes	2,880,647	1,994,007
Lease obligations for closed stores	546,281	658,655
Minority interests in subsidiaries	11,332,246	9,708,626

Note 2: 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 1973, 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.

MIDWEST RUBBER RECLAIMING COMPANY (OCT)

	1974	1973
Deferred Credits:		
Deferred gain from translation of foreign operations (Note 1)	$162,422	$184,168
Deferred income taxes	476,000	380,000
Deferred investment tax credit	212,527	220,527
Total Deferred Credits	$850,949	$784,695

Note 1: Accounting Policies—A summary of the company's accounting principles and practices is presented in the Statement of Accounting Policies on page 5 of this report.

Statement of Accounting Policies

Principles of Consolidation (in part)—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. Midwest Rubber Reclaiming Company is a majority-owned subsidiary of Goodrich Realty & Development Group, Inc.

The assets and liabilities of the foreign subsidiary have been translated into U.S. dollars at the year end rates of exchange, except that property, plant and equipment have been translated at the rates prevailing on the dates of acquisition. Income and expenses (except depreciation) have been translated at the weighted average exchange rate for the year. The net unrealized gain on translation has been deferred in the balance sheet against future exchange fluctuations.

NORTHROP CORPORATION (DEC)

	1974	1973
Total current liabilities	$189,171,000	$160,501,000
Long-term debt	59,056,000	60,619,000
Deferred taxes on income	4,733,000	3,691,000
Deferred credit—Note J	6,895,000	

Note J: Deferred credit—In 1974 a subsidiary, George A. Fuller Company, acquired in 1971, was merged into the Corporation and the merged company's net operating loss carryover as of acquisition date will be utilized by the Corporation in its 1974 income tax return. The resulting income tax benefit has been classified as a deferred credit with no effect on net income. Under the terms of the purchase agreement a portion of the tax benefit may be due the sellers of the subsidiary. Amortization of the portion available to the Corporation, representing an excess of the assigned value of the net assets acquired over their cost, will commence at the time the tax benefits are assured.

PAXALL, INC. (OCT)

	1974	1973
Deferred Income and Liabilities:		
Deferred lease income (Note 1)....	$344,342	$310,955

Note 1 (in part): 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 Lease Income.

ROHM AND HAAS COMPANY (DEC)

	1974	1973
Long-term debt......................	$231,635,000	$148,227,000
Unawarded bonuses................	4,763,000	3,729,000
Unamortized investment credits and grants............................	19,677,000	21,054,000
Deferred income taxes and other liabilities.........................	11,329,000	6,834,000
Minority interest in consolidated subsidiaries......................	2,089,000	1,652,000

Notes to Consolidated Financial Statements

Note 1 (in part): Accounting Policies

Income Taxes are provided in the period in which the related transactions enter into the determination of net income. Provision has been made for deferred income taxes where differences exist between the time in which transactions (principally depreciation and bonuses) affect taxable income and the time in which they enter into the determination of net income. United States investment tax credits since 1969 are taken directly into income as a reduction of income taxes. United States investment tax credits prior to 1969 were deferred and are being amortized over the lives of the related assets as a reduction of income taxes. Foreign investment grants related to certain machinery and equipment of the company's foreign subsidiaries are deferred in the accounts. The grants are being amortized over the lives of these assets and offset related depreciation expense.

THE STANDARD OIL COMPANY (AN OHIO CORPORATION) (DEC)

	1974	1973
	Thousands of Dollars	
Other Liabilities......................	$ 19,602	$ 14,683
Long-Term Debt—Note D...........	804,943	413,498
Deferred Revenue—Note E.........	165,340	76,710
Deferred Income Taxes	46,740	43,218
Commitments and Contingencies —Notes J, K, and M		

Note E: Deferred Revenue—A subsidiary has entered into the following agreements under which revenues and related costs to produce will be reported in operations as production occurs.

(1) An agreement which provides for the advance sale of $175 million of crude oil from Prudhoe Bay reserves and grants purchase rights to a substantial portion of Prudhoe Bay gas reserves. Advance payments, totaling $120 million at December 31, 1974, and $60 million at December 31, 1973, plus accrued interest ($19.5 million to December 31, 1974, and $10.5 million to December 31, 1973) and certain other costs, are to be repaid only from sales of crude oil from Prudhoe Bay leases.

(2) An agreement which provides for the subsidiary to receive up to $300 million, to be repaid only from the sale of crude oil from Prudhoe Bay reserves. The maximum available amount is to be reduced by any outstanding borrowings under the $100-million revolving credit agreement of the parent—Note D. Any drawdowns (none at December 31, 1974) must be in relation to total expenditures for Prudhoe Bay development and the Alaska pipeline.

(3) Agreements which provide for advance coal sales of $25.6 million. Advance payments, $24.6 million plus accrued interest of $1.2 million at December 31, 1974, are to be repaid only from sales of coal. Subsequent to December 31, 1974, an agreement for an advance coal sale was increased $20.1 million, and an advance uranium sale for $10.5 million was negotiated to develop properties.

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 2-33 shows that a significant number of companies continue to use the term reserve in the asset or liability sections of the balance sheet.

TABLE 2-33: USE OF TERM "RESERVE"

To describe deductions from assets for	1974	1973	1972	1971
Uncollectible accounts	42	53	62	64
Accumulated depreciation	18	20	26	26
Decline in value of investments	11	10	12	12
Other	9	20	28	18
Total Presentations	**80**	**103**	**128**	**120**
To describe accruals for				
Estimated expenses relating to property abandonments or discontinued operations	17	15	22	26
Employee benefits or compensation	29	34	34	47
Estimated losses or expenses relating to foreign operations	28	35	24	28
Insurance	15	25	29	27
Deferred income taxes	5	7	14	18
Other — identified	16	35	32	26
Other — not identified	38	40	45	57
Total Presentations	**148**	**191**	**200**	**229**

TITLE OF STOCKHOLDERS' EQUITY SECTION

Table 2-34 summarizes the titles used in the 1974 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 2-34: TITLE OF STOCKHOLDERS' EQUITY SECTION

	1974	1973	1972	1971
Stockholders' equity	289	301	304	312
Shareholders' equity	210	210	197	191
Shareholders' investment	29	27	29	29
Shareowners' equity	23	23	22	21
Stockholders' investment	13	15	15	13
Other or no title	36	24	33	34
Total Companies	**600**	**600**	**600**	**600**

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 2-27.

CAPITAL STRUCTURES

Table 2-35 summarizes the various classes and combinations of capital stock disclosed in the balance sheets of the survey companies. The need for disclosure in connection with complex capital structures is stated in Paragraph 19 of *APB Opinion No. 15*.

> 19. The use of complex securities complicates earnings per share computations and makes additional disclosures necessary. The Board has concluded that financial statements should include a description, in summary form, sufficient to explain the pertinent rights and privileges of the various securities outstanding. Examples of information which should be disclosed are dividend and liquidation preferences, participation rights, call prices and dates, conversion or exercise prices or rates and pertinent dates, sinking fund requirements, unusual voting rights, etc.

TABLE 2-35: CAPITAL STRUCTURES

Common stock with:	1974	1973	1972	1971
No preferred stock (*188,500,723)	164	173	164	164
One class of preferred stock (*66,126,141)	333	323	327	309
Two classes of preferred stock (*314,469,569)	81	88	81	92
Three or more classes of preferred stock (*340,372,563)	22	16	28	35
Total Companies	**600**	**600**	**600**	**600**
Companies included above with two or more classes of common stock (*366,621,680)	18	13	19	21

*Refer to Company Appendix Section.

Simple Capital Structures

ANCHOR HOCKING CORPORATION (DEC)

	1974	1973
Preferred stock—$4 cumulative—without par value (stated value and redeemable at $107 a share)		
Authorized 60,500 shares; issued and outstanding 6,450 shares (1973—7,505)......	$ 690,000	$ 803,000
Serial preference stock—$1 par value		
Authorized 5,000,000 shares; issued—none		
Common stockholders' equity:		
Common stock—$3.25 par value per share		
Authorized 15,000,000 shares; issued 7,081,428 shares (1973—7,049,428).....	23,015,000	22,911,000
Capital in excess of par value...	5,610,000	5,440,000
Retained earnings................	156,149,000	147,236,000
Less common stock in treasury, at cost 282,300 shares (1973—147,000)..........	(4,567,000)	(2,392,000)
Common stockholders' equity....................	$180,207,000	$173,195,000

Note 6: Common Stockholders' Equity—Changes in common stock and capital in excess of par value are summarized below:

	No. of Shares	Common Stock	Capital in Excess of Par Value
		(in thousands)	
Balance, issued and outstanding, January 1, 1973.....................	7,036,049	$22,867	$5,494
Acquired companies	12,879	42	(100)
Exercise of stock options ...	500	2	11
Preferred stock purchased at less than stated value...			35
Balance issued, December 31, 1973................	7,049,428	22,911	5,440
Acquired company	32,000	104	135
Preferred stock purchased at less than stated value...			35
Balance issued, December 31, 1974................	7,081,428	$23,015	$5,610

Common stock in treasury at December 31, 1974, consists of 147,000 shares purchased in 1973 and 135,300 shares purchased in 1974 at a cost of $2,392,000 and $2,175,000, respectively.

BRISTOL PRODUCTS, INC. (DEC)

	1974	1973
Shareholders' Equity		
Preferred Stock, $1.00 Par Value, 500,000 Shares Authorized, None Issued		
Common Stock, Without Par Value, Stated Value $.10 Per Share; 2,000,000 Shares Authorized, 1,188,495 Shares Issued (Note 6)	$ 118,850	$ 118,850
Additional Paid-In Capital	2,833,297	2,833,297
Retained Earnings................	6,754,265	5,377,156
Total	9,706,412	8,329,303
Less Treasury Stock—At Cost (1974—26,500 Shares; 1973—7,000 Shares)	(104,874)	(32,063)
Total Shareholders' Equity .	$9,601,538	$8,297,240

Note 6: Common Stock—Net income per common share is based on the weighted average number of shares outstanding (1,173,063 in 1974 and 1,184,000 in 1973). The options outstanding at December 31, 1974 have not entered into such computations since they would have a nondilutive effect. Fully diluted net income per common share is equal to the net income per common share.

ELECTRIC HOSE & RUBBER COMPANY (AUG)

	1974	1973
Shareholders' equity		
Preferred stock, $5 par value, 1,500,000 shares authorized, none outstanding—Note 8		
Common stock, $5 par value, 3,000,000 shares authorized; issued, 1974—1,542,576 shares, 1973—1,542,576 shares—Note 8....................	$ 7,712,900	$ 7,712,900
Capital in excess of par value—Note 8....................	362,300	362,300
Retained earnings—Note 8......	11,076,400	10,891,900
Less treasury stock at cost; 1974—87,946 shares, 1973—87,946 shares—Note 8....................	(1,791,600)	(1,791,600)
Total Shareholders' Equity .	$17,360,000	$17,175,500

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 1973, one stock dividend of two percent was declared by the Board of Directors on the issued common stock of the Company including common shares held in treasury. Based on the fair values at the date of declaration, the issuance of the 30,247 shares during the year resulted in a capitalization of retained earnings of $219,300 as follows: common stock, $5.00 par value—$151,300 and capital in excess of par value—$68,000.

G.C. MURPHY COMPANY (DEC)

	1974	1973
Shareholders' equity:		
Preferred stock, $50 par value: Authorized shares, 3,000,000		
Common stock, $1 par value: Authorized shares, 12,000,000; Issued shares, 4,259,000....	$ 4,259,000	$ 4,259,000
Capital in excess of par value...	9,337,723	9,337,723
Income retained in the business.	113,654,190	109,132,527
	127,250,913	122,729,250
Less treasury shares, at cost: 1974, 352,070 shares; 1973, 347,070 shares	8,785,581	8,731,167
Total shareholders' equity	$118,465,332	$113,998,083

Complex Capital Structures

ABBOTT LABORATORIES (DEC)

	1974	1973
Shareholders' Investment:		
Preferred Shares, $1 par value (Note 7)—		
Authorized—1,000,000 shares, issuable in series		
Outstanding—142,500 shares of $2 cumulative convertible, Series A (aggregate involuntary liquidation preference $12,540,000)	$ 143,000	$ 143,000
Common Shares, without par value (Note 8)—		
Authorized—20,000,000 shares		
Outstanding at stated capital amount—13,623,275 shares	55,205,000	55,205,000
Earnings employed in the business	307,200,000	270,459,000
Total shareholders' investment	$362,548,000	$325,807,000

Note 7: Preferred Shares—The $2 Cumulative Convertible Preferred Shares, Series A, are redeemable at the option of the Company in whole or in part after December 31, 1979, at $88 per share. Preferred shares are convertible, at the option of the holder at any time, at the rate of one common share for each Series A preferred share. Each share of preferred is entitled to one vote. Holders of the preferred shares will be entitled, in the event of voluntary or involuntary dissolution, to $88 per share.

Note 8: Common Stock—The Company has stock option incentive plans providing for the granting of options to employees for purchase of common shares at prices at least equal to 100 percent of the market price at the date the options were granted. Data with respect to these plans are as follows:

	Shares Available for Grant	Options Outstanding Shares	Price per Share
Beginning of year........	500,975	218,794	$48.36 to $83.52
Granted................	(117,010)	117,010	$31.74 to $59.22
Lapsed	50,304	(50,304)	$54.60 to $81.45
End of year.............	434,269	285,500	$31.74 to $83.52
Exercisable at end of year..................		91,991	$48.36 to $83.52

COMMONWEALTH OIL REFINING COMPANY, INC. (DEC)

	1974	1973
Stockholders' Equity (Notes 6 and 7):		
Preferred stock—authorized 5,000,000 shares of no par value:		
Series A—$1.72 cumulative convertible, limited voting; outstanding 1,000,000 shares and liquidation preference of $25,000,000 in both years.....................	$ 24,015,000	$ 24,015,000
Series B—$2.45 cumulative convertible, voting; outstanding 125,559 shares and liquidation preference of $4,394,565 in both years...............	1,851,995	1,851,995
Common stock—authorized 20,000,000 shares of $5.00 par value; outstanding 13,949,961 shares in 1974 and 13,296,105 shares in 1973	69,749,805	66,480,525
Common stock dividend..........	2,728,425	3,267,280
Additional paid-in capital.........	9,156,520	8,407,700
Retained earnings.................	107,501,703	102,360,640
Total stockholders' equity.....	$215,003,448	$206,383,140

Note 6: Preferred Stock—The $1.72 cumulative preferred stock, Series A, with no par value, has limited voting rights and is convertible, unless redeemed, into common stock at an adjusted conversion price of $14.93 per share of common stock subject to additional adjustments in certain events, taking the preferred stock for this purpose at $25.00 per share. The preferred stock, Series A, is redeemable at the option of the company in whole or in part at any time at prices ranging from $27.00 to $25.00, depending on the date redeemed,

plus in each case dividends accrued to the redemption date. The terms of the preferred stock provide that no dividend shall be paid upon, nor shall any shares be acquired of, the common stock of the company after September 30, 1970 unless (1) all the cumulative dividends on preferred stock have been paid; and (2) the total expenditure for dividends paid and shares acquired will not exceed the sum of $15,000,000 plus consolidated net earnings for the period from September 30, 1970 to the date of payment or acquisition.

The $2.45 cumulative convertible preferred stock, Series B, with no par value, has voting rights and is convertible, unless redeemed, into common stock at an adjusted conversion price of $30.29 per share of common stock subject to additional adjustments in certain events taking the preferred stock for this purpose at $35.00 per share. The preferred stock, Series B, is redeemable at the option of the company in whole or in part at any time at prices ranging from $40.00 to $35.00 depending on the date redeemed, plus in each case dividends accrued to the redemption date. The terms of the preferred stock provide that no dividend shall be paid upon, nor shall any shares be acquired of the common stock of the company after October 13, 1971 unless (1) all the cumulative dividends on preferred stock have been paid; and (2) the total expenditure for dividends paid and shares acquired will not exceed the sum of $15,000,000 plus consolidated net earnings for the period from October 13, 1971 to the date of payment or acquisition.

Note 7: Common Stock—During December 1974 and 1973 the company declared stock dividends of 4% (545,685 additional shares) and 5% (653,456 additional shares), respectively, and retained earnings were reduced based on the fair market value of the shares on the dates the dividends were declared. These dividends were distributed to shareholders in the succeeding years. All previously reported per share data and conversion prices have been adjusted to give effect to the above stock dividends.

As of December 31, 1974, the authorized but unissued shares of common stock of the company were reserved for issuance as follows:

Upon conversion of:	
4¼% convertible subordinated debentures due 1992 (Note 3)	826,795
$1.72 cumulative convertible preferred stock, Series A (Note 6)	1,674,829
$2.45 cumulative convertible preferred stock, Series B (Note 6)	145,095
Upon exercise of stock options outstanding and shares available for grant (Note 8)	439,222
Total	3,085,941

FOOTE MINERAL COMPANY (DEC)

	1974	1973
Shareholders' equity (notes 2, 5, 6, and 7):		
Convertible preferred stock—$2.20 cumulative if earned, $1 par value (liquidating value $18,397,000); authorized 652,351 shares; issued 459,915 shares	$ 460,000	$ 460,000
Common stock, $1 par value; authorized 10,000,000 shares; issued 7,553,572 and 2,140,867 shares	7,554,000	2,141,000
Additional paid-in capital	26,974,000	32,199,000
Retained earnings	35,536,000	27,250,000
	70,524,000	62,050,000
Less 574,770 shares of common stock in treasury, at cost	(3,369,000)	(3,369,000)
Total shareholders' equity	$67,155,000	$58,681,000

Note 6: Capital Stock—The outstanding capital stock of the Company consists of Convertible Preferred Stock—$2.20 Cumulative if Earned, par value $1.00, and Common Stock, par value $1.00.

On December 16, 1974 the Company issued 5,395,265 shares of Common Stock as a 250% stock distribution. Fractional shares were paid in cash.

Holders of shares of the Company's Convertible Preferred Stock, par value $1.00, are entitled to receive dividends cumulatively to a maximum of $2.20, if earned, annually, and to convert at the holder's option such shares into Common Stock on the basis of three and one-half shares of Common Stock for each share of Convertible Preferred Stock. The Company may redeem the Convertible Preferred Stock at $43.20 per share until September 30, 1975 and thereafter in decreasing amounts to $40.00 per share after September 30, 1982. In the event of liquidation, the holders of the Convertible Preferred Stock have a preferential right to receive $40.00 per share, an aggregate of $18,397,000 based on shares outstanding at December 31, 1974. 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 should be entitled in liquidation. At December 31, 1974, consolidated net assets exceeded this aggregate preferential amount by $48,692,000. On December 31, 1974, 1,776,643 shares of Common Stock were reserved to meet the conversion requirements of the Convertible Preferred Stock, including shares in connection with the conversion of debentures. Holders of Convertible Preferred Stock have three and one-half votes per share, with cumulative voting for directors.

An offer to purchase all of the then outstanding Convertible Preferred Stock (1,263,264 shares) for a cash price of $22.00 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 stock had been purchased and subsequently were cancelled.

COLT INDUSTRIES INC (DEC)

	1974	1973
	($000)	
Shareholders' Equity (Note 4)		
Preferred stock—$1 par value, 2,942,741 and 2,943,885 shares authorized, 1,287,246 and 1,288,390 shares outstanding (involuntary liquidation value at December 31, 1974—$103,676)	$ 1,287	$ 1,288
Common stock—$1 par value, 15,000,000 shares authorized, 6,638,285 and 6,621,210 shares issued	6,638	6,621
Capital in excess of par value	146,627	146,480
Retained earnings	191,714	126,958
	346,226	281,347
Less cost of 116,350 shares of common stock in treasury	6,544	6,544
	$339,722	$274,803

Note 4: Capital Stock—Changes in capital stock are shown below for 1972, 1973, and 1974:

	Preferred Shares $1 Par Value	Common Shares $1 Par Value	Treasury Stock Shares	Treasury Stock Cost
Balance at January 1, 1972	$1,294,598	$6,571,854	(116,350)	$(6,544,000)
Conversion of preferred stock and exercise of options	(814)	10,500	—	—
Balance at December 31, 1972	1,293,784	6,582,354	(116,350)	(6,544,000)
Conversion of preferred stock and exercise of options	(5,394)	38,856	—	—
Balance at December 31, 1973	1,288,390	6,621,210	(116,350)	(6,544,000)
Conversion of preferred stock and exercise of options	(1,144)	17,075	—	—
Balance at December 31, 1974	$1,287,246	$6,638,285	(116,350)	$(6,544,000)

The authorized preferred stock is issuable in series. Outstanding preferred stock has voting rights and is entitled to cumulative dividends. At December 31, 1974 the following series were outstanding:

	Annual Dividend Rate	Shares Outstanding	Involuntary Liquidation Value	Redemption Value Beginning	Redemption Value Per Share
Series A	$1.60	367,426	$ 14,697,000	Presently	$ 41.00
Series B	4.50	13,305	1,331,000	Presently	102.50
Series C	4.25	81,830	8,183,000	April 1, 1975	102.50
Series D	4.25	757,945	75,794,000	Presently	104.25
Series E	2.75	66,740	3,671,000	Presently	55.00
		1,287,246	$103,676,000		

Dividends may not be paid on common stock if the shareholders' equity of the company would thereby be reduced below the aggregate involuntary liquidation preference applicable to outstanding preferred stock ($103,676,000), plus the amount of capital attributable to common stock ($6,522,000).

All series, except Series E, are convertible into common stock of the company: Series A, at the rate of 2.666 shares of common stock for each five shares of preferred; Series B, at the rate of 4.987 shares of common stock for each share of preferred; Series C, at the rate of 1.462 shares of common stock for each share of preferred; and Series D, at the rate of 1.390 shares of common stock for each share of preferred, subject to certain specified adjustments.

At December 31, 1974, shares of common stock were reserved for the following purposes:

Conversion of serial preferred stock	1,435,598
Issuance under stock options	615,225

ROCKWELL INTERNATIONAL CORPORATION (SEP)

	1974	1973
	(In millions)	
Shareowners' Equity:		
Capital stock:		
Preferred stock, without par value:		
Series A (entitled in liquidation to $144.0 million)..	$ 3.6	$ 3.7
Series B (entitled in liquidation to $85.8 million) ...	2.1	2.5
Common stock, $1 par value.	30.8	27.3
Additional capital	236.4	159.0
Retained earnings................	822.3	759.2
Total shareowners' equity	$1,095.2	$951.7

Note 10: Capital Stock—The authorized capital stock of the Company consists of 12,000,000 shares of preferred stock and 100,000,000 shares of common stock. In February 1974 the shareowners approved an increase in the number of shares of authorized common stock from 50,000,000 to 100,000,000. The aggregate liquidation value of all shares of preferred stock at any time outstanding cannot exceed $650.0 million. Changes in shares of capital stock outstanding during 1973 and 1974 are summarized as follows:

	Preferred		
	Series A	Series B	Common
Shares outstanding, October 1, 1972	1,504,393	2,999,391	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 issued in connection with:			
Purchase of Admiral Corporation...........			2,931,068
Exercise of stock options			66,368
Conversion of preferred stock	(64,720)	(405,358)	524,924
Shares outstanding, September 30, 1974 (net of 2,600 Series A, 20,050 Series B, and 1,071,376 common shares held in treasury).................	1,439,673	2,383,681	30,767,704

Shares of stock reserved for issuance at September 30, 1974 and 1973 were as follows:

	1974	1973
Common:		
For conversion of Series A preferred stock	3,569,099	3,729,257
For conversion of Series B preferred stock (including shares for additional conversion privilege: 1974, 540,839; 1973, 634,502).	2,704,197	3,172,509
For conversion of convertible debentures	1,290,805	1,086,957
For stock option plans:		
Options outstanding...........	1,259,537	986,642
Available for granting future options....................	500,400	722,000
For incentive compensation plan	125,000	125,000
Total	9,449,038	9,822,365
Series B preferred—for stock options which expired in 1974 ...		10,919

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 $103.75 a share, decreasing annually to $100.00 a share after June 30, 1982, and Series B stock after June 30, 1976 at an initial redemption price of $38.00 a share, decreasing annually to $36.00 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.

TRW INC. (DEC)

	1974	1973
	($000)	
Shareholders' Investment		
4% Cumulative Preferred stock.	$ 1,594	$ 1,626
Serial Preference Stock	19,051	19,656
Serial Preference Stock II (aggregate involuntary liquidation price $270 million)..........	10,647	10,647
Common Stock	33,246	31,834
Other capital	100,050	95,515
Retained earnings.................	548,533	496,685
Total Shareholders' Investment	$713,121	$655,963

Notes to Financial Statements

Capital Stock

	Shares		
		Outstanding	
	Authorized	1974	1973
4% Cumulative Preferred Stock-stated at $100 par value, each share redeemable at $107.......	19,337	15,936	16,262
Serial Preference Stock-cumulative-stated at involuntary liquidation price of $100 a share...	750,000		
$4.25 Series A-each share convertible into 6.202 shares of Common, redeemable at $102.50..........		119,428	125,144
$5.00 Series B-each share convertible into 3.183 shares of Common, redeemable at $104.50...........		71,088	71,413
Serial Preference Stock II-cumulative-stated at $2.75 a share	5,000,000		
$4.40 Series 1-each share convertible into 2.2 shares of Common, redeemable at $112 (involuntary liquidation price $104 per share)...........		1,806,159	1,806,161
$4.50 Series 3-each share convertible into 1.862 shares of Common, redeemable beginning in 1976 at $105 (involuntary liquidation price $40 per share)...........		2,065,353	2,065,353
Common Stock-$1.25 par value outstanding shares excluding treasury shares (897,857 shares in 1974 and 921,517 in 1973)....................	50,000,000	26,596,918	25,468,085

At December 31, 1974, approximately 10.4 million shares of Common Stock were reserved for issuance upon conversion of 5% Guaranteed Debentures and preference stock and for stock options.

STANDARD MOTOR PRODUCTS, INC. (DEC)

	1974	1973
Stockholders' equity (Note 4):		
Common stock—par value $2.00 per share		
Class "A"		
—authorized—4,000,000 shares		
—issued—1,442,196 shares (1973-1,414,196 shares) including 100,000 shares held in the treasury.......	$ 2,884,392	$ 2,828,392
Class "B"		
—authorized—871,000 shares (1973—899,000)		
—issued and outstanding—563,298 shares (1973—591,298)...	1,126,596	1,182,596
	4,010,988	4,010,988
Capital in excess of par value...	1,476,175	1,476,175
Retained earnings.................	18,704,930	17,213,981
	24,192,093	22,701,144
Less: Treasury stock—100,000 shares of Class "A" common stock—at cost...........	995,906	995,906
Total stockholders' equity................	$23,196,187	$21,705,238

Notes to Consolidated Financial Statements

Note 4: Stockholders' Equity—Cash dividends paid on each share of the Class "B" common stock are limited to 2% of the dividends declared on each share of Class "A" common stock. No dividends may be declared on either class of common stock without being declared on both classes, and stock dividends, if declared, must be paid in shares of the same class as the shares entitled thereto.

Each share of Class "B" common stock may be converted, at the option of the holder thereof, into one share of Class "A" common stock. This option is exercisable during the month of May or at any time pursuant to a public offering of the Class "B" common stock. In 1974, 28,000 shares of the Class "B" common stock were converted into Class "A" common stock. The Certificate of Incorporation provides that converted shares may not be reissued.

The changes in the issued Class "A" common stock were as follows:

	1974	1973
Balance at beginning	$2,828,392	$2,826,392
Exercise of stock options—none (1973—1,000 shares)......	—	2,000
Conversion of Class "B" common stock—28,000 shares (1973—none)...............	56,000	—
Balance at end......................	$2,884,392	$2,828,392

The change in capital in excess of par value in 1973 was attributable to the excess ($8,687) of the proceeds over the par value of shares issued upon exercise of stock options.

COMMON STOCK

Table 2-36 summarizes the valuation bases of common stock. As in prior years, the majority of the survey companies show common stock at par value.

Examples of common stock presentations are shown in connection with Table 2-35.

PREFERRED STOCK

Table 2-37 summarizes the valuation bases of preferred stock. As with common stock, the majority of the survey companies show preferred stock at par value.

TABLE 2-37: PREFERRED STOCK

Valuation Bases	1974	1973	1972
Par value stock shown at par value...	184	168	205
Par value stock shown at assigned value per share	9	12	11
Par value stock shown at liquidation or redemption value	4	5	5
No par value stock shown at assigned value per share	45	50	55
No par value stock shown at assigned value — per share value not disclosed	57	43	49
No par value stock shown at liquidating value	11	9	13
Other	8	10	—
Issues Outstanding	**318**	**297**	**338**
Number of Companies			
Showing preferred stock outstanding..	238	236	253
Not showing preferred stock outstanding	362	364	347
Total	**600**	**600**	**600**

TABLE 2-38: PREFERRED STOCK — LIQUIDATION PREFERENCE

	1974	1973	1972	1971
Aggregate liquidation preference disclosed on balance sheet	56	62	72	80
Aggregate liquidation preference disclosed in note to financial statements..	26	25	22	35
Per share liquidation preference only, disclosed	13	18	24	14
Subtotal	**95**	**105**	**118**	**129**
Liquidating value does not exceed carrying value...	42	25	31	28
Liquidating value not disclosed	101	106	104	102
Total companies with preferred stock outstanding.	**238**	**236**	**253**	**259**

TABLE 2-36: COMMON STOCK

	1974	1973	1972	1971
Par value stock shown at par value	501	506	505	502
Par value stock shown at amount in excess of per share par value	35	42	44	43
Par value stock shown at assigned value per share..	15	2	2	5
No par value stock shown at assigned value per share	14	17	20	20
No par value stock shown at assigned value — per share value not disclosed	55	50	48	51
Issues Outstanding	**620**	**617**	**619**	**621**

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 2-38 shows that, of 238 companies with preferred stock outstanding, 95 disclosed a liquidation preference.

Examples of preferred stock presentation are shown below and in connection with Table 2-35.

Preferred Stock Extended at Par Value

MCCORMICK & COMPANY, INCORPORATED (NOV)

	1974	1973
	(In Thousands)	
Stockholders' Equity (Note 1):		
Preferred Stock, $100 par value	$ 352	$ 386
Common Stocks, no par value...	25,115	23,706
Retained earnings	41,800	34,878
Total	66,915	58,584
Total Stockholders' Equity..	$67,267	$58,970

Note 1. Capital Stocks—At November 30, 1974 capital stock consisted of the following shares:

	Authorized	Issued	In Treasury	Outstanding
Preferred	30,000	3.519		3,519
Common	1,600,000	989,465	14,617	974,848
Common Non-Voting.	4,800,000	4,179,527		4,179,527

The preferred Stock is entitled to cumulative dividends at the rate of 5% a year, and is subject to redemption at the Company's option at $105 a share plus accrued dividends. Upon liquidation, whether voluntary or involuntary, the preferred stockholders would be entitled to a preferential payment of $100 a share plus accumulated dividends.

The Common Stock Non-Voting has the same rights, terms and conditions as the Common Stock, except that it carries no voting rights other than on a consolidation of the Company with, or a merger of the Company into, another corporation.

Transactions in the Company's outstanding capital stocks during the years ended November 30, 1974 and 1973 were as follows:

	1974		1973	
	Shares	Amount	Shares	Amount
Preferred Stock:				
Outstanding, beginning of year	3,857	$ 385,700	4,317	$ 431,700
Purchased and retired	(338)	(33,800)	(460)	(46,000)
Outstanding, end of year	3,519	$ 351,900	3,857	$ 385,700
Common Stock:				
Outstanding, beginning of year	975,791	$ 936,832	976,152	$ 806,382
Treasury stock issued under option plans	14,910	322,512	11,044	191,833
Treasury stock exchanged for Common Non-Voting	(15,853)	(89,734)	(11,405)	(61,383)
Outstanding, end of year	974,848	$ 1,169,610	975,791	$ 936,832
Common Stock Non-Voting:				
Outstanding, beginning of year	4,120,445	$22,769,327	4,055,586	$21,335,713
Issued:				
Exchanged for Common	15,853	89,734	11,405	61,383
Under option and employees' purchase plans	43,229	1,086,181	66,954	1,826,481
Tax benefit arising from disqualifying disposition of stock by optionees				70,000
Acquired in termination of litigation claim			(13,500)	(524,250)
Outstanding, end of year	4,179,527	$23,945,242	4,120,445	$22,769,327

AMERADA HESS CORPORATION (DEC)

	1974	1973
Stockholders' equity		
Preferred stock, par value $1.00 Authorized—20,000,000 shares for issuance in series $3.50 cumulative convertible series Authorized—12,000,000 series Outstanding—6,781,973 shares in 1974; 6,787,270 shares in 1973 (aggregate involuntary liquidation value $678,197,000 at December 31, 1974)	$ 6,782,000	$ 6,787,000
Common stock, par value $1.00 Authorized—100,000,000 shares Issued—24,125,630 shares in 1974; 23,569,005 shares in 1973	24,125,000	23,569,000
Capital in excess of par value	139,166,000	125,695,000
Retained earnings	781,857,000	624,277,000
Less common stock in treasury—at cost (1,908,609 shares in 1974; 1,908,002 shares in 1973)	(6,744,000)	(6,732,000)
Total stockholders' equity	$945,186,000	$773,596,000

Notes to Consolidated Financial Statements

Note 6 (in part): Stockholders' Equity—Each share of the $3.50 cumulative convertible preferred stock is entitled to one vote and to a cumulative annual dividend of $3.50, and is convertible into 2.2 shares of common stock. The vote and conversion rate are subject to adjustment in the event of stock dividends, stock splits, reclassifications and like events, except that no such adjustments will be made with respect to annual stock dividends not in excess of 2½% paid on common stock. The $3.50 cumulative convertible preferred stock is redeemable at the option of the Corporation, at a call price of $150 per share plus accrued dividends. In the event of voluntary dissolution of the Corporation, the holders of the $3.50 cumulative convertible preferred stock are entitled to $150 per share, and in the event of involuntary dissolution to $100 per share plus, in each case, accrued dividends. The aggregate involuntary liquidation value applicable to the $3.50 cumulative convertible preferred stock exceeded the aggregate par value of such shares by $671,415,000 at December 31, 1974. In the opinion of counsel for the Corporation, the excess of involuntary liquidation value of the $3.50 cumulative convertible preferred stock over the par value will not restrict retained earnings.

NCR CORPORATION (DEC)

	1974	1973
	(000 omitted)	
Stockholders' equity		
Preferred stock—$1.25 cumulative, convertible represented in 1974 by 362,496 shares (372,738 in 1973) of a total of 2,000,000 authorized shares, $5 par value........	$ 1,813	$ 1,864
Common stock, represented in 1974 by 23,389,177 shares (22,761,392 in 1973) of a total of 30,000,000 authorized shares, $5 par value..........................	350,026	332,518
Earnings retained for use in the business	380,733	310,785
	$732,572	$645,167

Notes to Consolidated Financial Statements

Note 8: Capital Stock—During 1974, there were 627,785 additional shares (167,068 in 1973) of common stock issued.

	Shares	Amount (000 omitted)
Balance January 1, 1973...........	22,594,324	$328,541
Issue of stock to employees, principally under stock purchase and option plans.....................	150,340	3,894
Conversion of preferred shares	16,728	83
Balance January 1, 1974...........	22,761,392	332,518
Issue of stock to employees, principally under stock purchase and option plans.....................	617,543	17,457
Conversion of preferred shares	10,242	51
Balance December 31, 1974.......	23,389,177	$350,026

At December 31, 1974, 4,697,833 shares of common stock reserved for future issuance included 2,307,693 for conversion of the 6% subordinated convertible debentures, 203,390 for conversion of the 4% U.K. sterling/dollar convertible guaranteed loan stock, 1,824,254 shares for various stock option and stock purchase plans and 362,496 for conversion of convertible preferred stock.

SUN OIL COMPANY (DEC)

	1974	1973
Stockholders' Equity		
Preferred Stock, $2.25 cumulative convertible, par value $1 per share		
Authorized—16,254,466 shares		
Issued, 1974—16,242,058 shares (aggregate involuntary liquidation value $844,587,000)...	$ 16,242,000	
Issued, 1973—16,263,607 shares		$ 16,264,000
Common Stock, par value $1 per share		
Authorized—100,000,000 shares		
Issued, 1974—41,088,234 shares	41,088,000	
Issued, 1973—36,900,931 shares		36,901,000
Capital in Excess of Par Value ..	1,504,190,000	1,390,102,000
Earnings Employed in the Business	685,742,000	489,908,000
	2,247,262,000	1,933,175,000
Less Common Stock Held in Treasury, at cost		
1974—10,076 shares........	427,000	
1973—66,594 shares........		3,544,000
Total Stockholders' Equity..	$2,246,835,000	$1,929,631,000

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 .984 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 $828,345,000.

At December 31, 1974, 15,983,897 shares of unissued common stock are reserved for potential conversion of preferred stock.

Preferred Stock Extended at Stated Value

THE BUDD COMPANY (DEC)

	1974	1973
	(in thousands)	
Shareholders' Equity:		
Preferred shares, without par value. Authorized 188,306 shares; issued 106,500 shares; designated $5 cumulative preferred, stated at $100 per share liquidation preference and call price, less treasury shares of 30,575 in 1974 and 18,105 in 1973	$ 7,593	$ 8,840
Preference shares, without par value. Authorized 5,000,000 shares; none issued	—	—
Common shares, $5 par value (note 8). Authorized 10,000,000 shares; issued 6,084,672 shares	30,423	30,423
Additional paid-in capital	18,173	17,794
Retained earnings (note 6)	138,464	132,806
Less 9,752 common shares in treasury, at cost	(116)	(116)
Total Shareholders' Equity	$194,537	$189,747

CROWN ZELLERBACH (DEC)

	1974	1973
Share Owners' Equity:		
Cumulative preferred stock— No par value, $100 liquidation and stated value. Authorized 399,891 shares in 1974 and 402,386 shares in 1973, issuable in series. Initial series $4.20 stock, issued and outstanding 152,994 shares in 1974 and 155,489 shares in 1973	$ 15,299,000	$ 15,549,000
Common stock— $5 par value. Authorized 40,000,000 shares, issued and outstanding 24,550,515 shares in 1974 and 1973	122,753,000	122,753,000
Other capital	62,962,000	62,829,000
Income retained in the business	543,797,000	462,571,000
Total share owners' equity	$744,811,000	$663,702,000

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.

MARCOR INC. (JAN)

	1975	1974
Stockholders' equity:		
Series A preferred stock at stated value	$ 41,759,000	$ 48,332,000
Series B preferred stock at stated value	200,000,000	—
Common stock at stated value	259,124,000	244,729,000
Earnings reinvested	811,663,000	740,075,000
	$1,312,546,000	$1,033,136,000
Less—treasury common stock, at cost	3,101,000	4,187,000
Total stockholders' equity	$1,309,445,000	$1,028,949,000

Marcor Financial Information

Common stock is $1.00 par value, 70,000,000 shares authorized. Shares issued at January 31, 1975 and 1974 were 30,540,901 and 28,589,972, respectively, of which 111,866 and 150,854 shares, respecitively, were in the treasury.

Preferred stock is $1.00 par value issuable in series, and 30,000,000 shares are authorized.

Each share of $2.00 Series A cumulative preferred is convertible into two shares of common and callable at $45 per share. The total liquidating value was $234,529,000 and $272,681,000 at January 31, 1975 and 1974, and 5,211,759 and 6,059,573 shares were issued and outstanding, respectively.

The 8,000,000 shares issued and outstanding of Series B preferred stock ($1.75 per share cumulative dividends through October 15, 1979 and $2.25 per share thereafter) are redeemable at $25 per share by Marcor on October 15, 1979, if approved by Marcor's stockholders other than Mobile Oil Corporation and other holders, if any, of the Series B preferred stock. If called for redemption, the shares may be converted into common on a share-for-share basis, at the option of the owners of the Series B preferred stock. If not redeemed or converted by October 15, 1979, Marcor will make annual sinking fund payments beginning on October 15, 1984, sufficient to redeem 10% of the Series B preferred shares outstanding on May 31, 1984. If Mobile is the owner of the Series B preferred stock at that time, it may defer the sinking fund payments.

WHITE MOTOR CORPORATION (DEC)

	1974	1973
	($000)	
Shareholders' Equity—Note F		
Capital Stock:		
Preferred Stock—without par value:		
Authorized—2,000,000 shares		
Series A, $6.75 cumulative convertible		
Issued and outstanding — 157,673 shares	$ 15,767	$ 15,767
Less required redemption within one year included in current liabilities......	3,153	—
	12,614	15,767
Common Stock—par value $1 per share:		
Authorized—17,000,000 shares		
Issued—8,255,466 shares in 1974 and 8,248,466 shares in 1973	8,255	8,248
Capital in excess of par value...	124,474	124,352
Retained income	111,833	93,631
	257,176	241,998
Less cost of Common Stock in treasury (4,558 shares in 1974 and 7,270 shares in 1973).........................	47	67
	$257,129	$241,931

Note F (in part): Capital Stock—Each share of Series A Preferred Stock is convertible into 2.38 shares of Common Stock, is entitled to one vote and has preference in liquidation of $100 per share (stated amount). These shares are redeemable at anytime after February 18, 1975, at a price of $100 per share. In 1975, the Corporation is required to redeem, for $3,153,000, twenty percent of the shares initially issued. This amount is classified as a current liability (included in accrued expenses and other liabilities) at December 31, 1974 with a corresponding reduction in shareholders' equity. In each of the years, 1976 through 1979, an additional twenty percent must be redeemed. At December 31, 1974, 375,412 shares of Common Stock were reserved for conversion of the Series A Preferred Stock.

Liquidation Preference Disclosed in Balance Sheet

WARNER COMMUNICATIONS INC. (DEC)

	1974	1973
Shareholders' equity:		
Convertible Preferred shares, par value $1 per share, 20,000,000 shares authorized (excess of preference upon involuntary liquidation over par value of outstanding Preferred shares—$51,700,000 in 1974)		
Series B	$ 310,000	$ 318,000
Series C	4,812,000	4,812,000
Series D	1,334,000	1,445,000
Common shares issued, par value $1 per share, 40,000,000 shares authorized	20,111,000	19,846,000
Paid in capital..................	155,316,000	154,940,000
Retained earnings..............	238,116,000	199,259,000
	419,999,000	380,620,000
Less Common shares in treasury, at cost	72,555,000	56,055,000
Total shareholders' equity	$347,444,000	$324,565,000

Notes to Consolidated Financial Statements

Note 6 (in part): Capital Shares—Each Series B share is (1) entitled to earn cumulative quarterly dividends at an annual rate of $4.25, (2) convertible into 3.48 Common shares, and (3) entitled to a $50 preference upon liquidation plus accrued and unpaid dividends. WCI may redeem these shares, in whole or in part, at a price of $104.25 a share, which is reduced each year to a minimum of $100 in 1982 and thereafter, plus accrued and unpaid dividends.

Each Series C share is (1) entitled to earn cumulative annual dividends of $.05 per share, (2) convertible until January 8, 1980 into one Common share with the surrender of one share of Series C stock together with $37 or, alternatively, is convertible at any time into one Common share with the surrender of one share of Series C stock together with certificates representing 15 additional shares of Series C stock, and (3) entitled to a $2.74 preference upon liquidation plus accrued and unpaid dividends. After July 7, 1979, WCI may redeem these shares, in whole or in part, at a price of $2.50 a share, plus accrued and unpaid dividends.

Each Series D share is (1) entitled to earn cumulative quarterly dividends at an annual rate of $1.25, (2) convertible into two Common shares, and (3) entitled to a $22.12 preference upon liquidation plus accrued and unpaid dividends. WCI may redeem these shares, in whole or in part at a price of $100 a share, plus accrued and unpaid dividends.

The aggregate excess of preference upon involuntary liquidation of the outstanding Preferred shares over par value thereof ($51,700,000 at December 31, 1974) does not, in the opinion of counsel, constitute a restriction on the payment of dividends.

At December 31, 1974, Common shares reserved for future issuance for specified purposes were as follows:

Conversion of Preferred shares outstanding—		
Series B	1,078,438	
Series C	4,811,749	
Series D	2,668,546	8,558,733
Conversion of 6¾% Convertible Subordinated Debentures (due 1990), 5⅜% Convertible Subordinated Debentures (due 1980 to 1985) and other convertible obligations		927,641
Common Stock Option Plans		1,066,617
Conversion of Preferred shares to be issued under the Series C Stock Option Plans		850,000
		11,402,991

Certain of these classes of securities were used in computing earnings per share.

AVCO CORPORATION (NOV)

	1974	1973
	(Thousands of dollars)	
Stockholders' Equity		
Preferred stock, without par value		
Authorized: 6,458,000 voting shares		
Designated: $3.20 cumulative convertible, stated at $6 per share		
Outstanding: 5,119,394 shares in 1974 and 5,194,407 shares in 1973 (liquidation preference: $208,872,000 in 1974 (Note 3)	$ 30,716	$ 31,166
Common stock, par value $3 per share		
Authorized: 40,000,000 shares		
Outstanding: 11,480,817 shares in 1974 and 11,480,697 shares in 1973	34,442	34,442
Reserved in 1974: 15,567,078 shares (Note 3)		
Additional paid-in capital	78,617	78,880
Retained earnings	309,645	344,374
Total Stockholders' Equity	$453,420	$488,862

Note 3 (in part): Capital Stock—The $3.20 cumulative preferred stock is redeemable at Avco's option at $98 per share, decreasing $2 annually until reaching $80. Each preferred share is convertible into two common shares of Avco, and the liquidation preference is $40 per share plus unpaid dividends. See Note 2 for information concerning the suspension of dividend payments on the preferred stock during 1974.

ADDITIONAL CAPITAL

Table 2-39, summarizes descriptive captions used to describe additional capital and 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.

Examples of descriptive captions used for additional capital are shown below and in connection with discussions of the other components of stockholders' equity in this section.

ANHEUSER-BUSCH, INCORPORATED (DEC)

	1974	1973
	(In Thousands)	
Shareholders Equity (Notes 5 and 6):		
Common stock, $1 par value, authorized 60,000,000 shares; issued 45,608,283 shares	$ 45,608	$ 45,608
Capital in excess of par value (principally arising from stock dividends)	57,957	57,957
Retained earnings	437,409	400,431
	540,974	503,996
Less cost of 540,388 shares of treasury stock	3,212	3,212
	$537,762	$500,784

TABLE 2-39: ADDITIONAL CAPITAL — CAPTION TITLE

	1974	1973	1972	1971
Additional paid-in capital	152	154	144	132
Capital in excess of par or stated value	147	149	153	142
Capital surplus	87	99	111	122
Additional capital, or *other capital*	53	43	42	45
Paid-in capital, or *other paid-in capital*	29	30	31	25
Paid-in surplus	19	22	22	29
Other captions	36	29	23	26
	523	526	526	521
No additional capital account	77	74	74	79
Total Companies	**600**	**600**	**600**	**600**

COPPERWELD CORPORATION (DEC)

	1974	1973
Shareholders' Equity		
Preferred Stock, par value $50 a share—authorized and unissued 130,000 shares		
Common Stock, par value $2.50 a share—authorized 5,000,000 shares; outstanding shares (less 1,250 shares in Treasury): 1974—2,464,687; 1973—2,452,513	$ 6,161,717	$ 6,131,283
Amount paid-in in excess of par value	13,794,898	13,567,906
Retained earnings	69,684,096	56,945,276
Total Shareholders' Equity	$89,640,711	$76,644,465

GENERAL ELECTRIC COMPANY (DEC)

	1974	1973
	(In millions)	
Preferred stock	$ —	$ —
Common stock	465.2	463.8
Amounts received for stock in excess of par value	414.5	409.5
Retained earnings	3,000.5	2,683.6
	3,880.2	3,556.9
Deduct common stock held in treasury	(175.9)	(184.5)
Total share owners' equity	$3,704.3	$3,372.4

W.T. GRANT COMPANY (JAN)

	1975	1974
	($000)	
Capital		
Capital Stock		
Cumulative Preferred—$100 par value:		
Authorized 250,000 shares		
Issued 74,645 shares of 3¾% series	$ 7,465	$ 7,465
Common—$1.25 par value:		
Authorized 22,500,000 shares		
Issued 14,879,554 shares	18,599	18,599
Paid-in capital	82,394	84,271
Amounts paid by employees under purchase contracts for Common Stock	1,520	1,638
Earnings retained for use in the business	37,674	219,471
	147,652	331,444
Less 754,824 and 808,054 shares, respectively, of treasury Common Stock, at cost	33,815	36,696
Total Capital	$113,837	$294,748

MIDWEST RUBBER RECLAIMING COMPANY (OCT)

	1974	1973
Stockholders' Equity:		
Common stock, $2.50 par value, authorized 750,000 shares—issued 439,233 shares	$ 1,098,083	$1,098,083
Contributed capital (no change during two years)	2,138,798	2,138,798
Retained earnings	6,961,211	6,312,477
Common stock held in treasury, at cost—2,100 shares	(17,063)	(17,063)
Stockholders' Equity	$10,181,029	$9,532,295

TEXASGULF INC. (DEC)

			1974	1973
Shareholders' Equity				
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:				
	1974	1973		
Outstanding	30,548,572	30,447,377		
In treasury	4,011,428	4,112,623		
Issued	34,560,000	34,560,000	26,175,000	26,175,000
Contributed capital			2,994,000	1,425,000
Retained earnings			555,459,000	437,900,000
			584,628,000	465,500,000
Less cost of treasury stock			24,515,000	25,134,000
Stockholders' Equity			$560,113,000	$440,366,000

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 2-40 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. One of the survey companies showed dated retained earnings and 7 survey companies showed appropriated retained earnings.

Examples of descriptive captions used for retained earnings are shown below and in connection with discussions of the other components of stockholders' equity in this section.

Retained Earnings

ADAMS-MILLIS CORPORATION (DEC)

	1974	1973
Shareholders' Equity		
Preferred Stock (authorized 500,000 shares of no par value and 500,000 shares of $50 par value; none issued)		
Common Stock, no par value Authorized 6,000,000 shares Issued and outstanding 2,279,775 shares.......	$10,415,509	$10,415,509
Earnings retained for requirements of the business.......	6,685,352	12,880,315
Total Shareholders' Equity .	$17,100,861	$23,295,824

TABLE 2-40: RETAINED EARNINGS — CAPTION TITLE

	1974	1973	1972	1971
Retained Earnings	440	435	429	420
Retained earnings with additional words............	20	23	33	46
Earnings with additional words....................	80	77	68	57
Income with additional words....................	28	32	34	33
Earned Surplus	10	16	21	27
Companies with deficits.....	22	17	15	17
Total Companies	**600**	**600**	**600**	**600**

THE BLACK AND DECKER MANUFACTURING COMPANY (SEP)

	1974	1973
	(thousands of dollars)	
Stockholders' Equity		
Common Stock, par value $.50 per share: 1974—Authorized 50,000,000 shares, outstanding 41,552,693 shares; 1973—Authorized 20,000,000 shares, outstanding 13,381,603 shares	$ 20,776	$ 6,691
Capital in excess of par value of Common Stock	188,421	159,950
Earnings retained and used in the business	111,486	82,703
	$320,683	$249,344

CARNATION COMPANY (DEC)

	1974	1973
Investment of Stockholders, represented by (Note 7):		
Preferred stock, no par value—Authorized, 2,000,000 shares Outstanding, none		
Common stock, $2.00 par value—Authorized, 30,000,000 shares Outstanding (excluding 100,000 shares in treasury in 1974), 17,717,882 shares in 1974 and 17,817,818 shares in 1973 (Note 9)	$ 35,435,764	$ 35,635,636
Other capital, per accompanying statement....................	39,689,736	39,689,736
Retained earnings—		
Unappropriated, per accompanying statement.......	382,786,218	373,841,186
Appropriated for 5% stock dividend (to be allocated in 1975) (Note 9)...........	44,719,929	

Note 9: Stock dividend—On November 22, 1974 the Board of Directors declared a 5% stock dividend payable to stockholders of record on March 3, 1975. Cash will be paid in lieu of issuing fractional shares. A charge of $44,719,929, representing the fair market value of the dividend at the date of declaration, has been made against retained earnings in the accompanying statements. The allocation to capital stock, other capital and cash in lieu of fractional shares will be made in 1975 when the actual number of shares to be issued is determined. Earnings per share and dividends per share shown in the accompanying statements give effect to the estimated number of shares to be issued; amounts per share for 1973 have been restated on a comparative basis.

COMMERCIAL SOLVENTS CORPORATION (DEC)

	1974	1973
Shareholders' equity		
Preferred stock $20 par value, authorized 1,000,000 shares		
Series A Preferred stock, 4.5% cumulative convertible		
Authorized—273,400 shares		
Issued—88,927 shares in 1974; 134,632 shares in 1973	$ 1,778,540	$ 2,692,640
Common stock, $1 par value		
Authorized—6,000,000 shares		
Issued—3,173,712 shares in 1974; 3,110,120 shares in 1973	7,130,286	7,066,694
Additional paid-in capital	10,317,206	8,724,398
Earnings retained in business	64,373,819	51,007,117
	83,599,851	69,490,849
Less treasury common stock, at cost—86,200 shares	2,190,940	2,190,940
Total shareholders' equity	$81,408,911	$67,299,909

DRESSER INDUSTRIES, INC. (OCT)

	1974	1973
	($000)	
Shareholders' Investment—Notes F, H, I, J and K		
Convertible preferred shares, without par value, stated at $1.00 a share:		
$2.20 Series A (Liquidating preference $148,832,000)	$ 3,287	$ 3,366
$2.00 Series B (Liquidating preference $63,916,000)	1,553	1,673
Common shares, $0.25 par value	3,208	2,547
Capital in excess of par or stated value	208,118	96,581
Reserve for foreign business risks (created out of retained earnings)	5,000	5,000
Retained earnings	332,376	295,396
Total Shareholders' Investment	$553,542	$404,563

HONEYWELL INC. (DEC)

	1974	1973
	($000)	
Stockholders' Equity		
Preference stock—$100 par value each (authorized, 750,000 shares; outstanding, none)		
Common stock—$1.50 par value each (authorized, 25,000,000 shares; outstanding, 1974, 19,533,412 shares; 1973, 19,171,874 shares)	$ 29,300	$ 28,758
Additional paid-in capital	492,165	483,173
Retained earnings (1974, $300,179 unrestricted under long-term debt agreements)	416,762	367,962
Total stockholders' equity	$938,227	$879,893

Earnings

AMERICAN CYANAMID COMPANY

	1974	1973
	(Thousands of dollars)	
Stockholders' Equity		
Common stock—par value $5 per share		
Authorized—60,000,000 shares		
Issued—48,905,338 shares	$244,527	$244,527
Additional paid-in capital	38,940	38,940
Earnings employed in the business	729,862	643,953
	1,013,329	927,420
Less cost of 1,162,792 shares of common stock held in treasury (1,166,921 shares in 1973)	32,118	32,241
Total Stockholders' Equity	$981,211	$895,179

MCDONNELL DOUGLAS CORPORATION (DEC)

	1974	1973
Shareholders' Equity		
Common Stock, $1.00 par value:		
Shares authorized: 60,000,000		
Shares issued	$ 38,215,178	$ 38,215,178
Capital in excess of par value	307,703,110	307,915,132
Earnings retained for growth	452,631,660	360,696,727
	798,549,948	706,827,037
Less cost of treasury shares:		
1974—1,979,313; 1973—1,059,053	26,199,595	17,814,056
Total Shareholders' Equity	$772,350,353	$689,012,981

EX-CELL-O CORPORATION (NOV)

	1974	1973
Shareholders' Equity:		
Preferred stock, no par value:		
Authorized—5,000,000 shares		
Issued—none	$ —	$ —
Common stock, par value $3 a share:		
Authorized—25,000,000 shares		
Issued—8,000,000 shares in 1974, 8,598,273 in 1973	24,000,000	25,794,819
Additional paid-in capital	26,313,214	26,313,214
Earnings reinvested in the business, note 5	142,130,765	141,669,608
	192,443,979	193,777,641
Less cost of 41,674 shares of treasury stock in 1974, 376,687 in 1973	741,452	9,092,937
Total shareholders' equity	$191,702,527	$184,684,704

MSL INDUSTRIES, INC. (DEC)

	1974	1973
Shareholders' Investment (per accompanying statement):		
Preferred stock, without par value; 500,000 shares authorized, none issued	$ —	$ —
Common stock, $1.00 par value; authorized 4,000,000 shares, issued 1,736,968 shares in 1974 and 1,736,180 shares in 1973.	1,737,000	1,736,000
Paid-in capital	12,529,000	11,156,000
Reinvested earnings (Note 4)	48,826,000	37,081,000
Treasury shares (533,496 in 1974 and 410,763 in 1973) at cost	(11,176,000)	(8,024,000)
Total shareholders' investment	$51,916,000	$41,949,000

WM. WRIGLEY JR. COMPANY (DEC)

	1974	1973
Stockholders' equity:		
Capital stock, no par value—		
Authorized—8,000,000 shares		
Issued—4,000,000 shares	$ 19,200,000	$ 19,200,000
Accumulated earnings retained for use in the business	122,921,000	116,576,000
Accumulated earnings appropriated for guarantees under employment assurance contracts	2,000,000	2,000,000
	144,121,000	137,776,000
Less capital stock in treasury, at cost (63,032 shares)	1,502,000	1,502,000
Total stockholders' equity	$142,619,000	$136,274,000

AMPCO-PITTSBURGH CORPORATION (DEC)

	1974	1973
Shareholders' Equity		
Cumulative preference stock—no par value; authorized 500,000 shares; issued (none)	$ —	$ —
Common stock—par value $1; authorized 5,000,000 shares; issued 3,457,430 shares	3,457,430	3,457,430
Other capital contributed upon issuance of shares	5,967,695	5,967,695
Earnings invested in business	40,639,063	33,592,147
	50,064,188	43,017,272
Less—Cost of 573,366 and 573,364 shares of stock in treasury	4,603,722	4,603,705
Total shareholders' equity	$45,460,466	$38,413,567

Income

CITY STORES COMPANY (JAN)

	1975	1974
Ownership		
Preferred Stock—$100 par value—Authorized 29,036 shares—none issued		
Common Stock—$5 par value—Authorized 6,000,000 shares; outstanding 3,263,469 shares for both years (after deducting 12,423 shares in treasury).	$16,317,345	$16,317,345
Other capital	21,838,046	21,863,521
Income reinvested in business	38,691,812	44,297,072
	$76,847,203	$82,477,938

Deficit

HMW INDUSTRIES, INC. (JAN)

	1975	1974
Shareholders' Equity		
Capital stock, common, $1 par:		
Authorized: 6,000,000 shares		
Issued: 2,979,108 shares	$ 2,979,000	$ 2,979,000
Capital in excess of par value	16,006,000	16,006,000
Deficit:		
Beginning of year	(6,771,000)	(9,022,000)
Net income for the year	4,310,000	2,251,000
End of year	(2,461,000)	(6,771,000)
Treasury stock (129,720 shares) at cost	(628,000)	(628,000)
	$15,896,000	$11,586,000

CITATION MANUFACTURING COMPANY, INC. (JUN)

	1974	1973
Stockholders' equity		
Common stock, par value $0.05 per share; authorized, 3,500,000 shares; issued and outstanding, 2,912,190 shares at June 30, 1974 and 2,765,974 shares at June 30, 1973	$ 145,610	$ 138,299
Common stock, subscribed but not issued, 1,600 shares at June 30, 1974, and 141,942 shares at June 30, 1973	4,800	278,118
Capital in excess of par value	1,246,137	967,405
Retained earnings (deficit)	(9,178)	775,875
Total stockholders' equity	$1,387,369	$2,159,697

PHOENIX STEEL CORPORATION (DEC)

	1974	1973
Shareholders' equity:		
Common stock, $4 par value:		
Authorized—12,000,000 shares		
Issued and outstanding—4,171,611 shares	$16,687,000	$16,687,000
Capital in excess of par value	16,809,000	16,809,000
Accumulated deficit	(11,361,000)	(32,018,000)
	$22,135,000	$ 1,478,000

TABLE 2-41: RESTRICTIONS ON RETAINED EARNINGS

Source of Restrictions	**1974**	**1973**	**1972**	**1971**
Bond or note indentures, credit agreements	413	416	407	404
Preferred stock or certificate of incorporation	15	15	18	19
Total Disclosures	**428**	**431**	**425**	**423**
Nature of Restrictions				
Limitation on retained earnings only	135	164	168	180
Limitation on retained earnings and working capital	80	81	88	98
Limitation on retained earnings, working capital and other restrictions	133	125	112	99
Limitation on retained earnings and other restrictions	43	39	36	28
Other restrictions	37	22	21	18
Total Disclosures	**428**	**431**	**425**	**423**
Number of Companies				
Referring to restrictions	428	431	425	423
Not referring to restrictions	172	169	175	177
Total	**600**	**600**	**600**	**600**

RESTRICTIONS ON RETAINED EARNINGS

Table 2-41 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 2-27.

Restrictions Imposed by Indebtedness

AAR CORP. (MAY)

Notes to Conoslidated Financial Statements

Note 4 (in part): Indebtedness—The Company is subject to a number of convenants under the Revolving Credit and Convertible Subordinated Note agreements, the most restrictive of which are that the Company is required to (a) maintain minimum consolidated net working capital of $9,000,000, (b) maintain minimum consolidated tangible net worth, as defined, of $10,000,000, (c) restrict payment of cash dividends or acquisition of the Company's capital stock so as not to exceed, in the aggregate, 50% of consolidated net income after May 31, 1972. The Convertible Subordinated Note agreement also provides for, among other things, restrictions on sales of assets; additional financing, loans and advances; investments; guarantees of indebtedness of others; leases; and sales, mergers or acquisitions.

At May 31, 1974, consolidated net working capital and consolidated tangible net worth were $17,331,600 and $12,027,100, respectively, and $1,803,500 of consolidated retained earnings was not restricted. The Company was also in compliance with the other restrictive provisions of the agreements.

ALLIS-CHALMERS CORPORATION (DEC)

Notes to Conoslidated Financial Statements

Long-term debt (in part)—As of May 23, 1974, a loan agreement was entered into with ten institutional lenders under which the Company issued promissory notes having an aggregate outstanding principal balance of $58,000,000. Interest on the notes is payable semi-annually at a rate of 9¼% per annum. Ninety percent of the principal is repayable in equal annual installments due on February 1st of each of the years 1976 through 1990 inclusive, and the balance on February 1, 1991. Concurrent with obtaining the proceeds of the loan agreement, the Company retired term loans due to banks in an amount of $20,750,000 as well as short-term indebtedness due to banks of an additional $37,250,000.

The May 23, 1974 loan agreement contains a number of covenants applicable to the operations and financial condition of the Company and certain of its U.S. and Canadian subsidiaries (exclusive of finance subsidiaries). Among other things, the loan agreement requires maintenance of working capital (as defined) of not less than $150,000,000 (or 80% of defined funded debt, if greater) and maintenance of a ratio of current assets to current liabilities of at least 1.60 to 1 through March 31, 1976 and of at least 1.75 to 1 with a minimum of $170,000,000 working capital (as defined) thereafter through 1990. At December 31, 1974, defined working capital totalled $194,536,297 and the current ratio was 1.70 to 1. The agreement also requires that short-term borrowings not exceed $15,000,000 for a period of 60 consecutive days during the two-year period commencing April 1, 1974 and for 60 consecutive days during each two-year period commencing monthly thereafter (short-term borrowings at December 31, 1974 totalled $49,500,000), places restrictions on the incurrence of rental obligations, the making of investments and the assumption of additional indebtedness and/or quarantees, limits the amount of mortgages, liens, pledges, and other encumbrances which can be incurred, restricts disposition of property and limits the sale and/or discount of receivables. Until April 1, 1976, the Company may continue to pay dividends at the present rate and, if working capital is not less than $170,000,000 (as defined), may increase its dividend rate. After April 1, 1976, there are restrictions on the payment of or the increase in the rate of dividends including requirements that the Company have working capital of not less than $170,000,000 and be able to incur additional non-subordinated funded debt (as defined). At December 31, 1974, the Company could not incur any additional funded debt (as defined) other than subordinated funded debt.

Earlier loan agreements dated 1952, 1956 and 1965 also require maintenance of working capital of not less than $150,000,000, but include all subsidiaries other than finance subsidiaries. In addition, they contain covenants regarding assumption of additional indebtedness and/or guarantees, limiting the amount of mortgages, liens, pledges, and other encumbrances which can be incurred and restricting amounts available for declaration and payment of cash dividends.

As at December 31, 1974, the aggregate amount of earnings retained available for future declaration and payment of dividends on capital stock was approximately $13.2 million under the most restrictive provision of these agreements applicable thereto.

The Company was in compliance with all covenants of its various loan agreements at December 31, 1974.

AMAX INC. (DEC)

Notes to Financial Statements

Note 13: Dividend Limitations ($000)—At December 31, 1974, under the most restrictive of the agreements entered into in connection with the notes and debentures payable (which impose restrictions based on earnings and working capital), approximately $136,000 of retained earnings were available for the payment of cash dividends and the reacquisition of the Company's capital stock.

ANCHOR COUPLING CO. INC. (JUN)

Notes to Consolidated Financial Statements

Note 4 (in part): Notes Payable, Banks and Long-term Debt—Under the most restrictive covenants of the revolving credit agreement, the Company is required to maintain working capital, as defined, of at least $15,000,000 at June 30, 1974, and $15,750,000 at June 30, 1975, and thereafter; total liabilities must not exceed 120% of net worth as defined; net worth, as defined, may not be less than $15,000,000; and the Company may not purchase or redeem any capital stock or pay any dividends (other than stock dividends) or make any distributions to stockholders during 1975 in an aggregate amount exceeding 30% of 1975 net profits. The agreement also limits the amount of additional borrowings, leasing arrangements and fixed asset additions. At June 30, 1974, working capital as defined was $16,218,000, and net worth, as defined, was $16,512,000.

ARDEN-MAYFAIR, INC. (DEC)

Notes to Financial Statements

Note 3 (in part): Long-Term Insurance Loans and 6% Subordinated Income Debentures—Under the terms of the loan agreements and the debenture indenture, the Company is subject to certain limitations on cash dividends, principal and interest payments on the subordinated income debentures, creation of additional debt and guarantees, rental payments, and loans to others. Further, consolidated working capital, which includes the working capital of an unconsolidated subsidiary and excludes the working capital of one consolidated subsidiary under terms of the loan agreements, cannot be less than $16,000,000. Consolidated working capital at December 28, 1974, as defined by the loan agreements, amounted to $24,533,000.

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 28, 1974. In order to pay one semi-annual installment of interest on the debentures the retained earnings that would be required on December 28, 1974 is $2,640,585. The Company would be required to have $5,455,075 of retained earnings in order to be able to pay all interest and dividends that were in arrears on that date. The accumulated arrearages of interest that was payable on September 1, 1974, the last scheduled payment date, amounted to $1,971,018. The accumulated arrearages of quarterly preferred stock dividends that were scheduled for payment on September 1, 1973 and quarterly through December 1, 1974 but were not declared, amounted to $656,131 ($4.50 per share of preferred stock).

BATH INDUSTRIES, INC. (DEC)

Notes to Consolidated Financial Statements

Long-Term Debt (in part)—Terms of the various loan agreements require the Company to maintain consolidated working capital of $35,000,000 to December 30, 1975, and $40,000,000 thereafter and limit the amount of consolidated long-term debt that may be incurred. The Company is in compliance with these requirements at December 31, 1974. In addition, cash dividends payable on common stock are limited to one-half of net income earned in any year, after deducting preferred dividend requirements, provided that dividends on all classes of stock do not exceed \$6,000,000. Cash dividends for 1974 and 1975 are limited to the greater of \$3,150,000 or 50% of net income as defined for the two years, but, not to exceed \$6,000,000 in either year. In determining the amount of net income for 1974, the Company may restore to net income the \$2,528,000 (\$.33 per share) effect of the change in accounting for certain of its inventories from FIFO to LIFO method of valuing inventory.

The Company has verbal arrangements with the Banks under the revolving credit agreement to maintain average compensating balances in the amount of 15% of the \$36,000,000 commitment in existence prior to 1974 and 10% of the commitment plus 10% of the amount borrowed under the additional \$20,000,000 made available in 1974. These arrangements are on a best effort basis and do not restrict the use of such balances when needed for general corporate purposes.

During 1974, the Company had average aggregate short-term borrowings of \$11,250,000.

CELANESE CORPORATION (DEC)

Consolidated Financial Statements Notes

Note P (in part): Long-term debt and related restrictions—The debt instruments contain various restrictions and covenants relating to creation of funded debt, maintenance of working capital and payment of dividends. The most restrictive of these provides that the Corporation: (a) maintain consolidated working capital of at least \$160 million; (b) create no funded debt unless, after giving effect thereto, consolidated net tangible assets, as defined, are at least two times the outstanding consolidated funded debt, as defined; and (c) make no dividend or other payments with respect to common stock, other than dividends payable in stock of the Corporation, unless paid out of consolidated net income, as defined, subsequent to December 31, 1964, plus \$75 million, less dividends paid after that date, and that, after giving effect thereto, consolidated working capital, as defined, is not less than \$100 million. At December 31, 1974, consolidated working capital was \$283 million; retained income, as defined, available for distribution was \$238 million; and working capital, as defined, was \$232 million.

EVANS PRODUCTS COMPANY (DEC)

Notes

Senior Long Term Debt (in part)—Under the terms of its principal loan agreements, the Company may not pay cash dividends on its common stock until after January 31, 1976. The Company must maintain net worth of \$200,000,000 until September 30, 1975, \$210,000,000 thereafter until January 31, 1976, and increasing periodically to \$225,000,000 after September 30, 1976. The Company and certain of its subsidiaries must maintain current assets in excess of current liabilities of \$175,000,000 and maintain a ratio of not less than 2.4:1 to January 31, 1976, and thereafter a ratio of not less than 1.5:1. For purposes of this determination (as defined by the agreement), none of the \$214,000,000 will be considered a current liability prior to January 31, 1976. The excess of current assets over current liabilities and the ratio at December 31, 1974 is \$189,318,000 and 2.7:1 for the Company and the specified subsidiaries.

GENERAL CIGAR CO, INC. (DEC)

Notes to Consolidated Financial Statements

Note 5: Restrictions on Distribution of Retained Earnings—Various loan agreements place certain restrictions on the Company and its consolidated subsidiaries including certain requirements as to maintenance of minimum levels of working capital and net worth, payment of dividends (except stock dividends), additional indebtedness, payment of principal on the subordinated debentures, certain types of investments, and purchase of common stock of the Company. The amount of consolidated retained earnings free from restriction at December 28, 1974 was \$4,298,000 (\$2,441,000 at December 29, 1973), subject to a limitation on the payment of dividends in 1975 of \$1.20 per share.

GOLDBLATT BROS., INC. (JAN)

Notes to Consolidated Financial Statements

Note 1 (in part): Under the most restrictive provisions of the long-term debt agreements, the Company, among other things, may not pay dividends or reacquire its capital stock in excess of \$2,000,000 plus 75% of net income (as defined) subsequent to January 27, 1973; accordingly, at January 25, 1975, approximately \$860,000 is available for the payment of dividends. In addition, working capital must always be at least equal to the greater of \$20,000,000 or 150% of long-term debt. At January 25, 1975, the Company is restricted from entering into any new obligations for the payment of additional rentals.

W.T. GRANT COMPANY (JAN)

Notes to Financial Statements

Note 4 (in part): Short-term borrowing and Inventory Security Agreement—During the year ended January 30, 1975 the Company ceased its borrowings in the commercial paper market and as of September 16, 1974, entered into a Loan and Guaranty Agreement with various banks providing for loans up to \$600 million, bearing interest payable monthly at a rate per annum equal to 110% of the sum of ¼ of 1% plus the minimum commercial lending rate of the Morgan Guaranty Trust Company of New York, adjusted as of the first day of each calendar month for such rate in effect. The understanding is that the Company will maintain compensating balances equal to 10% of the outstanding loan, which amounted to \$60 million at January 30, 1975. Such compensating balances are not restricted as to withdrawal. The unpaid principal is payable on June 2, 1975. Installment payments of \$40 million and \$35 million due on December 13, 1974 and January 31, 1975, respectively, have been waived by the lenders.

Under the terms of the Agreement the Company and its consolidated subsidiaries may not incur any additional debt unless it is subordinated and the proceeds are used to reduce the principal amount of the above mentioned loan; the Company may not declare or pay dividends, other than those on Preferred Stock presently outstanding, and may not purchase, redeem, acquire or retire any shares of its capital stock or any indebtedness.

In addition, the Company was required to maintain minimum consolidated working capital and consolidated net worth balances which have been waived by the lenders.

The Company also pledged as collateral A) all customer receivables arising out of the sale of goods and merchandise coupon books to retail customers, except 1) accounts arising out of the sale of goods pursuant to BankAmericard and Master Charge arrangements, or 2) accounts, contract rights or chattel paper acquired on or before December 31, 1975 for cash by a company not affiliated with the Company, substantially concurrently with the sales out of which they arise, and B) its investments in 6,399,300 shares of the common stock of Zeller's Limited and $6,060,000 Cdn. of the 5½% Convertible Subordinated Debentures of Zeller's Limited. Also, the Company or any consolidated subsidiary may not create, assume or suffer to exist any lien on any assets now owned or hereafter acquired.

As of March 31, 1975, the Company entered into a Loan Extension Agreement with twenty-seven banks to extend to March 31, 1976, loans of $540,916,978 outstanding under the Loan and Guaranty Agreement referred to above; bearing interest at the same rate per annum as determined under that agreement. Effective as of March 1, 1975, 14 of the 27 banks accounting for $498,293,000 in principal have agreed to receive interest monthly at the rate of 5% per annum, with the payment of any interest accrued through January 29, 1976, greater than that amount, deferred until January 29, 1976, (subject to possible anticipation in the event of the sale of certain assets). Under certain conditions, the number of banks and the outstanding amount of loans may be increased at any time prior to March 31, 1976.

Under the covenants of the extended Agreement restrictions as to payments and limitations on indebtedness are basically the same as provided for in the Agreement dated as of September 16, 1974. The collateral pledged under the extended Agreement is the same as pledged under the original Agreement. The Company is also required to maintain consolidated working capital of at least $100 million and consolidated net worth of at least $40 million until January 28, 1976 and $60 million thereafter. The Company or any consolidated subsidiary may not create, assume or suffer to exist any lien on any assets now owned or hereafter acquired by it, except for merchandise inventories.

LOCKHEED AIRCRAFT CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 8 (in part): Long-Term Senior Debt and Subordinated Debentures—The 1971 Credit Agreement and/or the debentures impose, among other covenants, certain requirements and restrictions with respect to creation of additional funded debt, acquisition of shares of the Company's common stock, redemption of 4¼% convertible subordinated debentures and payment of dividends. The 1971 Credit Agreement, as amended, further imposes certain financial covenants involving working capital, equity, and liabilities, and also precludes payment of cash dividends. At December 29, 1974, the Company was in compliance with these requirements and restrictions.

Note 12 (in part): Lease Commitments—No existing lease agreements contain any restrictions with respect to payment of dividends, incurring additional debt, or further leasing. However, under the 1971 Credit Agreement, the Company may not incur, assume, guarantee or have outstanding any obligation to pay rent during any fiscal year under leases which aggregate an amount, excluding rents payable under leases of data processing equipment which terminate or are terminable within 13 months of the end of the year, in excess of the aggregate rents paid by the Company during the year ended December 27, 1970, plus $5 million. At December 29, 1974, the Company was in compliance with this restriction.

STONE CONTAINER CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 4: Long-term Debt—Long-term debt consists of the following:

(in thousands of dollars)	1974	1973
Unsecured notes payable to banks—		
1% above prime interest rate(a)	$ 8,000	$10,000
First mortgage notes—9¼% and 9¾%(b)	4,004	3,023
Subordinated debentures—8%(c)	2,500	2,500
Liability to Ohio Water Development Authority—7%(d)	1,200	1,400
Other notes payable	533	648
	16,237	17,571
Less: Current maturities	2,693	2,640
Long-term debt	$13,544	$14,931

(a) The notes are payable in semi-annual installments aggregating $2,000,000 per year through 1978. The terms of the bank loan agreements provide, among other matters, that the Company: (i) shall maintain consolidated working capital of at least $10,000,000, (ii) will not, except out of earnings after December 31, 1968, declare cash dividends, or purchase, redeem or otherwise acquire or retire any of its capital stock (the retained earnings not so restricted at December 31, 1974 amounted to approximately $24,200,000), and (iii) exclusive of $2,500,000 of subordinated debentures, may not have long-term debt outstanding which, in the aggretate, exceeds 35% of the sum of its long-term debt and stockholders' equity. Under the most restrictive covenant of the Company's various agreements (the aforementioned working capital covenant), the declaration of cash dividends and acquisitions of the Company's capital stock are limited to an aggregate of approximately $12,400,000 at December 31, 1974.

(b) The notes are collateralized by land and buildings with a net book amount of approximately $4,900,000. Such notes are payable in monthly installments (including interest) aggregating $44,000 through 1986, $17,000 thereafter through 1991, and a final principal payment of $293,000 due in November 1991.

(c) The debentures were issued by the Company in conjunction with its purchase of Grand-City and Federal (Note 3) and are due in 1978.

(d) The liability represents a lease obligation, payable $200,000 annually, applicable to the stream pollution control facility at the Company's Coshocton, Ohio mill. This transaction has been treated as a purchase for accounting purposes.

Amounts of long-term debt outstanding at December 31, 1974 maturing during the next five years are as follows: 1975—$2,693,000; 1976—$2,512,000; 1977—$2,402,000; 1978—$4,920,000 and 1979—$439,000.

THE MAY DEPARTMENT STORES COMPANY (JAN)

Notes to Consolidated Financial Statements

Note 3: Long-Term Debt—Depreciated cost of properties pledged under long-term debt amounted to $115,641,000 and $92,568,000 at February 1, 1975, and February 2, 1974, respectively.

The annual maturities, including sinking fund requirements against which cancelled debentures and mortgage bonds aggregating $7,563,000 may be applied, are as follows for years through 1979: 1976—$64,315,000; 1977—$14,568,000; 1978—$20,091,000; and 1979—$14,190,000.

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 $240,694,000 at February 1, 1975, are subject to dividend restrictions; (3) additional long-term borrowing by the Company and its subsidiaries (excluding designated finance and real estate subsidiaries) is limited to approximately $47,845,000 at February 1, 1975; (4) working capital must be at least $120,000,000 for the Company and its subsidiaries (excluding designated finance and real estate subsidiaries); and (5) long-term leases are limited to the extent that rentals may not exceed 2% of net retail sales.

TYSON FOODS, INC. (DEC)

Notes to the Financial Statements

Note 4: Long-Term Debt—The most restrictive provisions of the various long-term debt agreements require the Company, among other things, to maintain consolidated working capital of $12,000,000 and consolidated current assets of not less than 185% of consolidated current liabilities (as determined after reducing consolidated current liabilities for 80% of the income tax timing differences included therein), to liquidate short-term bank borrowings, which are not to exceed $16,000,000 without permission of the noteholders at any one time, for at least sixty consecutive days during each fiscal year, to limit purchase money mortgages up to an aggregate of $500,000, no single such mortgage indebtedness to exceed 75% of the fair market value of the purchased property or the purchase price, whichever is the lesser, and to limit cash dividends to 60% of the remainder of consolidated net income after taxes less $1,000,000 for years beginning after September 30, 1972. $11,519,875 of the consolidated retained earnings is thus restricted at September 30, 1974. All exceptions to the above requirements have been waived by the noteholders.

WHITE MOTOR CORPORATION (DEC)

Notes to Financial Statements

Note D (in part): Long Term Debt—Certain covenants of the indentures and loan agreements include, among other things, requirements for payment of indebtedness when due, limitations on the payment of cash dividends, the incurrence of additional long-term debt, long-term leasing and certain investments, and requirements that the Corporation maintain a stated working capital amount and working capital percentage (current assets as a percentage of current liabilities), and be free from short-term domestic bank borrowings for 60 consecutive days within the 24 month period preceding each month-end, all as defined in such indentures and loan agreements.

In February, 1975, the Corporation obtained waivers of compliance with the requirement that it maintain a working capital percentage of 150% for the period December 1, 1974 through March 31, 1976, provided that it maintain working capital of at least $115,000,000 and a working capital percentage of at least 130% during that period. Further, in February, 1975, waivers of compliance (supplementing waivers obtained in October, 1974) were obtained with respect to the requirement that the Corporation be free from short-term borrowings for 60 consecutive days in each of the 24 consecutive calendar month periods commencing and ending during the period beginning January 1, 1973 through March 31, 1976, inclusive, provided that such short-term borrowings shall not exceed $170,000,000 through April 30, 1975, $160,000,000 from May 1 through May 31, 1975, and $150,000,000 from June 1, 1975 through March 31, 1976. Under such waivers the Corporation will be required to be free from short-term borrowings for 60 consecutive days beginning no later than March 2, 1976. At December 31, 1974, the Corporation's short-term domestic borrowings were $130,000,000, working capital percentage was approximately 145% and working capital was $169,000,000. Terms used herein are all as defined in the loan agreements.

Effective March 26, 1975, the Corporation obtained waivers of compliance with certain maintenance covenants of the loan agreements which waived non-compliance with the original terms of such covenants retroactively to September 29, 1972, and placed limitations on the age and amounts for certain liabilities from the effective date of the waivers to March 31, 1976.

The Corporation has purchased tooling and equipment for a new truck plant presently under construction and entered into agreements and plans further commitments for capital expenditures in 1975. Further, the Corporation has certain loss operations which are currently being reviewed to determine the extent to which additional investments in such businesses are warranted. Long-term indebtedness was increased in 1974 and arrangements are in process for additional long-term borrowings expected to be finalized in 1975. Notwithstanding the waivers obtained in February and March, 1975, under the provisions of the Corporation's 1974 Loan Agreements the lenders are not required to loan to the Corporation the remaining $10,000,000 of undisbursed 1975 loans. The need for short-term borrowings increased in 1974 to meet working capital requirements and this need is expected to continue. For these reasons, negotiations are presently under way with the lenders to obtain such modifications to the terms of certain of its loan agreements that would provide for additional long-term debt incurrence capability and establish suitable dollar and other measurement criteria that would, in the opinion of management, enable the Corporation to comply with the terms of such amended restrictive covenants in the future and the Corporation may request additional waivers from compliance with restrictive covenants regarding domestic short-term bank borrowings.

Retained earnings of approximately $11,300,000 were unrestricted at December 31, 1974, under the most restrictive covenant, after giving retroactive effect to the aforementioned waivers received through February 24, 1975.

At December 31, 1974, lines of credit with several banks permit the Corporation to borrow, repayable on demand, an aggregate of $170,000,000 at the banks' prime rates of interest. The Corporation has agreed to maintain average compensating balances equal to 10% of its total lines of credit plus 10% of its short-term borrowings.

Restrictions Imposed By Preferred Stock Or Certificate of Incorporation

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 and common stockholders. At December 31, 1974, domestic retained earnings were free of such restrictions to the extent of $286,273,000.

CROWN ZELLERBACH (DEC)

Notes to Financial Statements

Long-Term Debt (in part)—Dividends which can be declared from income retained in the business are restricted by agreements related to long-term debt and by the Corporation's Articles of Incorporation. There was $301,500,000 available for dividends over the most stringent of these restrictions at December 31, 1974.

ETHYL CORPORATION (DEC)

Notes to Financial Statements

Note 9: Retained Earnings Restriction—The Corporation's articles of incorporation and note agreements contain restrictions, among others, against the payment of cash dividends. At December 31, 1974, $44,762,000 of retained earnings is free of such restriction under the agreement presently most restrictive.

GETTY OIL COMPANY (DEC)

Notes to Financial Statements

Note 6: Capital Stock—Under the sinking fund provisions of the preferred stock, the company is required to redeem 40,917 shares of its $25 par value stock on each January 10 and July 10. The sinking fund provisions may be satisfied from treasury stock previously purchased on the open market, and accordingly, 81,834 treasury shares were retired during each of the years 1974 and 1973.

The preferred stock contains provisions which restrict the payment of cash dividends on common stock and the purchase or redemption of such stock. On December 31, 1974, approximately $185,000,000 of consolidated retained earnings were restricted under these provisions.

MAREMONT CORPORATION (DEC)

Note 5 (in part): Long-Term Debt and other Borrowings—The Company's various debt and preferred share agreements impose limitations upon, among other things, the creation of additional debt, foreign investments and the payment of cash dividends; they also require the maintenance of certain levels of working capital and net worth and a minimum current ratio. The Company must also be free from short-term borrowings for a period of sixty consecutive days in each calendar year which requirement was fulfilled for 1973 and 1974.

At December 31, 1974, approximately $10,000,000 of retained earnings was available for cash dividends under the most restrictive of these limitations. Defined working capital at that date exceeded the required minimum by $19,000,000 and the current ratio as defined was 3.42 to 1 compared to the requirement of 2.25 to 1. Net worth was $85,233,000 compared to the requirement of $75,000,000.

NATIONAL GYPSUM COMPANY (DEC)

Notes to Financial Statements

Dividend Limitations—The provisions of certain long-term debt arrangements and the $4.50 Cumulative Preferred Stock limit, among other things, the payment of dividends (other than stock dividends) and the purchase or redemption of the company's issued capital stock. Under the most restrictive provisions, retained earnings of $34,446,000 and $54,867,000 were available for either the payment of dividends or the acquisition of capital stock at December 31, 1974 and 1973, respectively.

OWENS-ILLINOIS, INC. (DEC)

Financial Review

Restrictions on Retained Earnings—The Amended Articles of Incorporation and certain long-term debt agreements include covenants restricting the payment of dividends, distributions on account of shares, redemptions, retirements or other acquisitions of shares of any class of the Company's stock. At December 31, 1974, the amount of restricted retained earnings under the most restrictive of the above covenants was $212 million.

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 3-9.

TABLE 2-42: STOCK OPTION PLANS

	1974	1973	1972	1971
Relation of Opinion Price to Market Value at Date of Grant of Option				
Not less than market........	407	399	383	371
Not less than 95% of market value.....................	9	9	27	54
90% or less	8	8	8	8
Not disclosed................	128	134	156	164
Total Plans..........................	**552**	**550**	**574**	**597**
Number of Companies				
Referring to stock option plans.....................	535	532	536	533
Not referring to stock option plans.....................	65	68	64	67
Total	**600**	**600**	**600**	**600**
Number of companies with stock purchase plans....	78	80	69	81

STOCK OPTION PLANS

Tandem Plans

AMAX INC. (DEC)

Notes to Financial Statements

Note 14: Stock Option Plan—The Company is authorized at December 31, 1974 to grant 345,950 options at fair market value at date of grant except that options for 50,000 shares may be granted at a lower price than the fair market value at date of grant. Qualified options shall be exercised within 5 years and non-qualified options within 10 years from the date of grant. Non-qualified options granted in combination with previously or simultaneously granted qualified options are not exercisable until after expiration of the related qualified options.

All options outstanding at the end of 1974 and 1973 are exercisable immediately and expire at various dates to 1984, but none of the qualified options may be exercised by an optionee while he also holds any unexercised qualified option previously granted at a higher price.

The option price of all outstanding options is not less than the fair market value of the common stock on the date of the grant, and in the case of related qualified and non-qualified options, the higher of the fair market values on the dates of the two respective grants.

Stock options are summarized in the following table:

	Price Range Per Share		Unexercised	Shares Available for Future Grants
January 1, 1973...........	$28.06	$33.25	491,875	7,300
New shares for future grants...................	—	—	—	500,000
Options: granted...........	30.63	33.81	30,550	(30,550)
exercised.........	28.06	33.13	(88,050)	—
terminated........	28.06	30.63	(3,200)	3,200
December 31, 1973.......	28.06	33.81	431,175	479,950
Options: granted...........	39.56	39.69	142,100	(142,100)
exercised	28.06	33.13	(67.425)	—
terminated (B) ...	28.06	39.69	(63,250)	8,100
December 31, 1974.......	28.06	39.69	422,600(A)	345,950

(A) Includes qualified options for 111,350 shares for which related non-qualified options were granted in 1971 and 1972, qualified options for 24,650 shares granted in 1970 and 1974, and non-qualified options for 306,600 shares granted in 1971, 1972, 1973 and 1974. With respect to options for the 111,350 shares the non-qualified options become exercisable 30 days after expiration of the related qualified options.

(B) Pursuant to the sale of Alumax, Inc., AMAX bought from the employees transferred to the new company 45,300 options representing all of their unexercised stock options. Payments, computed by multiplying the number of unexercised options by the difference between the highest closing price of AMAX Common Stock on the New York Stock Exchange during the three-month period following January 30, 1974 and the weighted average option price of all unexercised options, were charged to the gain on sale.

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

Summary of Significant Accounting Policies

Stock Options—The Company has stock option plans in effect which provide for the granting of options to officers and key employees to buy the Company's common stock.

No entries are made in the accounts for qualified stock options until such options are exercised. When non-qualified stock options are granted, compensation expense is charged and accrued compensation expense is credited for the excess of the aggregate fair market value of the shares on the date of grant over the aggregate option price. When qualified options are exercised, common stock is credited with the par value of the stock issued and the excess of the proceeds over par value is credited to additional paid-in capital. In the case of non-qualified stock options, such excess as well as the accrued compensation expense is credited to additional paid-in capital.

Notes to Consolidated Financial Statements

Note 8: Stock Options—The Company has stock option plans which provide for the purchase of the Company's common stock by officers and key employees. On April 25, 1973, the shareholders of the Company approved a stock option plan covering an additional 200,000 shares of common stock. This plan authorizes the granting of qualified stock options, non-qualified stock options or combinations of both. Qualified stock options which have been granted 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 fair market values on the dates of grant. Non-qualified options which have been granted differ from qualified options in that they were granted at 85% of fair market value and those granted were immediately exercisable for a period of ten years after the dates of grant.

Transactions relating to stock options during 1974 and 1973 are as follows:

	Shares 1974	1973
Options outstanding at beginning of year	131,483	94,700
Options granted:		
Qualified options:		
At prices averaging $18.25 per share	54,000	
At prices averaging $23.84 per share		44,783
Non-qualified options, at prices averaging $13.77 per share (fair market values on dates of grant averaging $16.20)	27,000	
Options exercised at prices averaging $26.69 per share		1,000
Options expired or terminated	41,350	7,000
Options outstanding at end of year:		
At prices averaging $24.32 per share		131,483
At prices averaging $20.23 per share	171,533	
Available at end of year for future grants	163,967	204,017

On December 31, 1974, there were 335,500 shares of common stock reserved for issuance under stock option plans. At that date options for 95,116 shares were exercisable at prices averaging $20.54 per share, an aggregate of $1,954,000.

S. S. KRESGE COMPANY (JAN)

Notes to Consolidated Financial Statements

Note J: Stock Purchase Incentive and Option Plans—Information on the stock purchase incentive and option plans is summarized below:

	Number of shares 1974	1973
Stock purchase incentive plan:		
Shares available for purchase at beginning of year	1,665,384	1,971,024
Shares purchased during the year through payroll deduction at $28.85 and $28.96 a share, respectively	(356,176)	(305,640)
Shares available for purchase at end of year	1,309,208	1,665,384

Under the stock purchase incentive plan approved by the stockholders in June 1971, employees of the company or of certain subsidiaries who have completed one year of service are eligible to purchase, at the lower of 85% of the market value on the first or last day of each plan year, 2,400,000 shares of common stock through June, 1976.

	Number of shares 1974	1973
Stock option plans:		
Available for grant at beginning of year	710,336	32,295
Under option at beginning of year ($12.77 to $38.15 per share)	998,200	805,637
Reserved for grants under 1973 plan		1,000,000
Options:		
Granted ($33.81 and $37.63 per share, respectively)	81,000	329,900
Exercised ($12.77 to $28.83 per share)	196,471	129,396
Cancelled ($12.77 to $38.15 per share)	13,930	7,941
Under option at end of year ($12.77 to $38.15 per share)	868,799	998,200
Options exercisable at end of year ($12.77 to $38.15 per share)	489,662	504,300
Available for grant at end of year	595,900	710,336

In June, 1973 the stockholders approved the 1973 stock option plan. Any option granted under the 1973 plan shall, as designated by the Stock Option Committee at the time of the grant, be either an option which is qualified under the Internal Revenue Code, as amended (a "Qualified" option) or an option which is not so qualified (a "Non-Qualified" option). Under the 1973 Plan, 1,000,000 shares were reserved for granting of options to officers and key employees at 100% of the fair market value on the date of grant. Options under this plan expire from five to ten years after the date of grant and are exercisable in annual installments, except that options granted to optionees over age 61 at the date of grant are exercisable in total at such date.

Under a qualified stock option plan approved by the stockholders in May, 1969, options to purchase 1,200,000 shares of common stock could be granted to officers and key employees at 100% of the fair market value on the date of grant. Options expired five years from the date of grant and were exercisable in annual installments, except that options granted to optionees over age 61 at the date of the grant were exercisable in total at such date. In April, 1973, the Board of Directors of the company discontinued the 1969 Plan except as to outstanding options.

In addition to the above stock options, at January 29, 1975, there were also options outstanding for 79,992 common shares of the company at prices ranging from $18.06 to $25.43, which options were assumed in the merger with PMA. During the year ended January 29, 1975, assumed options for 23,283 shares of common stock were exercised at prices ranging from $18.06 to $25.43 and options for 1,440 shares were cancelled.

MAREMONT CORPORATION (DEC)

Notes to Financial Statements

Note 7: Stock Options and Incentive Bonus Plans—Under employees' stock option plans adopted in 1964 and 1972, options which may be qualified or non-qualified depending on various factors at the time of grant, are granted at market price at date of grant. Transactions during 1974 and 1973 under these plans were as follows:

	Shares Under Option		
		Exercisable	
	Outstanding	Shares	Price Range
Balance, January 1, 1973..	120,462	25,302	$ 6-$52
New Grants	30,098	—	24- 40
Grants Becoming Exercisable	—	34,959	6- 52
Cancellations	(13,254)	(104)	8- 40
Exercised	(36,874)	(36,874)	6- 34
Balance, December 31, 1973	100,432	23,283	6- 52
New Grants	71,729	—	8- 13
Grants Becoming Exercisable	—	25,993	6- 40
Cancellations	(28,988)	(11,320)	7- 40
Exercised	(3,896)	(3,896)	6- 9
Cancellations Due to Regrant (a)	(119,543)	(24,587)	11- 52
Regrants	119,543	—	9
Balance, December 31, 1974	139,277	9,473	6- 10

(a) On December 5, 1974, the Company's Board of Directors granted, subject to shareholder ratification at the May, 1975 annual meeting, new non-qualified options under the 1972 plan covering an aggregate of 127,243 common shares at a price of $9.38. Of the options, 119,543 will replace existing options under the 1964 and 1972 plans. These replacement options were granted under the condition that the optionees will agree to terminate and cancel their existing options covering a like amount of shares. As a result of this action, the 1964 and 1972 plan optionees who agree to terminate their existing options will be placed on a parity with each other under a single stock option plan and will hold options more closely related to the current market price.

At December 31, 1974, 23,969 common shares were reserved for subsequent grants, under the 1972 plan. Proceeds from the sales of shares under stock option plans are credited to common share and paid-in surplus accounts. No charges are made to income as a result of stock option transactions.

Cash awards under the Company's Incentive Bonus Plan may be made to designated key employees (including key employees who are also directors or officers) who are deemed to be in a position to further substantially the profits and profitable growth of the Company. Approval for participation is determined by the Compensation Committee of the Board of Directors, none of whom are participants. These awards are limited in any one year to an amount no greater than 50% of the total annual salary of each participant. Awards under this plan approximated $400,000 in both 1974 and 1973.

NORTHROP CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note K: Employee common stock options—The Corporation has granted qualified and nonqualified options to officers and employees to purchase Common Stock of the Corporation. All options are granted at the market price at date of grant. Options are exercisable at stated intervals over periods ranging from four to ten years commencing one year or six months from date of grant. Transactions for 1974 and 1973 are summarized below:

	Shares Under Option	Price Range	Aggregate Amount
Outstanding at December 31, 1972, including non-qualified options for 115,000 shares	403,680	$17-53	$11,020,000
Granted	38,900	17-22	773,000
Replacements becoming outstanding	72,900	17	1,217,000
Exercised	(740)	17-20	(13,000)
Cancelled	(104,840)	17-53	(4,351,000)
Outstanding at December 31, 1973, including non-qualified options for 112,600 shares	409,900	17-43	8,646,000
Granted	6,820	17-26	163,000
Replacements becoming outstanding	5,000	17	83,000
Exercised (21,520 unissued)	(23,610)	17-20	(430,000)
Cancelled	(25,040)	17-43	(632,000)
Outstanding at December 31, 1974, including non-qualified options for 111,220 shares	373,070	$17-32	$ 7,830,000
Shares which became exercisable:			
In 1974	62,404	$17-32	$ 1,385,000
In 1973	176,088	17-43	3,522,000

The shares exercised in 1974 had market values as of the dates exercised of $20 to $26 a share aggregating $588,000. Similar amounts for 1973 were $20 to $26 per share aggregating $17,000. The shares which became exercisable in 1974 had market values as of the dates they became exercisable of $16 to $26 a share aggregating $1,376,000. In 1973 the corresponding amounts were $15 to $23 a share aggregating $3,082,000.

Options outstanding at December 31 do not include options for 38,000 shares for 1974 and 49,000 shares for 1973 which were granted under the 1967 Qualified Stock Option Plan at $16.69 a share (market value at date of grant). These replacement options may be exercised at stated intervals through August 19, 1975, subject to the following conditions: (1) they may not be exercised until earlier options for the same number of shares terminate; and (2) the number of shares subject to purchase under the new grants is reduced to the extent that the earlier options were exercised.

At December 31, 1974, options for 287,700 shares were exercisable and 51,940 shares were reserved for future grants to November 30, 1980. At December 31, 1973, options for 267,916 shares were exercisable and 38,720 shares were reserved for future grants.

In 1974 several optionees exercised their options for 21,520 shares which the Corporation was unable to issue because a Registration Statement on Form S-8 filed with the Securities and Exchange Commission had not become effective.

MELVILLE SHOE CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 5: Stock Option Plans:

Stock Option Plan–1964: Under a qualified stock option plan adopted in 1964, options have been granted to key managerial employees, at fair market value on date of grant. The right to exercise such options commences one year from the date of the grant and expires five years after such date. At December 31, 1974, 467,490 shares of common stock were reserved under the plan, options for 282,000 shares were exercisable, and 181,990 shares were available for grant under the plan.

Information with respect to options granted under this plan is as follows:

	Number of Shares	Option Price Range per Share
Shares under option at December 31		
1973	439,530	$13.94-$37.13
1974	285,500	6.88- 37.13
Shares which become exercisable during:		
1973	52,200	$29.81-$37.13
1974	1,000	31.63
Options exercised during:		
1973	110,000	$13.94-$28.69
1974	—	—

Stock Option Plan–1973: On April 10, 1973, the shareholders approved the termination of the Company's Incentive Stock Purchase Plan, thereby restoring 787,580 shares of common stock, previously reserved under the plan, to authorized and unissued shares. On the same date, the shareholders approved the adoption of a Stock Option Plan which provided for the grant of options for a maximum of 300,000 shares of the Company's common stock to corporate officers and other key managerial employees of the Company. The stock options granted under such plan may be designated as either qualified or non-qualified. The right to exercise such options commences one year from the date of grant and expires 10 years after such date. At December 31, 1974, 300,000 shares of common stock were reserved under the plan and 18,500 shares were available for grant under the plan. During 1974 options were granted at fair market value on date of grant.

Information with respect to options granted under this plan is as follows:

	Number of Shares	Option Price Range per Share
Shares under option at December 31		
1973	157,250	$22.75-$28.00
1974	281,500	9.50- 28.00
Shares which become exercisable during:		
1973	—	—
1974	150,000	$22.75-$28.00

No options were exercised during 1973 and 1974.

Qualified Options Only

BROCKWAY GLASS COMPANY, INC. (DEC)

Notes to Financial Statements

Note 6: Stock Option—Under a stock option plan approved by shareholders on January 25, 1966 and as amended on January 28, 1969 and as further amended on April 28, 1970, 300,000 shares of authorized and unissued common stock of the Company were reserved for issuance upon the exercise of options to be granted to key executive employees. The plan provides that the option price shall be not less than 100% of the market value at date of grant. No option shall be exercisable until the optionee shall have been employed by the Company for a period of three years immediately preceding the exercise of such option, and may not be exercised after five years from the date it is granted.

No accounting entries are made until options are exercised, at which time the capital stock account is credited with the par value of the shares issued and paid-in capital is credited with the cash proceeds in excess of par value. The Company makes no charge to income in connection with the plan.

Following is a summary with respect to options during the two years ended December 31, 1974.

	Option price per share	Shares Out-standing	Shares Exer-cisable	Shares Available for grant
At January 1, 1973	$18.625 -$41.0625	100,350	97,350	104,500
Granted	$19.00	19,250		(19,250)
Became exercisable	$19.00 -$29.25		19,500	
Exercised		—	—	—
Expired and available for grant	$18.625 -$36.0625	(5,750)	(3,500)	5,750
At December 31, 1973	$19.00 -$41.0625	113,850	113,350	91,000
Expired and available for grant	$36.0625-$41.0625	(57,000)	(57,000)	57,000
Granted	$12.00	138,750		(138,750)
Became exercisable	$12.00		125,750	
Exercised		—	—	—
At December 31, 1974	$12.00 -$29.25	195,600	182,100	9,250

There were no changes in the exercise price of outstanding options, through cancellations and reissuance or otherwise.

COMMERCIAL SOLVENTS CORPORATION (DEC)

Notes to Financial Statements

Stock Options—The Company has a qualified stock option plan under which options to purchase common shares may be granted at a price not less than 100% of the fair market value at the date of grant. Options are for a term not to exceed five years and become exercisable one year after the date of grant. The following table sets forth certain information concerning the plan during 1974 and 1973:

	1974 Common Shares	1974 Per Share	1973 Common Shares	1973 Per Share
Options outstanding—beginning of year...	92,000	$15.50 to $25.00	47,200	$22.25 to $25.00
Options granted	9,000	$21.25	45,550	$15.50 to $17.00
Options exercised	(36,350)	$15.50 to $22.25	—	—
Options expired or cancelled	(16,450)	$15.50 to $22.25	(750)	$22.25
Options outstanding—end of year .	48,200	$15.50 to $25.00	92,000	$15.50 to $25.00

At December 31, 1974, 15,450 shares (8,000 shares at December 31, 1973) were reserved for which no options had been granted and options for 39,200 shares were exercisable.

HYGRADE FOOD PRODUCTS CORPORATION (OCT)

Notes to Consolidated Financial Statements

Note 9: Stock Options—Under a 1970 Qualified Stock Option Plan, common stock options are granted to key employees of the Company and its subsidiaries for a term of five years at an option price equal to 100% of market value on the date of grant. Each option is exercisable in increments up to 25% for each period of 24, 36, 48 and 54 months from the date of grant. At November 2, 1974, there were 23,129 shares available for grant under the 1970 Plan. Under a 1960 Restricted Stock Option Plan, options for 20,616 shares may be exercised in 1975 or will be terminated. No further options may be granted under this plan. Under both plans, as options are exercised, proceeds in excess of par value of the shares issued are credited to other capital.

Transactions for 1974 and 1973 (adjusted for 5% stock dividend declared on December 12, 1972) under the 1970 Plan are summarized as follows:

	Options Outstanding Number of Shares	Options Outstanding Average per Share	Options Exercisable Number of Shares	Options Exercisable Average per Share
Balance at October 28, 1972	20,368	$27.23	3,852	$25.42
Granted	3,000	23.25	—	—
Becoming exercisable ...	—	—	3,962	25.80
Exercised	—	—	—	—
Terminated	(551)	25.30	(138)	25.30
Balance at November 3, 1973	22,817	26.55	7,676	25.29
Granted	—	—	—	—
Becoming exercisable ...	—	—	7,702	26.44
Exercised	—	—	—	—
Terminated	(2,536)	26.94	(1,100)	26.05
Balance at November 2, 1974	20,281	$26.72	14,278	$26.01

Option Plan Adopted or Amended

CELANESE CORPORATION (DEC)

Consolidated Financial Statements Notes
Note R: Stock option award plans

	1970	1971	1972	1973	1974
Shares under option at December 31, 1974, by year of grant	40,800	2,500	43,900	97,000	439,100

	Number of shares	Option price		Market value	
		Per share(a)	Total	Per share(a)	Total
Shares under option at December 31, 1974	623,300	$30.00-69.06	$22.3	$30.00-69.06	$22.3
Options that became exercisable during:					
1970	44,522	$55.63-69.94	$ 2.7	$55.13-62.38	$ 2.6
1971	33,475	49.44-69.94	2.0	65.00-77.13	2.5
1972	28,207	49.44-67.88	1.6	35.56-67.88	1.6
1973	28,156	49.44-69.06	1.7	26.81-38.25	0.9
1974	19,400	30.00-69.06	1.1	25.00-32.13	0.6
Options exercised during:					
1968-69	15,200	$47.38-86.00	$ .09	$57.62-72.81	$ 1.1
1970	15,000	50.00-60.94	0.8	55.31-62.63	0.9
1971	164,382	47.38-66.25	8.6	63.38-78.19	11.5
1972	700	59.63-60.94	—	67.00-68.63	—
1973-74	—	—	—	—	—

(a) At the dates options were granted, became exercisable or were exercised, as applicable.

The Corporation has two stock option award plans, a qualified stock option award plan adopted in April 1965 and a non-qualified plan adopted in April 1974.

1965 plan—Options may be granted to employees for the purchase of 590,000 shares of common stock of the Corporation at the market price of the stock on the date of grant. Options become exercisable in equal installments in the three years following the first anniversary of the date of grant, and must be exercised no later than five years from the date of grant. These shares have been registered under the Securities Act of 1933.

At December 31, 1974, options were outstanding for a total of 381,300 shares, of which options for 73,615 shares were exercisable, and 13,418 shares were available for future grants. This plan terminates in April 1975. The Corporation makes no charge against income with respect to options granted under the 1965 plan.

1974 plan—Options may be granted to employees for the purchase of 600,000 shares of common stock of the Corporation at the market price of the stock on the date of grant. Options become exercisable, in whole or in part, at any time following the first anniversary of the date of grant, and must be exercised no later than ten years from the date of grant. These shares will be registered under the Securities Act of 1933.

At December 31, 1974, options for 242,000 shares were outstanding, no options were exercisable and 358,000 shares were available for future grants.

The plan includes an appreciation distribution feature that permits an optionee to elect, subject to the consent of the committee that administers the plan, to surrender options, in whole or in part, in exchange for cash equal to the appreciation between the exercisable option price and the market value on the date of election.

BROWN GROUP, INC. (OCT)

Notes to Consolidated Financial Statements

Note D: Stock Options—The Corporation has stock option plans under which options may be granted to purchase over a period of up to ten years shares of Common Stock at the market value thereof at date of grant. The following summary presents transactions and other information relating to options granted under the plans for the two years ended November 2, 1974:

	Number of Shares	Option Price
Options outstanding October 28, 1972	340,000	$21.72 to $58.50
Granted	79,100	23.50 to 34.38
Exercised	(30,300)	21.72 to 30.25
Terminated	(42,400)	22.53 to 56.25
Options outstanding November 3, 1973	346,400	23.50 to 58.50
Granted	119,250	16.56 to 26.13
Terminated	(59,750)	22.00 to 58.50
Options outstanding November 2, 1974	405,900	$16.56 to $40.13

At November 2, 1974, options for 174,275 shares were exercisable at prices ranging from $23.50 to $40.13 and

47,420 shares of Common Stock were reserved for future options. No charges or credits to income are made with regard to options granted under the above mentioned plans.

In September 1974, the Board of Directors adopted, subject to stockholder approval at the annual meeting in February 1975, a Stock Appreciation and Non-Qualified Stock Option Plan under which key employees may be awarded non-qualified stock options for a maximum of 200,000 shares of the Corporation's Common Stock and the equivalent thereof in stock appreciation units. The stock options provide for the purchase of Common Stock over a period of five years at the market value thereof at date of grant. The stock appreciation units provide for payments to employees of amounts equal to the increase in the market price per share of the Corporation's Common Stock five years from date of award multiplied by the number of units held. Under the Plan, the options and units may be issued in tandem and the exercise of either serves to cancel the other. The combined total of the shares of Common Stock issued and the stock appreciation units for which payments are made shall not exceed 200,000. At November 2, 1974, options for 57,500 shares (option price of $16.56 a share) and 57,500 units had been awarded in tandem, and were outstanding, subject to stockholder approval of the Plan.

WARNER-LAMBERT COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 7 (in part): Stock Options—The following table summarizes the changes in the number of shares of Common Stock under option during the years 1974 and 1973 in connection with Warner-Lambert's qualified stock option plans:

	1974	1973
Shares subject to option:		
Outstanding at beginning of year	658,178	571,252
Granted (except for the 1974 Plan)	110,229	210,490
Exercised	(29,771)	(67,580)
Cancelled	(85,321)	(10,984)
Surrendered in respect to the 1974 Plan	(182,800)	—
Expired in conjunction with Rights exercised under Alternate Stock Plan	(4,428)	(45,000)
Outstanding at end of year	466,087	658,178
Exercisable at end of year	255,246	236,674
Shares reserved at end of year for future grant under qualified stock option plans	739,125	554,764

The aggregate option price of options exercised under qualified plans during 1974 totaled $501,000. Option prices of options outstanding at December 31, 1974, ranging from $9.90 to $53.75 per share, aggregated $17,644,000.

Under Warner-Lambert's Alternate Stock Plan ("1971 Plan") for certain key employees, Rights which have been granted were valued at approximately $50,000 at December 31, 1974. The Rights may be exercised only in lieu of exercising Reference Options granted under Warner-Lambert's 1966 qualified stock option plan ("1966 Plan"). When Rights under the 1971 Plan are exercised, the holder thereof receives Common Stock, or under certain conditions cash and Common Stock, equivalent in value to the Rights being exercised. The value of Rights granted under the 1971 Plan is charged to income over the period from the date the exercise of such Rights becomes evident to the anticipated date of exercise.

On July 30, 1974, the Board of Directors adopted the 1974 Stock Option and Alternate Stock Plan ("1974 Plan"), subject to stockholders' approval at the 1974 Annual Meeting. The 1974 Plan is basically a combination of the 1966 Plan and the 1971 Plan except that the 1974 Plan permits options for up to 10 years, permits a flexible exercise schedule, permits the granting of both qualified and non-qualified options, permits the granting of options in tandem with other options, and makes certain other changes with respect to exercises of options or rights following retirement, death or termination of employment.

Under the 1974 Plan, if approved by the stockholders, 3,000,000 shares of Common Stock are available for granting of options to certain officers and key employees of Warner-Lambert and its subsidiaries. On the date the 1974 Plan was adopted by the Board of Directors, options were granted under the 1974 Plan covering 80% of all of the shares covered by the 1966 Plan options outstanding that were exercisable at prices above the then current market price. The grantees of these New Options may not exercise these options until their 1966 Plan options expire unexercised and if the 1966 Plan options are exercised the 1974 Plan options are reduced by 80% of the number of shares so acquired. The 1974 options outstanding at December 31, 1974 covered a total of 528,809 shares with option prices ranging from $20.50 to $24.875 per share, including New Options for 294,999 shares, exercisable at a price of $24.875 per share, covering 80% of 368,749 shares included in shares outstanding at end of year in the above table. In addition, on the date the 1974 Plan was adopted, all holders of Reference Options which had related Rights granted under the 1966 Plan and 1971 Plan were offered the opportunity to surrender such Reference Options and related Rights for Replacement Options and Rights at the rate of 80% of the number of shares covered by Reference Options and Rights outstanding under the 1966 and 1971 Plans that were exercisable at prices above the then current market price. All such holders accepted such offer. Replacement Options and Rights outstanding at December 31, 1974 covered a total of 146,240 shares and had an option exercise price of $24.875.

SQUIBB CORPORATION (DEC)

Notes to Financial Statements

Stock Option and Purchase Plans—During the year, the Board of Directors of the Company approved, subject to shareholder approval, the 1974 Option and Performance Unit Plan. Under the terms of the plan, 750,000 shares of the Company's common stock may be issued for options granted and for payment of performance units awarded. The options may be granted on a qualified or non-qualified basis for a period of up to ten years. During 1974, options to purchase 78,013 shares (exercisable four years after date of grant) were granted and were outstanding at December 31, 1974 (at prices from $27.94 to $30.07 per share), and 78,013 performance units were awarded (at unit base values from $27.94 to $30.07 per unit). Performance unit awards granted under the plan are payable in varying amounts at the conclusion of the award cycle, which must be a minimum of three years, if certain cumulative growth objectives (which may include earnings per share, pre-tax or net income) of the Company or its subsidiaries are met. Each year, a charge to operations will be made to cover a pro-rata portion of the anticipated payout due at the end of the award cycle based on cumulative growth objectives realized in such year and preceding years.

Under the 1968 stock option plan, as amended, options may be granted to purchase up to 1,778,000 shares of the Company's common stock on a qualified or non-qualified basis for periods of five or ten years. Options are generally exercisable in four equal annual installments commencing one year after grant, or in full four years after grant, and expiring up to ten years after grant. No further options will be granted under this plan after June 30, 1975. Changes during the years were:

		Shares under option		
	Shares available	Exercise price From	To	Shares
Balance at January 1, 1973	425,042	$19.94	$54.44	997,834
Granted	(148,900)	41.69	54.63	148,900
Exercised	—	19.94	42.29	(185,954)
Terminated	41,778	19.94	50.13	(41,778)
Balance at December 31, 1973	317,920	25.07	54.63	919,002
Granted	(268,522)	24.00	41.97	268,522
Exercised	—	25.07	40.72	(68,668)
Terminated	65,825	27.32	54.44	(65,825)
Balance at December 31, 1974	115,223	$24.00	$54.63	1,053,031
Exercisable at December 31, 1974		$31.57	$54.63	553,059

At December 31, 1974, under a prior plan, options to purchase 3,192 shares of common stock at $35.17 per share were outstanding, all of which were exercisable. No further options may be granted under such plan. During 1974, options on 112 shares of common stock (13,496 in 1973) were exercised and options on 15,322 shares of common stock (1,878 in 1973) were terminated.

At December 31, 1974, 1,921,446 shares of common stock were reserved for issuance under the stock option plans.

At December 31, 1974, $1,885,000 ($2,848,000 in 1973) was due to key employees with respect to the purchase in 1972 by the Company of certain shares of common stock previously held by them.

At December 31, 1974, $1,618,000 ($2,606,000 in 1973) was due from key employees for the purchase of the Company's common stock under a prior stock purchase plan.

Price and share data reflect the two-for-one stock split on May 20, 1974.

Options Expired or Not Exercised

AMERICAN CHAIN & CABLE COMPANY, INC. (DEC)

Notes to Financial Statements

Note E: Stock Options—The Company has two stock option plans under which 120,000 shares of common stock were reserved for issue. (Total grants under both plans may not exceed 120,000 shares.) Both plans provide that grants shall be at the fair market value at date of grant.

The first, a qualified stock option plan, was approved by the stockholders in 1966. Options granted under this plan become exercisable in successive annual installments of 25% starting one year from the date of grant; these options expire five years after the date of grant. During 1974, no new options were granted and options for 2,000 shares expired.

The second plan is a non-qualified stock option plan which was approved by the stockholders in May 1972, and operated in tandem with the qualified plan during the balance of that year. Option grants become exercisable in successive annual installments of 25% starting one year from the date of grant; these options expire ten years after the date of grant. An employee granted options with the tandem feature could elect to exercise such options from either the qualified or the non-qualified plan, such election of one plan automatically cancelling his right to a like number of shares from the other plan.

Effective January 1, 1973, the tandem provision of the non-qualified option plan was terminated. The tandem options issued in 1972, however, retain their tandem status. During 1974, tandem options for 2,000 shares expired thereby effecting a transfer of 2,000 shares to the total of grants outstanding against the non-qualified plan. In addition, during 1974, options (non-qualified only) for 39,900 shares were granted at prices ranging from $16.50 to $17.50. Option grants outstanding at December 31, 1974 were as follows:

Qualified Plan only—None.

Non-Qualified Plan only—65,100 shares at prices ranging from $16.50 to $21.50. The number of shares for which options were exercisable was 9,300.

Tandem Options—33,000 shares at $26.25 under the qualified plan and $20.17 under the non-qualified plan. The number of shares for which options were exercisable was 16,500.

At December 31, 1974 there are 21,900 shares available for future grant under the plans.

STOCK PURCHASE PLANS

THE BLACK AND DECKER MANUFACTURING COMPANY (SEP)

Notes to Financial Statements

Note F: Stock Option and Employee Purchase Plans—Options may be granted under the 1970 Stock Option Plan until January 25, 1980. The options are exercisable in four equal installments beginning one year from the date granted. At September 29, 1974 there were 408,151 shares of Common Stock reserved for future grants (543,863 shares at September 30, 1973). Transactions are summarized as follows:

	Shares Under Option	Price Range
Outstanding at September 24, 1972 (115,530 shares exercisable)..	323,793	$ 9.21-31.17
Granted	132,660	32.83-41.33
Exercised	(89,826)	9.21-31.17
Canceled or expired	(7,645)	9.21-28.45
Outstanding at September 30, 1973 (102,690 shares exercisable)..	358,982	12.18-41.33
Granted	142,220	27.00-36.00
Exercised	(34,777)	12.18-34.25
Canceled or expired	(9,429)	12.18-41.33
Outstanding at September 29, 1974 (165,688 shares exercisable)..	456,996	14.21-41.33

Under the 1971 Employees' Stock Purchase Plan, employees may subscribe to common shares at 90% of the market value on the date offered or purchased, whichever is lower. Payment is made through payroll deductions over a period of 50 weeks and shares are issued when payment is completed.

Transactions under the 1971 Plan are summarized as follows:

	Shares Subscribed	Price
Balance September 24, 1972	51,600	$ 26.71
Subscriptions	45,093	34.50
Purchases	(49,098)	26.71
Cancellations	(4,902)	26.71-34.50
Balance September 30, 1973	42,693	34.50
Subscriptions	76,673	33.63
Purchases	(39,862)	33.63-34.50
Cancellations	(8,808)	33.63-34.50
Balance September 29, 1974	70,696	33.63

There were 194,536 shares of Common Stock reserved for future subscription at September 29, 1974 (262,401 shares at September 30, 1973).

The Company agreed to issue 67, 935 shares of Common Stock in order to preserve the rights of certain employees of McCulloch Corporation who held options to purchase shares of McCulloch. These shares have been reflected in the consolidated balance sheet as issued and outstanding, since under the terms of the McCulloch acquisition agreement they will be issued, if not to the optionees then to the former shareholders of McCulloch. The Company will not receive any of the proceeds from exercise of these options.

BURNDY CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 7: Employee Stock Option Plan and Stock Purchase Plan—Under the Company's Stock Option Plan, qualified and non-statutory options may be granted to eligible employees at prices not less than fair market value at the date of grant.

A summary of changes in the Stock Option Plan for the two years ended December 31, 1974 is as follows:

Options:	Number of options	Option price range
Outstanding at January 1, 1973	64,718	$14.88-36.13
Granted	31,150	19.32-32.32
Exercised	(6,278)	14.88-25.00
Cancelled or exchanged	(19,916)	20.00-36.13
Outstanding at December 31, 1973	69,674	15.13-36.13
Granted	124,057	12.63-24.88
Exercised	(484)	20.00
Cancelled or exchanged	(95,724)	15.13-36.13
Outstanding at December 31, 1974	97,523	$12.63-29.38
Exercisable at December 31, 1974	8,966	$15.13-29.38

The number of shares reserved for future grant under the Stock Option Plan was 61,893 at December 31, 1974.

Under the Employee Stock Purchase Plan, which was discontinued in 1974, certain employees are allotted shares to be purchased at prices not less than fair market value at the date of offer.

A summary of changes in the Employee Stock Purchase Plan for the two years ended December 31, 1974 is as follows:

	Number of shares	Offer price range
Outstanding at January 1, 1973	63,375	$20.20-30.40
Subscribed	21,611	24.50
Exercised	(17,506)	20.20-30.40
Lapsed	(17,364)	20.20-30.40
Outstanding at December 31, 1973	50,116	23.50-30.40
Exercised	(11,900)	23.50
Lapsed	(24,904)	23.50-30.40
Outstanding at December 31, 1974	13,312	$24.50-30.40
Exercisable at December 31, 1974	None	

TREASURY STOCK

Chapter 1B of *ARB No. 43*, as revised by *APB Opinion No. 6*, deals with accounting for treasury stock. Table 2-43 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.

Examples of treasury stock presentations are shown below.

TABLE 2-43: TREASURY STOCK — BALANCE SHEET PRESENTATION

	1974	1973	1972	1971
Common Stock				
Cost of treasury stock deducted from total of capital stock, additional capital (if any), and retained earnings	355	357	336	328
Par or stated value of treasury stock deducted from issued stock of the same class	67	51	63	63
Cost of treasury stock deducted from stock of the same class	7	8	13	14
Shown as a noncurrent asset	9	11	15	19
Other	12	25	17	22
Total	**450**	**452**	**444**	**446**
Preferred Stock				
Cost of treasury stock deducted from total of capital stock, additional capital (if any), and retained earnings	44	42	43	42
Par or stated value of treasury stock deducted from issued stock of the same class	23	25	32	32
Other	3	11	6	8
Total	**70**	**78**	**81**	**82**
Number of Companies				
Disclosing treasury stock	449	453	440	443
Not disclosing treasury stock	151	147	160	157
Total	**600**	**600**	**600**	**600**

Deduction in Stockholders' Equity

AKZONA INCORPORATED (DEC)

	1974	1973
	thousands of dollars	
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	$ 15,755
Additional capital	62,672	63,244
Accumulated income reinvested in the business	248,559	230,072
	326,986	309,071
Treasury stock, at average cost: 1974—168,285 shares; 1973—174,927 shares	4,464	5,413
Total shareholders' equity	$322,522	$303,658

AMERICAN BILTRITE INC. (DEC)

	1974	1973
Stockholders' Equity (Note E)		
First Preferred Stock, 6½% Cumulative, par value $100 a share, callable at $120 a share:		
Authorized and issued 6,613 shares	$ 661,300	$ 661,300
Second Preferred Stock, $.80 Cumulative, without par value, callable at $18.50 a share:		
Authorized 200,000 shares; issued 87,439 shares	1,311,585	1,311,585
Common Stock, without par value:		
Authorized 4,000,000 shares; issued, 2,827,486 shares	18,209,587	18,209,587
Donated Capital	400,000	400,000
Retained earnings	39,108,391	38,404,197
	59,690,863	58,986,669
Less cost of shares in treasury—6,032 shares of First Preferred Stock; 77,204 (76,783 in 1973) shares of Second Preferred Stock and 122,972 (93,972 in 1973) shares of Common Stock	2,887,772	2,699,050
	$56,803,091	$56,287,619

Note E: Stockholders' Equity—During 1974 and 1973, there were no changes in the number of issued shares of the three classes of capital stock.

Treasury shares purchased during 1974 and 1973 consisted of the following:

	1974 Shares	1974 Amount	1973 Shares	1973 Amount
First Preferred Stock			132	$ 13,512
Second Preferred Stock .	421	$ 5,209	3,025	39,462
Common Stock	29,000	183,513	36,200	326,640

In 1973, 1,250 common treasury shares were issued for $10,156 pursuant to terms of the Company's stock option plan.

At December 31, 1974, the aggregate cost of shares of First and Second Preferred Stocks and Common Stock held in the treasury amounted to $609,636, $1,082,230 and $1,195,906, respectively; the comparable amounts at December 31, 1973 were $609,636, $1,077,021 and $1,012,393.

BOWNE & CO., INC (OCT)

	1974	1973
Stockholders' equity (Note 4):		
Preferred stock, par value $1:		
Authorized 500,000 shares, issuable in series:		
Convertible, Series A, Issued 44,000 shares.....	$ 44,000	$ 44,000
Common stock, par value $1:		
Authorized 5,000,000 shares Issued 1,985,931 shares.....	1,985,931	1,985,931
Additional paid-in capital (no change during the years) ...	1,715,717	1,715,717
Retained earnings................	15,930,141	14,093,446
	19,675,789	17,839,094
Less, treasury stock, at cost:		
Common—104,056 shares (1974) and 26,356 shares (1973)...........	754,235	377,732
Preferred—3,300 shares.....	71,741	71,741
	825,976	449,473
Total stockholders' equity................	$18,849,813	$17,389,621

Note 4 (in part): Stockholders' equity—

Convertible Preferred Stock, Series A

During 1973, 2,000 shares were converted into common stock and the Company purchased 3,300 shares for the treasury.

Common Stock—Acquisitions for Treasury

During 1974 the Company purchased 77,700 shares of its common stock for $376,503 ($4.85 per share).

FALSTAFF BREWING CORPORATION (DEC)

	1974	1973
Shareowners' Equity:		
Capital stock:		
Preferred—authorized: 500,000 shares of a par value of $20 a share; issued and outstanding —none		
Common—authorized: 6,000,000 shares of a par value of $1 a share; issued (including 33,400 shares held in treasury), 4,530,025 shares (no change during the two-year period).............	$ 4,530,025	$ 4,530,025
Additional paid-in capital (no change during the two-year period)........................	9,885,001	9,885,001
Retained earnings................	23,961,375	27,831,520
Common capital stock held in treasury (at cost)—33,400 shares (deduction)...........	(435,357)	(435,357)
Shareowners' equity........	$37,941,044	$41,811,189

STRUTHERS WELLS CORPORATION (NOV)

	1974	1973
Shareholders' Equity		
$1.25 Cumulative Preferred Stock—		
No par value—Callable at $26 a share		
Authorized—123,388 shares		
Issued—82,533 shares—At stated value of $25 per share......................	$2,063,325	$ 2,063,325
Second Preferred Stock—		
$10 par value		
Authorized and unissued—1,000,000 shares	—	—
Common Stock—		
$1 par value		
Authorized—5,000,000 shares		
Issued—1974—2,195,669 shares		
1973—2,187,919 shares	2,195,669	2,187,919
Additional Paid-In Capital	8,045,940	10,826,666
Deficit..............................	(4,806,966)	(6,413,412)
	7,497,968	8,664,498
Less: Cost of 1,930 shares of $1.25 Cumulative Preferred Stock in Treasury	23,311	—
	$7,474,657	$ 8,664,498

Deducted from Same Issue

O'SULLIVAN CORPORATION (DEC)

			1974	1973
Stockholders' Equity				
5% cumulative preferred stock, par value $2.00				
	1974	1973		
Authorized......	136,623	139,844		
Issued...........	8,275	11,496		
In treasury	2,091	1,035		
Outstanding.....	6,184	10,461	$ 123,680	$ 209,220
Common stock par value				
Authorized	2,000,000			
Issued...........	932,119			
In treasury	2,855			
Outstanding.....	929,264		929,264	929,264
Additional paid-in capital................			1,154,177	1,158,057
Retained earnings.........................			6,007,291	5,310,805
Total Stockholders' Equity..........			$8,214,412	$7,607,346

SEABOARD ALLIED MILLING CORPORATION (MAY)

	1974	1973
Stockholders' equity:		
Common stock of $1 par value. Authorized 4,000,000 shares; issued 1,789,599 shares (including 443,754 shares of treasury stock of which 323,565 shares are reserved for conversion of Series A convertible debentures and subordinated promissory notes)...........	$ 1,789,599	$ 1,789,599
Less shares held in treasury, at par...........................	443,754	444,066
	1,345,845	1,345,533
Additional capital	2,879,356	2,877,172
Retained earnings................	22,144,289	19,915,397
Total stockholders' equity..	$26,369,490	$24,138,102

Included in Assets

KENNECOTT COPPER CORPORATION (DEC)

	1974	1973
Investments (Page 35)	$112,951,628	$58,657,517

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Schedule of Investments at December 31, 1974

	Market Value Dec. 31, 1974	
Investments (having market quotations), at cost:		
Kaiser Aluminum & Chemical Corporation 925,000 shares of common stock............	$11,678,125	$ 9,250,000
Kennecott Copper Corporation 72,012 shares of common stock held for incentive awards.......................	2,601,434	2,425,672
Union Platinum Mining Co. Limited 181,159 shares of common stock...............	450,691	2,792
	$14,730,250	11,678,464
Investments (no market quotations), at cost:		
State of Chile—Series A notes..		48,278,057
Sociedad Minera El Teniente—notes		15,792,069
Series B $6,645,800		
Series C $2,398,010		
Series D $6,748,259		
Government of Queensland, Australia—railway use security deposit		4,941,440
KRC Resources S.A. (Proprietary) Limited—stock and advances		3,793,473
John W. Galbreath Development Corp.—notes................		5,529,806
John W. Galbreath & Co.—notes		274,558
Miscellaneous		1,090,704
		79,700,107
Investments at equity:	Percentage of Ownership	
Coal mining joint ventures	33.3 to 75	5,904,085
Gilbraltar Coal Corporation	50	3,404,346
Great Lakes Carbon Corporation (Canada)—stock and advances	33.3	3,732,646
North Carolina Phosphate Corporation—stock and advances	50	4,503,501
Quebec Columbium Limited —stock and advances.......	45.9	1,426,011
Other..............................	24.2 to 50	2,602,468
		21,573,057
		$112,951,628

Section 3: Income Statement

TITLE OF INCOME STATEMENT

Table 3-1 summarizes the key word terms used in income statement titles. Examples of income statement titles follow.

Income

AMERICAN CAN COMPANY

Statement of Income and Earnings Reinvested in the Business

PAXALL, INC.

Consolidated Statement of Income

Earnings

AMERICAN STORES COMPANY

Consolidated Statements of Earnings

AVON PRODUCTS, INC.

Consolidated Statement of Earnings and Retained Earnings

CHRYSLER CORPORATION

Consolidated Statement of Net Earnings

Other

THE WURLITZER COMPANY

Statement of Consolidated Earnings (Loss) and Retained Earnings

Operations

AMSTED INDUSTRIES INCORPORATED

Consolidated Results of Operations and Summary of Net Income Employed in the Business

CADENCE INDUSTRIES CORPORATION

Consolidated Statement of Operations

TABLE 3-1: INCOME STATEMENT TITLE

	1974	1973	1972	1971
Income	386	378	376	375
Earnings	170	180	178	180
Operations	43	39	41	41
Other	1	3	5	4
Total Companies	**600**	**600**	**600**	**600**

CHOCK FULL O'NUTS CORPORATION

Consolidated Statements of Operations and Retained Earnings

INCOME STATEMENT FORMAT

Table 3-2 shows that more survey companies used a single step income statement to summarize revenue and expense amounts than a multiple step income statement. A substantial number of income statements, both single-step and multiple-step, showed income taxes, equity in earnings or losses of investees, and minority interest as separate captions immediately preceding *net income* or *income before extraordinary item.*

TABLE 3-2: INCOME STATEMENT FORM

	1974	1973	1972	1971
Single-step form				
Federal income tax shown as separate lost item (*379,513,771)	301	306	289	269
Federal income tax listed among operating items (*19,177,776)	86	96	126	132
Subtotal	**387**	**402**	**415**	**401**
Multiple-step form				
Costs and expenses deducted from sales to show operating income (*228,366,488)	109	101	83	89
Costs deducted from sales to show gross margin (*269,402,678)	104	97	102	110
Subtotal	**213**	**198**	**185**	**199**
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 that can change owners' equity (see paragraph 134). Revenue under present generally accepted accounting principles is derived from three general activities: (a) selling products, (b) rendering services and permitting others to use enterprise resources, which result in interest, rent, royalties, fees, and the like, and (c) disposing of resources other than products— for example, plant and equipment or investments in other entities. Revenue does not include receipt of assets purchased, proceeds of borrowing, investments by owners, or adjustments of revenue of prior periods.

Paragraphs 19 and 26 of *APB Opinion No. 30* comment on the presentation and disclosure of revenue items.

> 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 descriptive 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 caption for income taxes (see Table 3-20) or shown as extraordinary gains (see Table 3-21). Examples of revenue items follow. See Table 2-16 and Table 3-17, respectively, for additional examples of equity in earnings of investees and gains from translation adjustments.

Revenue from Sale of Products and Services

APCO OIL CORPORATION (DEC)

	1974	1973
Revenue:		
Operating	$227,940,685	$137,870,167
Other	2,996,819	3,376,402
	$230,937,504	$141,246,569

BLISS & LAUGHLIN INDUSTRIES INCORPORATED (DEC)

	1974	1973
Revenue:		
Net sales	$167,721,000	$147,943,000
Rental revenue	15,333,000	14,945,000
Total revenue	$183,054,000	$162,888,000

FOOTE MINERAL COMPANY (DEC)

	1974	1973
Revenues:		
Net sales from continuing operations	$118,791,000	$86,431,000
Net gain from sale, liquidation and write-down of foreign investments (note 3)	—	363,000
Other, net	122,000	131,000
	$118,913,000	$86,925,000

FREEPORT MINERALS COMPANY (DEC)

	1974	1973
Gross sales	$247,509,000	$167,482,000

LOEWS CORPORATION (AUG)

	1974	1973
Sales and Operating Revenues:		
Sales of manufactured products and revenues of theatre and hotel operations	$739,797,000	$714,021,000
Other revenues, principally rent and dividends	53,544,000	52,415,000
Total	$793,341,000	$766,436,000

LOWE'S COMPANIES, INC. (JUL)

	1974	1973
Income:		
Net Sales	$362,453,211	$326,846,108

OSCAR MAYER & CO. INC. (OCT)

	1974	1973
	($000)	
Sales and other operating revenues, less returns and allowances....	$972,438	$887,180

RCA CORPORATION (DEC)

	1974	1973
	($ Millions)	
Sales and other revenue		
Product sales....................	$2,583.5	$2,359.8
Broadcasting, product services, communications, and other services....................	2,010.8	1,887.0
Interest and other income........	32.6	33.9
Total sales and other revenue	$4,626.9	$4,280.7

SAFEWAY STORES, INCORPORATED (DEC)

	1974	1973
Sales	$8,185,190,000	$6,773,687,000

SCHLUMBERGER LIMITED (DEC)

	1974	1973
	($000)	
Revenues:		
Sales and services...............	$1,143,440	$922,292
Interest and other income........	28,595	23,537
	$1,172,035	$945,829

TABLE 3-3: SALES — CAPTION TITLE

	1974	1973	1972	1971
Net Sales				
Net sales	364	365	366	365
Net sales and operating revenue..................	27	26	23	28
Net sales combined with other terms..............	17	17	18	20
Subtotal	**408**	**408**	**407**	**413**
Sales				
Sales	94	93	94	85
Sales and operating revenue	45	45	42	42
Sales combined with other terms	12	11	11	15
Subtotal	**151**	**149**	**147**	**142**
Other Captions				
Revenue or gross operating income..................	24	25	24	24
Gross sales, income, billings, shipments etc. ..	17	18	22	21
Subtotal	**41**	**43**	**46**	**45**
Total Companies	**600**	**600**	**600**	**600**

TABLE 3-4: OTHER REVENUE

	1974	1973	1972	1971
Nature				
Interest (*352,498,736)....	197	174	172	165
Equity in earnings of investees	104	104	103	106
Dividends (*265,317).......	71	69	70	79
Royalties (*458,737)........	58	55	61	49
Gains on dispositions of assets (*215,322,420)....	45	53	30	25
Translation adjustments	10	16	15	19
Other—described (*25,331,705)..........	80	73	74	40
Other.........................	404	408	436	438
Total Presentations.............	**969**	**952**	**961**	**921**
Number of Companies				
Presenting above items	493	497	508	490
Not presenting above items.	107	103	92	110
Total	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

Interest Income

INLAND STEEL COMPANY (DEC)

	1974	1973
	($000)	
Sales and Other Revenues:		
Net sales	$2,450,289	$1,828,951
Interest and other income........	17,199	8,364
	2,467,488	1,837,315
Costs and Other Expenses:		
Employment costs:		
Wages and salaries...........	493,381	431,667
Employee benefits	118,870	95,431
	612,251	527,098
Materials, services and other expenses	1,461,519	1,039,072
	2,073,770	1,566,170
Depreciation, amortization and depletion.....................	73,968	71,160
State, local and miscellaneous taxes.........................	21,784	21,065
Interest and other expense on debt..........................	24,957	22,181
	2,194,479	1,680,576
Income Before Taxes on Income ...	273,009	156,739
Provision for Taxes on Income:		
Current	125,560	64,685
Deferred..........................	12,193	12,523
Investment tax credit............	(12,753)	(3,598)
	125,000	73,610
Net Income for the Year	$ 148,009	$ 83,129

BELL & HOWELL COMPANY (DEC)

	1974	1973
	($000)	
Revenues:		
Sales	$453,484	$397,238
Interest	8,903	7,803
Royalties and other income	3,237	2,526
	465,624	407,567
Costs and expenses:		
Cost of products sold	298,739	247,877
Selling and administrative	127,770	117,777
Interest	9,976	6,019
	436,485	371,673
Operating earnings before taxes	29,139	35,894
Income taxes	13,629	16,704
Net earnings	$ 15,510	$ 19,190

FIRST NATIONAL STORES INC. (MAR)

	1974	1973
Operating income (loss)	$(14,439,000)	$218,000
Other income (expense):		
Interest income	2,107,000	785,000
Interest expense including $251,000 of imputed interest in 1974	(1,242,000)	(856,000)
Gain on disposal of fixed assets	108,000	529,000
Other	—	(15,000)
	973,000	443,000
Income (loss) from continuing operations before income taxes	(13,466,000)	661,000
Federal and state income taxes	—	100,000
Income (loss) from continuing operations	$(13,466,000)	$561,000

POTLATCH CORPORATION (DEC)

	1974	1973
Net sales	$487,867,603	$442,407,491
Costs and expenses:		
Depreciation, amortization, and cost of fee timber harvested	20,114,967	18,593,869
Materials, labor, and other operating expenses	359,511,007	329,194,205
Selling, administrative, and general expenses	39,382,131	36,579,664
	419,008,105	384,367,738
Earnings from operations	68,859,498	58,039,753
Interest expense	(8,167,876)	(7,687,672)
Interest income	5,138,868	4,405,145

Dividend Income

AMERICAN STANDARD, INC. (DEC)

	1974	1973
	(000 omitted)	
Consolidated income from operations	$107,403	$89,645
Other income	8,480	9,181
Interest expense	(37,025)	(27,524)
Income before taxes on income	$ 78,858	$71,302

Notes to Consolidated Financial Statements

Other Income—Other income was as follows:

	1974	1973
	(dollars in millions)	
Dividends	$1.8	$1.6
Interest	2.6	2.6
Royalties	2.8	2.4
Equity in net income of finance subsidiary	1.4	1.0
Other	(.1)	1.6
	$8.5	$9.2

KOPPERS COMPANY, INC. (DEC)

	1974	1973
Other income (expense):		
Dividends:		
Affiliated company	$12,961,985	$ —
Other	616,526	520,561
Interest income	1,098,121	1,018,412
Provision for possible decline in value of investments	(1,626,000)	(1,000,000)
Profit on sales of capital assets	870,599	1,193,426
Equity in earnings of affiliates (dividends received: 1974—$335,366; 1973—$542,212)	1,701,023	1,382,023
Miscellaneous	162,403	161,359
	$15,784,657	$3,275,781

Royalty Income

BATES MANUFACTURING COMPANY, INCORPORATED (DEC)

	1974	1973
Revenues:		
Net sales	$138,425,265	$79,649,517
Royalty income	4,387,986	1,417,890
Commissions	1,402,011	165,488
Licensing	188,662	170,398
Other income—net	1,309,574	748,718
Total	$145,713,498	$82,152,011

BUCKBEE-MEARS COMPANY (DEC)

	1974	1973
Revenues:		
Net sales	$61,287,642	$60,317,583
Royalties	670,101	887,361
Other	1,019,834	546,745
	$62,977,577	$61,751,689

SPERRY RAND CORPORATION (MAR)

	1974	1973
	($000)	
Revenue		
Net sales of products	$1,944,443	$1,617,686
Rentals and services	669,043	611,567
Total	2,613,486	2,229,253
Interest and Other Income (Note 3)	27,707	24,730
	2,641,193	2,253,983

Note 3: Interest and Other Income—Major items included in interest and other income are shown below (*in thousands of dollars*):

	1974	1973
Interest	$15,067	$15,830
Increase in equity in certain companies	7,181	5,696
Royalties	5,294	3,257
Gain (loss) on sale of capital assets	(420)	235
Other, net	585	(288)
	$27,707	$24,730

Gain From Sale of Assets

AMAX INC. (DEC)

	1974	1973
	(Dollars in thousands)	
Earnings from operations	$145,490	$115,770
Equity in earnings of Alumax Inc. (after Alumax taxes on income of $16,790 and $12,300) (Note 2)	18,940	17,260
Gain on sale of 50% of Alumax Inc.	14,240	—
Dividend income	19,410	14,180
Interest expense, net and other (Note 4)	4,970	(9,960)
Earnings before Federal and foreign income taxes	$203,050	$137,250

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

Note 2 (in part): Business Changes—Sale of 50% of Aluminum Business: On January 30, 1974, AMAX sold 50% of its aluminum business (now named Alumax Inc.) to Mitsui & Co., Ltd. for $134,880. The gain from the sale increased 1974 earnings $5,070 (21c primary earnings per share, 18c fully diluted earnings per share) after income taxes of $9,170. Subsequent to the sale, AMAX has followed the equity method of accounting for its 100% interest to January 30, 1974 and its 50% interest thereafter in the financial statements. Accordingly, the results for 1973 have been restated to include the Company's equity in Alumax as a separate item and to eliminate sales of $372,970, costs and expenses of $343,410 and the provision for income taxes of $12,300. This restatement had no effect on net earnings. Also, the investment now appears as a single item on the statement of financial position. See page 24 for condensed Alumax financial statements.

Note 4: Interest:

	1974	1973
Accrued interest	$(38,950)	$(40,920)
Capitalized interest	16,990	13,990
Interest income	26,870	22,600
Other	60	(5,630)
	$ 4,970	$ (9,960)

CELANESE CORPORATION (DEC)

	1974	1973
	($ Millions)	
Operating income	$165	$198
Interest expense	(32)	(35)
Equity in net income of affiliates	8	12
Other income and expense	19	3
Gain on sale of assets	38	—
Income before taxes	$198	$178

Notes

Note D: Gain on sale of assets—In November 1974, Celanese sold its high density polyethylene (HDPE) operation to Soltex Polymer Corporation, a subsidiary of Solvay and Cie, S.A., for $77 million, of which $19 million was in cash and the balance in the form of a note due March 31, 1976, bearing interest at 120% of the prime interest rate. This sale increased net income by $16 million, or $1.13 per share.

NEPTUNE INTERNATIONAL CORPORATION (DEC)

	1974	1973
Operating income	$7,920,106	$5,145,504
Other income:		
Gain on sale of investment (note 9)	1,674,507	—
Other, including royalties—1974, $434,500 (1973, $286,600)	1,586,670	957,896
	$3,261,177	$ 957,896

Note 9: Gain on Sale of Investment—The Corporation sold, effective •July 11, 1974, its 20 per cent interest in Niro Atomizer, Ltd., Copenhagen, Denmark. This investment was carried at cost.

The proceeds of $1,785,700 from the sale resulted in a gain of $1,119,900 after giving effect to related income taxes of $554,600. In accordance with Opinion No. 30 of the Accounting Principles Board the gain is shown as "Other Income" and included in "Income Before Taxes." The net effect of this transaction is to increase 1974 earnings per share by $.45.

PULLMAN INCORPORATED (DEC)

	1974	1973
	(Thousands of dollars)	
Revenues		
Sales of products and services..	$1,411,411	$1,001,957
Interest and finance charges earned........................	8,424	4,514
Unusual items.....................	5,531	5,038
Other income......................	221	1,126
	$1,425,587	$1,012,635

Notes to Financial Statements

Note 2: Unusual Items—In the second quarter of 1974, the Corporation sold its coal mining operations (Aloe Coal Company and Penn Pocahontas Coal Company) and recorded a before tax gain of $5,531,000 which is classified as revenue. Net income was increased $3,447,000 or 48 cents per share.

In April, 1973 surplus land owned by Canadian Trailmobile Limited was sold and a before tax gain of $1,231,000 was recorded.

In the fourth quarter of 1973 the carrying value of the Corporation's investment in Unimation Inc. and related companies was reduced by $1,701,000 and the Corporation sold 15 percent of its stock of Trailor, S.A., a French subsidiary, and recorded a before tax gain of $5,508,000. The Corporation continues to own 68 percent of the stock of Trailor.

The 1973 unusual items totaling $5,038,000 are classified as revenues and increased net income $3,263,000 or 45 cents per share.

SIMKINS INDUSTRIES INC. (SEP)

	1974	1973
Revenues:		
Net sales..........................	$40,926,477	$34,856,851
Gain—sale of plant—Note 8....	742,757	—
Dividend and interest income....	1,174,207	786,007
(Loss)—sale of securities........	(812,777)	—
Other income......................	203,372	293,608
Total revenues.................	$42,234,036	$35,936,466

Note 8 (in part): Other matters—On October 15, 1973 the building and twenty-two acres of ground formerly used for carton operation in Anne Arundel County, Maryland was sold for $2,375,000.

Gain From Extinguishment of Debt

GENERAL HOST CORPORATION (DEC)

	1974	1973
	($000)	
Income from continuing operations before gains on extinguishment of debt and income taxes.......	$ 3,980	$5,291
Gains on extinguishment of debt (Note 11).........................	16,863	1,176
Income from continuing operations before income taxes............	20,843	6,467
Provision for income taxes (Note 8)	9,429	1,869
Income from continuing operations.	11,414	4,598
Discontinued operations, net of applicable income tax benefit (Notes 8 and 10)...............	(575)	(758)
Income before extraordinary items	10,839	3,840
Extraordinary items, net (Note 12)	6,105	1,011
Net income..........................	$16,944	$4,851

Note 11: Gains on Extinguishment of Debt—Under the terms of an exchange offer which expired on October 31, 1974, the Company issued $20,330,000 principal amount of 11% convertible subordinated debentures in exchange for $33,883,000 principal amount of its outstanding 5% convertible subordinated debentures. As a result, the Company realized a gain for financial reporting purposes of $16,112,000 after giving effect to original issue discount of $4,066,000 on the 11% debentures. In addition, during 1974 the Company repurchased an aggregate of $1,883,000 principal amount of its outstanding debentures for cash, realizing gains in the aggregate amount of $751,000, after deducting original issue discount. During 1973 the Company repurchased an aggregate of $11,545,000 principal amount of its outstanding debentures for cash, realizing gains in the aggregate amount of $1,176,000, after deducting original issue discount.

In the opinion of the Company's independent accountants, the provisions of Accounting Principles Board Opinion No. 30 require that the gains realized on the extinguishment of the Company's debt be included in the determination of income before extraordinary items and, accordingly, the aggregate of such gains in the amount of $16,863,000 in 1974 and $1,176,000 in 1973 have been so reflected in the Consolidated Statement of Income. After provision for related income taxes in the amount of $8,029,000 in 1974 and tax benefit of $106,000 in 1973, the inclusion of these gains increased income before extraordinary items by $8,834,000 or $4.79 per share in 1974 and $1,282,000 or $.60 per share in 1973.

On January 31, 1975 the Financial Accounting Standards Board issued a proposed statement of financial accounting standards entitled "Reporting Gains and Losses from Extinguishments of Debt" which, if adopted, will require that material gains or losses from the extinguishment of debt be classified as extraordinary items in the statement of income and will be applied retroactively. If the provisions of the proposed statement were currently in effect, the gains on extinguishment of debt would be included as extraordinary items in the Company's Consolidated Statement of Income and the

Company's results of operations would have been reported as follows:

	Year Ended Dec. 28, 1974	Dec. 29, 1973
	(In thousands, except per share amounts)	
Income from continuing operations before income taxes	$3,980	$5,291
Provision for income taxes	1,400	1,975
Income from continuing operations	2,580	3,316
Discontinued operations, net of applicable income tax benefit	(575)	(758)
Income before extraordinary items	2,005	2,558
Extraordinary items, net	14,939	2,293
Net income	$16,944	$4,851
Primary earnings per share of common stock:		
Income from continuing operations	$1.39	$1.54
Discontinued operations	(.31)	(.35)
Income before extraordinary items	1.08	1.19
Extraordinary items	8.09	1.07
Net income	$9.17	$2.26

GRUMMAN CORPORATION (DEC)

	1974	1973
Income before gain on debenture exchange and extraordinary item	$20,029,307	$16,943,317
Gain on debenture exchange	9,300,000*	
Income before extraordinary item	29,329,307	16,943,317
Extraordinary item—Federal income tax benefit of operating loss carryover	3,600,000	11,300,000
Net Income	$32,929,307	$28,243,317
Primary earnings per share:		
Income before extraordinary item	$4.29*	$2.49
Extraordinary item	.53	1.66
Net Income	4.82	4.15
Fully diluted earnings per share:		
Income before extraordinary item	3.74*	2.28
Extraordinary item	.44	1.55
Net Income	4.18	3.83

*In accordance with generally accepted accounting principles, the gain on debenture exchange has not been classified as an extraordinary item above. However, a proposed statement of the Financial Accounting Standards Board would require it to be retroactively reclassified as extraordinary in 1975. The following pro forma results for 1974, as previously reported to shareholders, are presented on the assumption that the proposed statement will be adopted and because, in the opinion of management, classifying such a large non-recurring gain as extraordinary is the most meaningful presentation of the results of its operations for 1974. (See Note 4 for additional details.)

	Amount	Earnings Per Share Primary	Fully Diluted	Percent
Income before extraordinary items	$20,029,307	$2.93	$2.60	61%
Extraordinary items				
Gain on debenture exchange	9,300,000	1.36	1.14	28%
Tax benefit of loss carryover	3,600,000	.53	.44	11%
Net Income	$32,929,307	$4.82	$4.18	100%

Note 4: Convertible Subordinated Debentures—In November 1974 the Company offered $600 principal amount of its 8% convertible subordinated debentures due September 1, 1999 (new debentures) in exchange for each $1,000 principal amount of its 4¼% convertible subordinated debentures due September 1, 1992 (old debentures). The old debentures are convertible, at any time prior to maturity, into common stock at $40.63 per share whereas the new debentures are convertible into common stock at $20.00 per share. Both conversion prices are subject to adjustment pursuant to antidilution provisions of the indentures.

As a result of the offer $25,099,000 of old debentures were exchanged for $15,059,400 of new debentures which after deduction of the new bond issue costs and the unamortized bond issue costs of the old bonds exchanged, resulted in a gain on exchange of approximately $9,300,000 or $1.36 per share. This gain was recorded in the fourth quarter of 1974. For Federal income tax purposes the Company has elected under Sections 108 and 1017 of the Code to defer recognition of such gain by reducing the basis of stock in Grumman Aerospace Corporation. Since it is unlikely that the stock of such subsidiary will be sold and the gain recaptured in the future, no provision for Federal income tax arising by reason of this gain will be made. Sinking fund payments are required on the old debentures beginning in 1978 sufficient to retire each year 5% of the principal amount of debentures outstanding as of March 1, 1978 and on the new debentures beginning in 1985 sufficient to retire each year 5% of the principal amount of debentures outstanding as of March 1, 1985.

The debentures may be called by the Company at any time at prices decreasing from 102.73% of face value currently to 100% in 1987, on the old debentures, and from 108% of face value currently to 100% in 1994 on the new debentures.

The indentures under which the 4¼% and 8% debentures were issued, contain among other covenants, certain restrictions as to the amount of retained earnings of the Company which may be used to pay cash dividends on common stock or to purchase its own capital stock of any class. However, there is a more restrictive dividend covenant in the revolving credit agreement, see Note 5 for additional details.

Hotel and Gaming Operations

METRO-GOLDWYN-MAYER INC. (AUG)

	1974	1973
Revenues (note 1)		
Feature films	$125,082,000	$138,767,000
Television programs	20,704,000	14,023,000
Hotel and gaming (net of allowances of $12,919,000)	88,425,000	—
Other income, net	3,337,000	1,730,000
	237,548,000	154,520,000
Expenses		
Feature films—		
Amortization and other film costs	55,736,000	67,809,000
Share of rentals to participants	13,812,000	15,614,000
Selling, advertising and administrative expenses	44,508,000	52,729,000
	114,056,000	136,152,000
Television programs	19,431,000	13,303,000
Hotel and gaming	66,376,000	—
Interest expense	9,056,000	3,737,000
	208,919,000	153,192,000
Income from continuing operations before nonrecurring gains and provision for income taxes	$ 28,629,000	$ 1,328,000

Hotel and Gaming Operations—The Company believes that its procedures for supervision of casino operations and counting of cash receipts therefrom constitute controls over cash receipts as effective as are practicable without impediment to play and within the limits of reasonable cost, that such procedures comply in all material respects with the regulations of the regulatory agencies, and that various analyses of the results of casino operations provide additional control over such operations.

Allowances for uncollectible gaming receivables are provided to reduce gaming receivables to amounts anticipated to be collected. At August 31, 1974, allowances of $3,411,000 have been provided against gaming receivables of $11,937,000. Receivables totalling $388,000 were charged against the allowances during the year as uncollectible.

The Company has elected to capitalize costs associated with the development and opening of the MGM Grand Hotel. Such costs, amounting to approximately $5,280,000, are being amortized over a five-year period commencing with the opening of the Hotel on December 4, 1973.

The Company has also capitalized costs associated with the development and opening of the Hotel's production revue. Such costs are carried as current inventory and are being amortized over a three-year period commencing in April, 1974.

As of August 31, 1974, funds in the amount of $10,000,000 were held by the trustee of the Company's 9% Collateral Trust Bonds due 1992. These funds will be released by the trustee upon removal of mechanic's liens relating to the Hotel's real property, one of which liens is the subject of litigation (See Note 9) and delivery of a final title insurance policy. The funds have been classified as current assets since, in management's opinion, all documents necessary for the release of the funds will be obtained in less than one year.

The hotel and gaming revenue from the Hotel's opening on December 4, 1973, through August 31, 1974, was comprised of the following (in thousands):

Hotel operations	$45,831
Gaming operations	55,513
Gross revenues	101,344
Less—Allowances	12,919
Revenues, net	$88,425

The retail value of accommodations, food and beverages furnished gratuitously to customers of the MGM Grand Hotel is included in gross revenues and then deducted as allowances.

Rental Income

GEARHART-OWEN INDUSTRIES, INC. (JAN)

	1975	1974
Sales of Products and Other Income		
Net Sales and Service	$44,997,392	$28,708,057
Rental Income, net of depreciation and expenses (1975 $182,351 — 1974 $314,291)	431,135	547,843
Interest and Other Income	321,596	167,414
	$45,750,123	$29,423,314

Fees

THE GENERAL TIRE & RUBBER COMPANY (NOV)

	1974	1973
	($000)	
Net Sales	$1,726,199	$1,379,966
Foreign management and technical fees, less expenses	10,362	7,417
Interest, dividends and other income	14,270	16,004
Equity in earnings of foreign companies	5,815	5,083
	$1,756,646	$1,408,470

Life Insurance Proceeds

LA MAUR INC. (DEC)

	1974	1973
Sales and Other Income		
Net Sales	$23,648,219	$24,092,682
Interest income	381,769	81,598
Other income	101,766	84,208
Life insurance proceeds, net of death benefits	60,092	50,000
	24,191,846	24,308,488

Crude Oil Exchanges

QUAKER STATE OIL REFINING CORPORATION (DEC)

	1974	1973
Revenues:		
Sales (Note 1)	$267,304,753	$198,666,569
Other	3,627,481	2,960,411
	270,932,234	201,626,980
Costs and expenses:		
Cost of sales and operating costs (Note 1)	184,299,107	127,855,095
Selling, administrative and general	30,696,828	26,361,827
Depreciation and depletion	12,355,901	9,495,359
Interest	3,148,649	2,843,966
Income taxes, including deferred taxes: 1974, $2,100,000; 1973, $2,339,000	16,325,000	15,455,000
	246,825,485	182,011,247
Net income	$ 24,106,749	$ 19,615,733

Note 1 f: Reclassification of Crude Oil Exchange Revenues—Sales and cost of sales and operating costs for 1973 reflect a reclassification of sales derived from crude oil exchanges. The reclassification, which had no effect on net income, was a reduction of sales with an offsetting reduction of cost of sales and operating costs of $14,581,000. This reclassification was made to eliminate distortions in ratios of cost of sales and operating costs to sales caused by fluctuations in crude oil exchanges and conforms to the accounting treatment (the exchange method) generally used in the Petroleum Industry.

Credit Operations

SEARS, ROEBUCK AND CO. (JAN)

	1975	1974
	($000)	
Net sales (including finance charge revenues—note 8)	$13,101,210	$12,306,229
Cost of sales, buying and occupancy expenses	8,293,810	7,664,123
Selling and administrative expenses	3,733,549	3,401,594
	$12,027,359	$11,065,717

Note 8: Credit operations—Actions are pending against the company in ten states and Puerto Rico alleging that its finance charges or method of computing charges violate the laws of those jurisdictions. The ultimate consequences of these actions or those pending against other retailers, if adversely decided, are not presently determinable, but, in the opinion of the company's management, are not expected to have a material adverse effect on the financial position or net income of the company.

Details of finance charge revenues and credit costs, presented in conformity with industry standards follow. Pro forma interest was computed on average installment receivables less applicable net deferred taxes.

	Year Ended January 31	
(millions)	1975	1974
Finance charge revenues (included in net sales)		
Easy payment accounts	$318	$314
Revolving charge accounts	331	280
	$649	$594
Credit sales expense, including expenses in stores	$322	$296
Provision for uncollectible accounts	52	45
Pro forma interest (at percentage rates below)	345	268
Income taxes (benefit)	(34)	(7)
	$685	$602
Excess of expenses over income	$ 36	$ 8
Average cost of funds borrowed	9.4%	8.0%

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 that can change owners' equity (see paragraph 134). Important classes of expenses are (1) cost 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.

Paragraphs 19 and 26 of *APB Opinion No. 30* comment on the presentation and disclosure of expenses.

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 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 Table 3-12), expense items shown after the caption for income taxes (see Table 3-20), and extraordinary losses (see Table 3-21). Examples of expense items follow. See Table 2-16, Table 2-31, and Table 3-17, respectively, for additional examples of equity in losses of investees, minority interests, and losses from translation adjustments.

TABLE 3-5: COST OF GOODS SOLD

	1974	1973	1972	1971
Single Amount For				
Cost of goods sold	216	213	214	235
Cost of sales	207	198	192	186
Cost of products sold	120	121	118	117
Cost of merchandise sold	7	9	9	3
Elements of cost	15	15	18	18
Other captions	17	22	21	11
	582	**578**	**572**	**570**
More Than One Amount For				
Elements of cost	11	13	12	16
Categories of cost	7	9	16	14
Total Companies	**600**	**600**	**600**	**600**

Cost of Goods Sold

ACTION INDUSTRIES, INC. (JUN)

	1974	1973
Cost of Sales	$29,302,926	$27,271,038

CHEMETRON CORPORATION (DEC)

	1974	1973
	($000)	
Cost of products sold and delivery expenses	$332,828	$283,656
Selling and administrative expenses	57,489	52,029
Interest	8,160	7,456
Other charges	3,092	1,515
Total	$401,569	$344,565

GENERAL REFRACTORIES COMPANY (DEC)

	1974	1973
	($000)	
Costs, expenses and other deductions:		
Materials, supplies, production labor and expenses	$239,244	$169,808
Selling, administrative and general expenses	40,031	33,414
Depreciation and depletion	8,246	8,982
Interest expense	3,898	4,553
Taxes, other than income taxes	15,155	12,541
	$306,574	$229,298

THE GOODYEAR TIRE & RUBBER COMPANY (DEC)

	1974	1973
	($000)	
Cost and Expenses:		
Cost of goods sold	$3,878,790	$3,363,565
Depreciation	171,996	156,669
Selling, administrative and general expense	782,282	732,905
Interest expense	154,543	108,262
United States and foreign income taxes	143,931	154,666
Minority equity in earnings of foreign subsidiary companies	3,931	3,219
	$5,135,473	$4,519,286

HOLLY SUGAR CORPORATION (MAR)

	1974	1973
Costs and expenses:		
Cost of sales	$ 87,749,783	$82,947,492
Selling, general and administrative	9,155,930	8,593,801
Depreciation	3,470,374	3,007,200
Interest	1,847,427	1,695,405
Total costs and expenses	$102,223,514	$96,243,898

MILTON ROY COMPANY (DEC)

	1974	1973
Costs and expenses:		
Cost of sales	$24,961,409	$21,733,058
Marketing and administrative	12,167,260	11,940,391
Research and development	1,055,548	1,011,464
Interest	478,281	186,575
Provision for income taxes	1,830,740	1,690,590
Total costs and expenses	$40,493,238	$36,562,078

THE PANTASOTE COMPANY (DEC)

	1974	1973
Costs and Expenses:		
Cost of goods sold (exclusive of depreciation)	$82,096,941	$69,841,739
Selling and administrative	10,968,904	10,074,371
Depreciation	1,947,017	1,920,699
Interest	838,034	1,356,167
Foreign currency translation loss	432,377	347,366
Other (income)—net	(28,142)	(131,867)
Total Costs and Expenses	$96,255,131	$83,408,475

UNIVERSAL LEAF TOBACCO COMPANY, INC. (JUN)

	1974	1973
Costs and Expenses:		
Cost of tobacco and other products	$563,924,000	$489,896,000
Operating, selling and other expenses	38,129,000	34,644,000
Depreciation	4,108,000	4,076,000
	$606,161,000	$528,616,000

TABLE 3-6: EXPENSES INCURRED TO PRODUCE REVENUE

	Separate Caption	Combined Caption
Selling, general and administrative	257	72
Selling and administrative or general	114	69
General and/or administrative	33	22
Selling	5	26
Operating	17	56
Total Presentations	**426**	**245**
Interest	483	56
Research, development, engineering, etc.	42	73
Employee benefit plans	36	19
Delivery, distribution, etc.	7	48
Advertising	10	23
Rent	15	13
Exploration, dry holes, abandonments	12	8
Bad debts	9	—
Maintenance and repairs	9	1
Other — decribed	13	24
Total Presentations	**636**	**265**

TABLE 3-7: OTHER EXPENSES

	1974	1973	1972	1971
Taxes other than income taxes	53	56	53	49
Minority interest	51	52	55	63
Losses on dispositions of assets	26	16	9	9
Equity in losses of investees	15	11	20	13
Translation Adjustments	15	4	18	13
Other — described	52	38	53	21
Other	132	126	129	147
Total Presentations	**344**	**303**	**337**	**315**

Taxes Other Than Income Taxes

PPG INDUSTRIES, INC. (DEC)

	1974	1973
Net sales	$1,744,003,000	$1,512,607,000
Cost of sales	1,172,450,000	984,817,000
Gross Margin	571,553,000	527,790,000
Other expenses:		
Selling, general and administrative expenses	241,327,000	218,326,000
Depreciation expense	69,026,000	63,676,000
Taxes—exclusive of income taxes	56,463,000	44,404,000
Research and development	47,186,000	40,804,000
Interest expense	31,616,000	24,317,000
Equity in net losses of equity affiliates	7,072,000	7,823,000
Other charges	8,512,000	4,215,000
Total Other Expenses	461,202,000	403,565,000
Other earnings	32,712,000	25,785,000
Earnings before income taxes, minority interest and extraordinary items	$ 143,063,000	$ 150,010,000

Loss From Sale of Assets

CONAGRA, INC. (JUN)

	1974	1973
Other deductions:		
Interest	$16,025,542	$5,546,707
Loss on disposal of assets	1,426,394	157,349
Sundry	247,449	96,764
	$17,699,385	$5,800,820

DART INDUSTRIES INC. (DEC)

	1974	1973
Costs and Expenses:		
Cost of goods sold and operating expenses	$ 721,111,000	$602,945,000
Selling, distribution and administrative expenses	276,822,000	233,525,000
Depreciation and amortization	44,033,000	38,703,000
Interest expense	13,797,000	13,915,000
Loss on sale of resort development project	21,356,000	
Loss on marketable securities	16,145,000	
	$1,093,264,000	$889,088,000

Notes to Financial Statements

Marketable securities—During 1974 Dart began disposing of its investment in industrial and utility common and preferred stocks. In addition, because of the significant deterioration in the market value of these investments, Dart reduced its carrying value of all but two securities to current market value by charges to earnings during the year.

The charge to earnings of $16,145,000 results from the following:

Losses Incurred on Sales:	
Cost of securities	$52,677,000
Proceeds from sales	39,571,000
	13,106,000
Losses Expected to be Incurred:	
Cost of securities	10,797,000
Market value at December 31, 1974	7,758,000
	3,039,000
Loss on marketable securities	$16,145,000

Two issues of preferred stock of the same company have been classified in the balance sheet as non-current assets and have not been written down to their market value because management believes that the quality of these issues exceeds that of the securities written down and that the decline in their market value is not indicative of a permanent impairment of their value.

Resort development operations (in part)—On December 30, 1974 Dart sold its Silver Lakes resort project to a major resort development company. Dart's investment in the project of $25,856,000 included $1,900,000 for development work which Dart is obligated to complete. The sales price of $4,500,000 was evidenced by a secured note receivable which Dart immediately sold to a bank at face value without recourse.

LEHIGH PORTLAND CEMENT COMPANY (DEC)

	1974	1973
Other deductions (Note 6):		
Interest expense	$ 689,000	$1,105,000
Loss on sale of plants	1,627,000	—
Write-off of the excess of cost over net assets of acquired companies	2,034,000	—
	$4,350,000	$1,105,000

Note 6 (in part): Other Income and Deductions

Loss on sale of plants—In November, 1974 Lehigh sold 6 of its 13 ready mixed concrete plants in Florida pursuant to a Federal Trade Commission Consent Order issued in June, 1972. Sales, less discounts for these plants in 1974 and 1973 were $6,700,000 and $11,400,000, respectively. This sale completes the divestiture requirements of the Consent Order.

Write-off of excess of cost over net assets—The rug and carpet operations of the Home Furnishings Division continued to experience operating losses in 1974. The original cost of these operations exceeded the net assets acquired by approximately $2,800,000. A management study in 1974 of existing economic conditions in this industry indicated that the future value of this intangible is questionable. Accordingly, the company decided to write off the unamortized balance of the intangible ($2,034,000) as of December 31, 1974. The accompanying financial statements do not include any tax benefit for either the historical amortization or the write-off.

MOUNT VERNON MILLS, INC. (DEC)

	1974	1973
Other Income (Charges):		
Interest expense	$(585,747)	$(141,612)
Loss on closing Rock Hill plant (Note 3)	(1,350,000)	
Miscellaneous income (less other deductions: 1974-$72,454; 1973-$71,451)	610,209	542,702

Note 3: Loss on Plant Closing—During 1974, as part of an on-going process to improve its operating results, the Company closed its Rock Hill, South Carolina plant. The majority of the machinery and equipment at that location will be transferred to other Company plants since the principal lines of products previously manufactured at the Rock Hill plant will be continued in production at those locations.

The remaining machinery and equipment, together with the plant's land and buildings have been written down to their estimated realizable value ($212,000). The loss on closing the Rock Hill plant includes the write-down of such assets plus estimated costs and expenses directly associated with the closing and disposition of the plant. At December 31, 1974 accrued expenses include $208,000 relating to the plant closing.

UNITED STATES TOBACCO COMPANY (DEC)

	1974	1973
Costs and Expenses		
Cost of products sold	$65,547,000	$59,465,000
Other operating costs	28,256,000	24,395,000
Interest	2,719,000	1,941,000
Losses on disposal of replaced manufacturing facilities	2,066,000	—
	$98,588,000	$85,801,000

THE VENDO COMPANY (DEC)

	1974	1973
Other Expense:		
Interest	$3,559,544	$2,157,542
Loss on sale of operating division (Note 10)	371,077	—
Miscellaneous	430,258	593,155

Note 10: Disposition of Assets—Effective November 1, 1974, the Company entered into an agreement to sell all of the assets of the Leitner Division (which manufactured food service equipment), subject to the assumption of recorded liabilities other than intercompany liabilities. The aggregate purchase price was $1,350,000 to be paid by (1) cash of $1,050,000 and (2) a 6% non-negotiable subordinated promissory note for $300,000, secured by all the common stock of the purchaser and payable in six annual installments commencing October 1, 1975.

Operations of Leitner prior to November 1, 1974 (sales $4,128,048; net loss $66,692), are included in the consolidated statement of income for 1974. In addition, the loss on the sale of these assets of $371,077 is included in other expenses in the accompanying consolidated statement of income.

In April, 1974, the Company transferred all of its vending machine manufacturing operations at its Aurora, Illinois, plant to its main plant in Kansas City. In connection with this transfer, certain manufacturing equipment was sold at a gain of $419,900 which is included in other income in the accompanying consolidated statement of income. The Company is also attempting to sell its property at this location. Annual fixed costs related to this idle facility are estimated at $260,000 and will be charged to operations as nonoperating expense as incurred.

Adjustment of Asset Values

BAKER OIL TOOLS, INC. (SEP)

	1974	1973
	(in thousands of dollars)	
Costs and expenses:		
Cost of sales, services and rentals	$128,800	$ 88,685
Marketing and field service expense	72,858	58,696
General and administrative expense	20,118	13,982
Interest expense—net	4,339	2,789
Other (Note 5)	2,408	—
Total	$228,523	$164,152

Note 5: Other Operational Data—Other costs and expenses and the related income tax effect thereof consist of the following for 1974:

A. Provision for estimated non-repatriatible income (See Note 6)	$ 700,000
B. Write-down to estimated recoverable values of receivables, inventory, property, and other assets associated with:	
(1) an unsuccessful product line	788,000
(2) termination of a foreign business relationship	500,000
(3) an unsuccessful foreign manufacturing operation	420,000
	2,408,000
Less income tax benefits (related to Items B1 and B2)	544,000
Net amount charged against income	$1,864,000

During 1974 and 1973 costs and expenses include $5,795,000 and $4,666,000, respectively, incurred in research activities relating to new products and improvements of existing products and services.

DOYLE DANE BERNBACH INC. (OCT)

	1974	1973
Other Income (Expenses):		
Dividend and interest income	$ 703,448	$552,265
Miscellaneous income	390,276	371,450
Interest expense	(350,166)	(217,386)
Provision for loss on abandonment of land and building	(327,000)	—
Provision for loss on marketable securities (Note C)	(2,038,672)	—
	$(1,622,114)	$706,329

Note C: Marketable Securities—At October 31, 1973 marketable securities were carried at cost. The decline in value at that date of $382,702 was considered by management to be the result of temporary market conditions and accordingly a provision for this decline in value was not deemed proper at that time. Because of the unfavorable market conditions which developed throughout fiscal 1974, management deemed it appropriate to provide for a loss of $1,800,000, reducing the cost of marketable securities to their approximately market value at October 31, 1974. During 1974, the Company realized $238,672 of capital losses for the sale of marketable securities. The total of $2,038,672 is shown in the consolidated statements of income as provision for loss on marketable securities.

THE DUPLAN CORPORATION (SEP)

	1974	1973
Income (loss) from continuing operations before special charges, income taxes and minority interests	$ (3,071,000)	$3,322,000
Special charges:		
Write-off of excess of purchase price over net assets of companies acquired (Note 8)	(13,527,000)	—
Provision for losses on disposition of operating facilities and assets (Note 9)	(1,178,000)	—
	(14,705,000)	—
Income (loss) before items shown below	(17,776,000)	3,322,000
Provision (credit) for income taxes (Note 10)	(720,000)	828,000
Minority interests in net income of consolidated subsidiaries	—	45,000
	(720,000)	873,000
Income (loss) from continuing operations	$(17,056,000)	$2,449,000

Note 8: Excess of Purchase Price Over Net Assets of Companies Acquired—With the exception of two companies which serve the high-style fabric market, the Company's Fabric Group experienced substantial operating losses in 1974. Against a background of these losses, coupled with continuing adverse market conditions subsequent to September 30, 1974 for knitted fabric and related yarn operations, the Board of Directors has determined that there has been an impairment in the value of "excess of purchase price over net assets of companies acquired" (excess purchase price). Accordingly, at September 30, 1974, $5,795,000 of the excess purchase price related to certain knit fabric and yarn operations was written off.

In addition, a combination of market uncertainty, substantial decline in earnings over the last few years and diminished prospect for future earnings recovery has resulted in a determination by the Board of Directors that there has also been an impairment in the value of excess purchase price related to those companies which manufacture brassiers. Accordingly, at September 30, 1974, the excess purchase price relating to these operations, aggregating $7,732,000, was written off.

Note 9: Plant Closings—The current volume of the Company's Yarn Division has been reduced due to the downturn in the textured yarn market. Accordingly, at September 30, 1974, a provision of $1,100,000 has been made to cover the estimated costs of closing a high overhead textured yarn plant. It is anticipated that the plant will cease operations by January 1975, and the disposition of those assets to be sold or abandoned will be completed by December 1975. In addition, a provision of $78,000 was established to cover the estimated costs of closing a plant in the Apparel Group.

During 1974 two plants were closed for which provisions for closing had been made in prior fiscal years.

The net realizable value of the assets of these plants, aggregating approximately $1,725,000 including equipment having a net realizable value of approximately $780,000 which will be retained for future use, has been segregated on the balance sheet at September 30, 1974.

FAIRCHILD INDUSTRIES, INC. (DEC)

	1974	1973
Revenue:		
Sales	$252,392,076	$237,224,028
Other income	4,261,681	2,703,845
	256,653,757	239,927,873
Costs and Expenses:		
Cost of sales	206,729,426	208,333,744
Depreciation and amortization	4,232,051	4,064,483
General, administrative, marketing and development	23,278,641	21,776,490
Interest	3,257,426	3,186,299
Other costs and expenses	1,539,389	1,260,981
	239,036,933	238,621,997
	17,616,824	1,305,876
Provision to Reduce the Carrying Value of the Investment in and Advances to American Satellite Corporation (Note 3)	6,400,000	5,500,000
Earnings (Loss) Before Provision for Income Taxes	11,216,824	(4,194,124)

Note 3 (in part): American Satellite Corporation—American Satellite Corporation (ASC), a wholly-owned subsidiary, is establishing a domestic communications business utilizing leased satellite capacity and ASC-owned earth segments. Since it is the Corporation's intention to seek other equity capital for this subsidiary, ASC is accounted for on the equity basis of accounting.

The Corporation had invested in and advanced to ASC funds aggregating $19,443,315 at December 31, 1974 and $11,193,192 at December 31, 1973. On its part, ASC had commitments at December 31, 1974 of $16,200,000 of which approximately $10,800,000 has been guaranteed by the Corporation.

At December 31, 1973, the Corporation provided for a reduction of $5,500,000 in the carrying amount of its investment in and advances to ASC. Throughout the year 1974, the Corporation has closely monitored and continually reviewed its investment in and advances to ASC in the light of changing conditions in the domestic satellite communications business, additional Federal Communications Commission decisions relating thereto, interconnection disputes with existing common carriers and other problems affecting a start-up company in a new business area. During the second half of 1974, ASC initiated commercial satellite service but generated only limited revenue.

Based on the Corporation's appraisal of ASC's business risks, the carrying value of the investment in and advances to ASC was reduced by $2,700,000 at June 30, 1974, a further $1,500,000 during the third quarter of the year, and an additional $2,200,000 in the fourth quarter for a total 1974 reduction of $6,400,000. This resulted in a net carrying value at December 31, 1974 of $7,543,315, which is virtually equal to the net value of the tangible assets of ASC at that time.

UNITED STATES GYPSUM COMPANY (DEC)

	1974	1973
	($000)	
Costs and expenses		
Cost of products sold	$682,175	$567,274
Selling and administrative expenses	101,418	95,136
Real estate venture write-offs and other losses	21,946	2,750
Interest expense	11,630	5,931
Total costs and expenses	$817,169	$671,091

Significant Accounting Policies and Practices

Investments in Real Estate Ventures—In 1974, the Company had a pre-tax charge of $19,000,000 for real estate venture write-offs and a charge of $2,946,000 for other losses on real estate ventures. The charges of $21,946,000 include current costs incurred, and related accruals recorded, in the amount of $5,198,000. The largest portion of the $19,000,000 charge, $12,600,000, represents a write-off of the Company's loan to a new community real estate venture (in which a Company subsidiary owned an interest) located in Park Forest South, Illinois. During 1974, this venture was financially restructured and simultaneously the Company's subsidiary's interest was sold. Receivables from the venture are subordinated to other venture debt obligations and no recovery is foreseeable. In connection with the restructuring of the venture, the Company agreed to acquire certain parcels of land for $2,000,000, which it expects to fully recover.

The remaining $6,400,000 of the $19,000,000 pre-tax charge relates to investments owned directly and through various subsidiaries in shopping centers and other real estate located in the Northeastern United States and represents costs which the Company does not expect to recover from future operations of the shopping centers or sale of land.

The Company plans to eventually phase out of its remaining investments in real estate ventures although it cannot currently predict when this will be accomplished and what the proceeds of disposition will be. In the meantime, to meet commitments and protect the value of the present investments, additional expenditures are contemplated in the future; however, it is expected that substantially all such expenditures will be financed by nonrecourse loans which will be guaranteed by the Company and its venture partners only as to completion of construction. In connection with the Company's investments in the real estate ventures, land acquisition, construction, and permanent mortgage loans of the ventures aggregate $47,100,000 at December 31, 1974 and consist of: notes guaranteed by the Company and its proportionate share of general venture obligations—$8,400,000; other venture partners' proportionate share of general venture obligations—$4,300,000; obligations limited to the value of venture assets—$19,000,000; and construction obligations for which construction completion has been guaranteed by the Company—$15,400,000 (at December 31, 1974, construction was substantially complete on these projects).

At December 31, 1974, the Company's remaining investments in real estate ventures are stated at cost for non-operating ventures and at approximate underlying equity for operating ventures. Costs incurred through the planning, landholding, construction and start-up periods are deferred, including indirect costs. At December 31, 1974 and 1973, the cumulative deficit of operating ventures included in consolidated retained earnings amounted to $2,000,000 and $1,100,000, respectively.

SEABOARD ALLIED MILLING CORPORATION (MAY)

	1974	1973
Operating income	$ 9,703,887	$5,080,231
Other income:		
Rent	23,215	52,186
Interest:		
Foreign subsidiaries	821,419	38,215
Other	230,021	87,746
Equity in earnings of 50%-owned joint ventures and domestic subsidiary	286,065	267,132
Management and service fees from foreign subsidiaries	147,721	129,924
Other	85,027	186,815
	1,593,468	762,018
	11,297,355	5,842,249
Other charges:		
Interest and debt amortization	5,789,035	2,244,055
Reduction in carrying value of investments in foreign subsidiaries (note 7)	1,700,000	—
Losses on sale or abandonment of property, plant and equipment	—	301,135
Other	279,812	148,909
	7,768,847	2,694,099
Earnings from continuing operations before Federal taxes on income	$ 3,528,508	$3,148,150

Note 7: Investment in Foreign Subsidiaries—The investment in foreign subsidiaries, not consolidated, represents advances to and ownership of 49% to 100% interests in five foreign milling subsidiaries and a foreign shrimping subsidiary. The investment in these subsidiaries is carried at the lower of cost or the Company's equity in the subsidiaries net assets. During the period ended June 1, 1974, provision, amounting to $1,700,000, was made in the accounts to reduce the carrying value of the investment in foreign subsidiaries. As a result, the aggregate carrying value of the Company's investments in these foreign subsidiaries at June 1, 1974 was less than the Company's equity in the foreign subsidiaries' aggregate net assets. Unaudited financial statements disclose assets and liabilities at June 1, 1974 (including inter-company advances) of these subsidiaries aggregating $23,451,472 and $21,966,932, respectively. Sales to foreign subsidiaries not consolidated, which are included in net sales in the statement of consolidated earnings, for the periods ended June 1, 1974 and June 2, 1973 amounted to $27,037,352 and $9,230,543, respectively.

ERB LUMBER CO. (DEC)

	1974	1973
Expenses		
Cost of lumber and other building materials sold	$29,528,193	$29,348,824
Cost of real estate sold	4,040,908	1,840,571
Real estate write-down and other special charges (Note 13)	1,009,304	305,089
Rental property expense, excluding depreciation and interest	529,410	486,204
Yard, delivery, selling, administrative and other expenses, excluding depreciation and interest	8,525,880	7,569,284
Depreciation expense:		
Operations	629,010	478,366
Rental property	192,768	161,535
Interest expense:		
Total interest accrued	1,893,434	1,380,929
Less interest capitalized	(582,641)	(324,553)
Total Expenses	$45,766,266	$41,246,249

Note 13: Real Estate Write-Down and Other Special Charges—Income has been charged with $1,009,304 in 1974 and $305,089 in 1973, to effect a write-down of inventories of real estate under development to market (estimated net realizable value) and in 1974 to provide for certain liabilities related to partnership joint ventures (see Note 3). Although significant uncertainties exist at this time in the cycle of the building industry and the economy, management believes that these charges adequately provide for such conditions.

Write-downs of $305,089 in 1973, which were included in cost of real estate sold and other accounts to state real estate under development at the lower of cost or market, have been reclassified as real estate write-down and other special charges to be consistent with 1974 classifications.

Phase Out Costs

LITTON INDUSTRIES, INC. (JUL)

	1974	1973
	($000)	
Costs and expenses—continuing operations:		
Cost of sales	$2,272,856	$1,746,938
Selling, general and administrative	534,330	473,151
Depreciation	69,737	67,168
Interest	68,640	47,399
Provision for product changes in the Business Systems and Equipment Group	77,219	
National taxes on income	21,806	37,590
	$3,044,588	$2,372,246

(Note at Bottom of Statement of Earnings States)

In July 1974 decisions were made relating to changes in Business Systems and Equipment Group products which resulted in a before tax provision of $77,219,000. Income tax credits relating to this provision amounted to $16,300,000.

Notes to Financial Statements

Note K: Provision for Product Changes in the Business Systems and Equipment Group—The 1974 statement of earnings reflects a decision made in the fourth quarter which resulted in a provision of $77,219,000 before tax credits for product changes in the Business Systems and Equipment Group operations. This provision reflects the estimated cost of the phase out of electromechanical products and the restructuring of typewriter operations with the resultant consolidation of management, operations, facilities, marketing and product development on a world around basis. Provision was made for: plant closures and manufacturing processes consolidations ($19,379,000); marketing and service consolidation and restructuring ($7,453,000); social costs associated with manufacturing and marketing consolidations ($7,655,000); product discontinuance ($29,001,000); adjustment of assets ($8,512,000) and elimination of intangibles ($5,219,000).

As a result of the elimination of the carrying value of intangibles in 1974 and incurrence of other costs of $3,700,000 in the year, the remaining balance of the provision at July 31, 1974 is $68,300,000.

Tax credits to the extent of $16,300,000 have been recognized in the 1974 financial statements.

ESB INCORPORATED (MAR)

	1974	1973
Costs, Expenses and (Other Income):		
Cost of sales	$334,743	$281,573
Selling, general and administrative expenses	73,295	63,065
Interest expense	7,491	3,989
Equity in net income of partially-owned companies	(6,261)	(3,031)
Royalties	(847)	(570)
Provision for anticipated close-down costs of discontinued product lines	3,547	—
Other, net	(806)	154
	$411,162	$345,180

Notes to Consolidated Financial Statements

Discontinued Product Lines—In March 1974, ESB decided to discontinue two unprofitable domestic product lines (nickel-iron batteries and modular wall panels) and two minor foreign operations. The provision of $3,547,000 included in the consolidated statement of income reflects writedowns, to net realizable value, of $1,084,000 for inventories and $1,380,000 for production equipment and estimated future closedown costs of $1,083,000. Deferred income taxes of $1,632,000 have been recorded to recognize the related future tax benefits.

AMERICAN SMELTING AND REFINING COMPANY (DEC)

	(dollars in thousands)				
	1974	1973	1972	1971	1970
Sales of products and services	$1,344,050	$1,068,439	$814,345	$656,757	$717,836
Costs of products and services—exclusive of items deducted separately below	1,183,925	954,464	732,776	598,914	627,778
	160,125	113,975	81,569	57,843	90,058
Equity in earnings of non-consolidated associated companies	102,606	85,105	30,908	37,108	59,905
Other income:					
Dividends	1,091	812	365	641	3,150
Interest on securities	7,318	3,416	2,363	2,276	6,650
Miscellaneous	4,441	2,624	1,900	2,120	2,236
Unusual items (note 11)	(29,838)	2,022	—	—	—
	245,743	207,954	117,105	99,988	161,999
Deductions:					
Research and exploration expenses	11,049	10,235	9,546	11,234	12,578
Selling and administrative expenses	26,555	23,565	20,964	18,469	17,920
Corporate taxes	2,188	1,453	1,508	738	862
Depreciation and depletion	34,877	26,801	23,928	17,886	15,223
Interest on debt	11,362	8,239	4,090	1,691	1,245
Other interest	390	614	1,132	20	251
	86,421	70,907	61,168	50,038	48,079
Earnings before taxes on income and extraordinary items	159,322	137,047	55,937	49,950	113,920
Taxes on income	33,517	23,691	9,053	4,984	25,283
Earnings before extraordinary items	125,805	113,356	46,884	44,966	88,637
Extraordinary items, net of tax (note 11)	—	—	—	(8,400)	13,815
Net Earnings	$ 125,805	$ 113,356	$ 46,884	$ 36,566	$102,452

Note 11: Unusual Items (in millions)

	1974	1973
Estimated loss on closing Baltimore copper refinery (note 7)	$(10.0)	$(15.3)
Estimated loss on closing Amarillo zinc plant (note 7)	(6.5)	(4.4)
Granduc mine—partial write-off (a)	(13.3)	—
Gain on sale of 10,700,000 shares of M.I.M. Holdings Limited stock	—	21.7
Total Gain (Loss)	$(29.8)	$ 2.0

(a) As of December 31, 1974 the estimated ore reserves at Granduc copper mine in British Columbia have been reduced by 8.5 million tons, as this tonnage is no longer considered economic under current or anticipated market and operating conditions. Accordingly, Asarco has reviewed its investment in plant and development costs at Granduc and has written off those costs which will not be recovered through future operations.

Prior to adoption of APB Opinion No. 30 these items would have been reported as "Extraordinary items."

Similar items arose and were reported as "Extraordinary items" in 1971 and 1970 as follows:

	1971	1970
Decline in value of Revere investment less deferred tax credit	$(8.4)	$(9.1)
Gain on sale of securities, net of income tax	—	31.5
Loss from closing Selby plant, net of income tax credit	—	(3.9)
Loss from cancellation of Michiquillay mining concession, net of income tax credit	—	(4.7)
Total Gain (Loss)	$(8.4)	$ 13.8

"Extraordinary items" for 1971 include deferred income tax credit of $3.6 while those for 1970 are net of income tax of $3.7, including a credit of $7.0 for deferred taxes.

Employee Costs

AMERICAN CYANAMID COMPANY (DEC)

	1974	1973
	(Thousands of dollars)	
Expenses:		
Manufacturing cost of sales less depreciation and depletion..	$ 972,483	$ 775,512
Selling and advertising expenses	303,837	270,584
Administrative and general expenses	82,788	60,683
Depreciation and depletion.......	71,961	69,128
Research and process development expenses..............	58,807	47,918
Employees' benefits (Note 9)	59,399	48,919
	$1,549,275	$1,272,744

Note 9: 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 actuarially computed value of vested benefits at the most recent valuation date under the principal pension plans of the company exceeds the current market value of fund assets and balance sheet accruals by approximately $30,000. The total pension expense was $14,403 for 1974 and $10,386 for 1973.

GENERAL ELECTRIC COMPANY (DEC)

	1974	1973
	(In millions)	
Sales of products and services to customers	$13,413.1	$11,575.3
Operating costs		
Employee compensation, including benefits..................	5,223.0	4,709.7
Materials, supplies, services and other costs	6,966.7	5.690.5
Depreciation	376.2	334.0
Taxes, except those on income.	123.0	113.5
Increase in inventories during the year...........................	(270.8)	(227.2)
	12,418.1	10,620.5
Operating margin	$ 995.0	$ 954.8

UNITED STATES STEEL CORPORATION (DEC)

	1974	1973
	(In millions)	
Costs		
Employment costs		
Wages and salaries............	$2,675.5	$2,301.9
Employee benefits (Page 24).	626.4	467.9
	3,301.9	2,769.8
Products and services bought ...	4,347.2	3,164.4
Wear and exhaustion of facilities	385.7	358.0
Interest and other costs on debt	92.7	96.1
State, local and miscellaneous taxes.........................	168.2	152.6
Total costs other than United States and foreign taxes on income	$8,295.7	$6,540.9

Employee Benefit Costs (Page 24)

	1974	1973
	(in millions)	
Pension Costs	$169.9	$ 90.0
Social Security Taxes................	168.9	145.8
Insurance Costs	153.0	133.6
Supplemental Unemployment and Extended Vacation Benefit Costs*............................	33.3	24.8
Savings Fund Costs	16.9	15.3
Payments to Industry Welfare and Retirement Funds and Other Employee Benefit Costs............	84.4	58.4
Total Cost of Employee Benefits....	$626.4	$467.9

*Excludes $46.3 million and $36.8 million in 1974 and 1973, respectively, for extended vacation benefits which are included as wages and salaries.

ZENITH RADIO CORPORATION (DEC)

	1974	1973
	($000)	
Costs and expenses, less other income:		
Cost of sales	$744,314	$761,456
Provision for depreciation........	15,945	14,386
Selling, advertising and administrative expenses............	87,474	91,850
Research and engineering expenses	29,510	26,274
Contribution to profit-sharing retirement plan................	8,344	15,328
Interest income	(1,784)	(4,020)
Interest expense.................	11,164	2,159
Gain on sale of non-operating properties	—	(4,296)
Other income, net	(2,187)	(3,863)
Total	$892,780	$899,274

Advertising

BRISTOL-MYERS COMPANY (DEC)

	1974	1973
Expenses:		
Cost of products sold	$ 603,398,000	$ 483,481,000
Marketing, selling and administrative	422,630,000	380,709,000
Advertising and product promotion.	296,269,000	269,213,000
Research and development	54,604,000	47,804,000
Other (Note 3)	(743,000)	398,000
	$1,376,158,000	$1,181,605,000

Note 3–Other Income and Expense

	1974	1973
Income:		
Interest	$10,335,000	$ 9,485,000
Royalties	4,178,000	4,969,000
Other	6,881,000	6,798,000
	21,394,000	21,252,000
Expense:		
Interest	14,888,000	15,120,000
Other	5,763,000	6,530,000
	20,651,000	21,650,000
	$ 743,000	$ (398,000)

THE MAY DEPARTMENT STORES COMPANY (JAN)

	1975	1974
	($000)	
Costs and Expenses		
Cost of sales and other expenses exclusive of items listed below	$1,432,205	$1,300,488
Advertising and sales promotion	53,723	49,026
Maintenance and repairs	12,509	11,626
Depreciation	33,944	30,360
Taxes other than income taxes .	42,308	40,650
Rentals of real property	11,795	10,923
Interest and debt expense (less interest income and discount on debt prepayment: 1975—$5,167; 1974—$2,925)	21,978	18,642
Retirement and profit sharing and savings plans contributions .	5,837	5,681
	$1,614,299	$1,467,396

Charitable Contribution

A. C. NIELSEN COMPANY (AUG)

	1974	1973
Earnings from operations	$19,120	$19,653
Interest income	1,432	1,249
Gain on foreign currency translation	356	542
Charitable contribution	(967)	
Miscellaneous income (expense), net	24	(94)
Earnings before income taxes	$19,965	$21,350

Cost of Lawsuit Settlement

PET INCORPORATED (MAR)

	1974	1973
Costs and expenses of continuing operations:		
Cost of products sold	$662,124,165	$564,780,066
Selling, general and administrative expenses	154,101,477	140,021,181
Depreciation	14,775,352	13,491,912
Interest expense	9,448,907	8,173,288
Cost of lawsuit settlements	2,311,000	
Provision for income taxes	19,900,000	20,350,000
	$862,660,901	$746,816,447

Financial Review

Lawsuit Settlements—Settlement agreements were reached in a number of civil antitrust cases during fiscal 1974 at a total cost of $2,311,000. It was alleged in these cases that Pet, along with several other food companies, violated the Federal antitrust laws in the sales of certain snack foods in California, Nevada and Arizona during periods prior to 1969. Court approval of the settlements is expected in the near future.

Estimated Costs of Lease Agreement

MIDLAND-ROSS CORPORATION (DEC)

	1974	1973
	(Thousands of Dollars)	
Costs and expenses:		
Cost of products sold	$328,270	$277,950
Selling and administrative	43,534	36,638
Depreciation and amortization	11,728	8,881
Interest expense	4,807	4,504
Charges related to lease agreement—Note F	8,300	—
	$396,639	$327,973

Note F: Transactions Related to Midrex Process—In January, 1974, the Company sold its rights to the Midrex direct reduction process and a direct reduction plant and related inventories in Georgetown, South Carolina, to the Korf

Group of West Germany. Included in other income is approximately $1,800,000 from this transaction. The Company is to receive payments through 1984 based on the designed production capacity of direct reduction plants constructed utilizing Midrex technology, with required minimum payments of $6,000,000 by 1979, of which $621,000 was received in 1974.

In December, 1974, the Company entered into a long-term lease agreement under which the Company will lease its Portland, Oregon, plant to Gilmore Steel Corporation beginning January 1, 1975. Such agreement released the Company from an operating agreement with Gilmore under which the Company has incurred operating losses. The lease has an initial term of ten years with options for renewal or purchase. The charge of $8,300,000 to 1974 operations includes provisions for the Company's commitments and obligations under the agreement.

Relocation Costs

PEOPLES DRUG STORES, INCORPORATED (DEC)

	1974	1973
Costs and Expenses (Note 11):		
Cost of goods sold	$168,783,000	$165,100,000
Buying, selling, occupancy and administration	72,381,000	69,007,000
Depreciation and amortization	2,781,000	2,458,000
Relocation of warehouses and corporate office (Note 2)	584,000	—
Interest	833,000	666,000
	$245,362,000	$237,231,000

Note 2: Relocation of Warehouses and Corporate Office—In 1974, the Company moved its corporate office from Washington, D. C. to Virginia and began moving their warehouses to new locations in Alexandria and Richmond, Virginia. In connection with these moves, the Company incurred expenses of $584,000, including a writedown of $458,000 to reduce the old warehouse to its estimated net realizable value.

Note 11: Supplementary Income Statement Information—The following amounts were charged directly to costs and expenses for the years 1974 and 1973:

	1974	1973
Rents, including personal property	$11,038,000	$10,815,000
Taxes, other than income taxes—		
Payroll	2,589,000	2,503,000
Real estate and other	1,028,000	1,060,000
Advertising costs	4,311,000	3,837,000

Shipping

HERSHEY FOODS CORPORATION (DEC)

	1974	1973
Costs and Expenses:		
Cost of goods sold	$375,676,627	$314,497,334
Selling, administrative and general	56,823,487	62,099,138
Shipping	23,880,459	25,322,183
Depreciation	8,606,046	7,506,370
Interest	3,226,515	5,632,277
Total costs and expenses	$468,213,134	$415,057,302

Marketing

HEWLETT-PACKARD COMPANY (OCT)

	1974	1973
	($000)	
Costs and expenses:		
Cost of goods sold	$422,104	$312,972
Research and development	70,685	57,798
Marketing	142,359	123,568
Administrative and general	104,873	79,431
Interest	8,502	5,057
	$748,523	$578,826

Strike

KENNECOTT COPPER CORPORATION (DEC)

	1974	1973
Cost of goods sold	$1,235,570,669	$1,026,089,902
Depreciation, depletion and amortization	91,284,099	80,554,274
Selling and general administrative expenses	56,545,546	49,119,163
Shutdown expenses during strikes	12,769,364	420,309
Interest expense	22,324,308	23,662,870
Research, exploration and miscellaneous	22,834,002	21,218,480
Provision for U. S. and foreign taxes on income	67,700,000	58,600,000
	$1,509,027,988	$1,259,664,998

CAPITALIZATION OF INTEREST

Except as indicated in a following sentence, *Accounting Series Release No. 163* prohibits companies from filing financial statements with the SEC which reflect the practice of capitalizing interest if such a practice had not been publicly disclosed as of June 21, 1974. This prohibition does not apply to public utilities, savings and loan associations, or real estate land sales companies. *ASR No. 163* amends *Regulation S-X* "to require that all companies which capitalize interest costs make disclosure in the face of the income statement of the amount capitalized in each year an income statement is presented and, in addition, that companies other than electric, gas, water and telephone utilities disclose the effect on net income of this accounting policy as compared to a policy of charging interest to expense as accrued."

Forty-one of the survey companies capitalized interest. Examples of disclosures made by these companies follow.

ERB LUMBER CO. (DEC)

	1974	1973
Expenses		
Cost of lumber and other building materials sold	$29,528,193	$29,348,824
Cost of real estate sold	4,040,908	1,840,571
Real estate write-down and other special charges	1,009,304	305,089
Rental property expense, excluding depreciation and interest	529,410	486,204
Yard, delivery, selling, administrative and other expenses, excluding depreciation and interest	8,525,880	7,569,284
Depreciation expense:		
Operations	629,010	478,366
Rental property	192,768	161,535
Interest expense (Notes 1 and 12):		
Total interest accrued	1,893,434	1,380,929
Less interest capitalized	(582,641)	(324,553)
Total Expenses	$45,766,266	$41,246,249

Note 1: Accounting Policies: Inventories and Land Held for Future Development—Inventories of lumber and other building materials consist primarily of materials purchased for resale stated at the lower of cost or market. Cost, which includes freight charges, is determined on a first-in, first-out basis.

For real estate under development, all costs incurred during construction, including property taxes and interest, are capitalized and added to costs. Real estate under development is stated at the lower of cost or market (estimated net realizable value). Property taxes and interest on land held for future development but not formally committed to development are expensed as incurred.

Note 12: Interest Capitalized—The Company's policy with respect to capitalization of interest on real estate under development is set forth in Note 1. Interest capitalized in connection with real estate under development is ultimately expensed as cost of real estate sold or real estate write-downs. Interest during construction of rental properties is capitalized and charged to income as part of the depreciation of such facilities. This policy was adopted in the past in order to properly match costs and revenues of the Company's real estate operations.

The effect on net income of following this policy as compared to charging interest to expense as incurred is summarized below (all amounts are net of applicable income taxes):

	1974	1973
Net income per financial statements	$307,960	$1,111,879
Interest capitalized	(279,668)	(155,785)
Capitalized interest expensed through cost of real estate sold, real estate write-downs and depreciation	308,863	83,298
Net income assuming policy of interest capitalization is not followed	$337,155	$1,039,392
Net income per share per financial statements	$.23	$.81
Interest per share capitalized	(.21)	(.11)
Capitalized interest per share expensed through cost of real estate sold, real estate write-downs and depreciation	.23	.06
Net income per share assuming policy of interest capitalization is not followed	$.25	$.76

Interest expense of $92,039 in 1973 has been reclassified as cost of real estate sold to be consistent with 1974 classifications.

MARCOR INC. (JAN)

	1975	1974
Costs and expenses:		
Cost of goods sold	$3,379,946,000	$2,951,573,000
Operating, selling, administrative and research expenses	886,547,000	818,293,000
Interest expense (net of interest capitalized of $3,278,000 in fiscal 1974 and $2,013,000 in fiscal 1973)	174,949,000	127,515,000
Provision for taxes on income	105,662,000	83,382,000
Total costs and expenses	$4,547,104,000	$3,980,763,000

Major Accounting Policies

Capitalized interest expense—The Company follows the practice of capitalizing interest costs incurred relating to construction in progress, since such interest is considered an integral part of the cost of the property. If these costs had not been capitalized, net earnings would have been reduced by $1,466,000 in 1974, and $589,000 in 1973.

MARSHALL FIELD & COMPANY (JAN)

	1975	1974
Cost of goods sold and expenses, exclusive of items listed below	$456,274,386	$434,410,271
Advertising	16,325,940	14,485,260
Taxes other than income taxes	17,710,031	16,480,056
Depreciation	7,562,999	6,780,762
Maintenance and repairs	6,250,595	5,811,725
Rentals paid	4,208,029	3,851,837
Interest expense	1,578,855	1,389,658
Interest income	(315,496)	(955,228)
Interest capitalized (notes 1a and 1h)	(1,317,634)	(906,640)
Total costs	$508,277,705	$481,347,701

Note 1a: Principles of Consolidation—The consolidated financial statements include the accounts of the Company and all subsidiaries after elimination of intercompany accounts and transactions. Investments in real estate ventures are carried at cost (including capitalized interest) plus the equity of the Company's subsidiary in the ventures' net income or losses.

Note 1h: Interest Capitalization—Since the inception of its real estate investment program in 1970 Mafco, Inc., a wholly-owned subsidiary, has consistently followed the policy of capitalizing interest on its equity investments in real estate joint ventures (essentially represented by the cost of land) during their development periods in order to match such interest costs with revenues to be realized subsequently. Interest capitalized by Mafco has been computed at the lower of the prime rate or the rate paid by Marshall Field & Company on its commerical paper issued from time to time. Net income for 1974 and 1973 would have been reduced by $685,000 and $471,000, respectively, if interest had been charged to expense as incurred.

PHILIP MORRIS INCORPORATED (DEC)

	1974	1973
Operating income of operating companies	$403,585,000	$329,483,000
Corporate expense	25,292,000	21,016,000
Interest expense (excluding interest capitalized of $9,427,000 in 1974 and $8,872,000 in 1973)	82,741,000	50,993,000
Other (income) deductions, net	(1,950,000)	1,865,000
Earnings before income taxes	$297,502,000	$255,609,000

Notes to Consolidated Financial Statements

Summary of Accounting Policies (in part):

Real estate operations—The cost of land, including offtract improvements, interest and property taxes, is reported as a noncurrent asset until a designated area is placed into development. Interest is capitalized in accordance with the general industry practice. The amount of interest capitalized is determined by the average short and long-term borrowing rates applicable to loans incurred for use in these operations.

Offtract improvements are access roads, utilities, etc., which are essential to the development of a community, but which are not directly attributable to the development of a particular tract or area. The cost of these improvements which includes applicable capitalized interest and property taxes is allocated to the saleable acreage remaining in each project and is charged to cost of sales when such acreage is sold.

Revenue and profit from real estate sales are recognized as cash is received.

Property, plant and equipment—Maintenance and repairs are charged to income and expenditures for renewals and improvements are capitalized. When the construction period of facilities exceeds one year, the capitalized cost of the facilities includes interest and real estate taxes incurred during the construction period. In the opinion of management, the capitalization of interest and property taxes results in a more realistic presentation of the economic cost of a constructed facility. The interest capitalized on construction of facilities is determined by applying the Company's average short-term borrowing rates to the outstanding construction balance.

Provision for depreciation of assets is recorded by a charge against income at rates considered adequate to amortize the cost of such assets over their useful lives computed on the straight-line method.

Capitalized Interest—Interest capitalized for 1974 and 1973 was $9,427,000 and $8,872,000, respectively.

The effect of the policy to capitalize interest relating to major facilities was an increase in pre-tax income of $4,842,000 in 1974 and $5,794,000 in 1973; the effect relating to real estate operations was an increase in pre-tax income of $2,398,000 in 1974 and $1,434,000 in 1973. The combined effect on net income was an increase of $3,499,000 in 1974 and $3,522,000 in 1973.

OCCIDENTAL PETROLEUM CORPORATION (DEC)

	1974	1973
	($000)	
Costs and Other Deductions:		
Cost of sales	$4,368,466	$2,337,605
Selling, general and administrative and other operating expenses	286,504	239,409
Provision for domestic and foreign income, franchise and other taxes	512,721	274,859
Interest and debt expense (Note 5)	97,691	93,106
Minority interests in net income of subsidiaries	2,273	1,628
	$5,267,655	$2,946,607

Note 5: Property, plant and equipment—As of December 31, 1974 and 1973, property, plant and equipment consisted of the following (amounts in thousands):

	1974	1973
Oil and gas operations—		
International production and exploration	$ 827,373	$ 664,768
International refining and transportation	184,296	180,845
North America	338,361	290,453
Chemical operations	816,961	723,072
Coal operations	463,441	446,146
	2,630,432	2,305,284
Less—Accumulated depreciation, depletion and amortization	989,501	955,545
	$1,640,931	$1,349,739

The company follows the policy of capitalizing property additions, including interest costs during major plant construction and mine development, major renewals and betterments and major improvements at cost. The policy of capitalizing interest provides a more realistic matching of expense with the revenue generated by the asset. 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 that 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 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 the full-cost method on a country-by-country basis.

As disclosed above, the company follows the practice of capitalizing interest during construction and development. The amount of interest capitalized is computed by applying a rate equal to the average cost of funds borrowed during periods of construction or development. The interest is amortized over the depreciable life of the asset after it is placed in service. The effect on net income of following a policy of capitalizing interest as compared to a policy of charging interest to expense as incurred for the two years ended December 31, 1974, is as follows (amounts in thousands):

	1974	1973
Interest capitalized	$9,656	$3,331
Amortization of prior years' capitalized interest	(1,845)	(728)
Tax provision	(3,749)	—
Increase in net income	$4,062	$2,603

WEYERHAEUSER COMPANY (DEC)

	1974	1973
	(Dollar Amounts in Thousands)	
Operating income	$472,415	$541,395
Weyerhaeuser Real Estate Company earnings (loss) before income taxes	(5,865)	14,376
Other income—net	10,433	10,076
	476,983	565,847
Interest expense accrued	66,366	54,356
Less interest capitalized (Note E)	8,280	1,479
Earnings before income taxes	$418,897	$512,970

Summary of Accounting and Reporting Standards

Properties—The cost of properties includes interest on funds borrowed to finance the acquisition or construction of major facilities. Construction financing is part of the cost of acquiring economic resources which provide benefits beyond the period in which acquired; therefore, deferred expense recognition through association of all property acquisition costs with future revenues or through allocation to future periods in a systematic and rational manner is appropriate. A borrowed capital pool rate is applied to construction in progress project balances to compute the amount of interest to be capitalized. Capitalization of interest ceases when a facility commences operations.

Betterments and replacements of major units of property are capitalized. Maintenance, repairs and minor replacements are expensed. The Company's property accounts are maintained, for the most part, on an individual asset basis. The cost and related depreciation of property sold or retired is removed from the property and allowance for depreciation accounts and the resultant gain or loss is recorded. In the case of normal dispositions from multiple asset accounts, the cost of property sold or retired is removed from the property accounts and charged to the allowance for depreciation account. Proceeds of sale are credited to the allowance for depreciation account and no gain or loss is recorded.

Notes to Statements of Consolidated Earnings

Note E: Capitalized interest—Had the Company not capitalized a portion of its interest cost, the approximate effect on net earnings would have been as follows:

	Increase (Decrease)
1974	$(2,492)
1973	1,571
1972	(1,717)
1971	(11,016)
1970	(9,465)

PENSION 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 3-8 shows the information disclosed about pension plans by those companies revealing the existence of pension plans. In addition to the information listed in Table 3-8, the survey companies frequently referred to the impact of declining stock prices on pension funds or the impact of the Employment Retirement Income Security Act of 1974 on future pension costs. If it appears that the Act will have a significant future effect on a company's pension expense, funded cost, or unfunded vested benefits, *FASB Interpretation No. 3* requires that such a fact and an estimate of the effect be disclosed in a note to the financial statements. *FASB Interpretation No. 3* was effective December 31, 1974.

Examples of notes disclosing pension costs and policies follow.

Pension Costs Include Amortization of Prior Service Costs

AIR PRODUCTS AND CHEMICALS, INC. (SEP)

Notes to Consolidated Financial Statements

Note 7: Pension Plans—The Company and its subsidiaries have various pension plans covering substantially all of their employees. The consolidated pension expenses for the years 1974 and 1973 were $4,665,000 and $3,656,000 respectively. Unfunded prior service costs were approximately $4,400,000 at September 30, 1974, and are being funded over various periods not exceeding 30 years. The Company's general policy is to fund pension costs as they are accrued. The market value of funds provided as of September 30, 1974, was in excess of the actuarially computed present value of vested benefits.

TABLE 3-8: PENSION AND RETIREMENT PLANS

	1974	1973	1972	1971
Current Year Provision				
Normal cost and amortization of prior service cost (*144,273)	446	429	419	396
Normal cost and interest on unfunded prior service cost (*439,509)	43	48	48	61
Normal cost only (*44,431)	74	82	70	60
No reference to prior service cost	77	79	80	93
Number of pension plans	**640**	**638**	**617**	**610**
Additional Disclosures				
Excess of vested benefits over amounts accrued or funded (*23,124)	311	227	211	186
Excess of amounts accrued or funded over vested benefits (*176,318,367)	71	128	115	111
Amount of unfunded prior service costs (*18,484)	165	130	111	91
Changes in plan during year (*174,250,286)	67	78	86	60
Plan not fully funded (*275,653,751)	23	26	29	25
Number of Companies				
Disclosing pension plans	560	550	551	541
Not disclosing pension plans	40	50	49	59
Total	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

AKZONA INCORPORATED (DEC)

Notes to Consolidated Financial Statements

Note 5: Retirement program—The Company and its subsidiaries have several retirement and pension plans which provide benefits for eligible salaried and hourly-rated employees. The cost of these plans, including amortization of prior service costs is funded currently and amounted to $9,467,000 in 1974 and $6,954,000 in 1973. The principal reasons for the increase were the acceleration of the rate of amortization of prior service costs under several plans and an increase in payroll costs. At December 31, 1974, the actuarially computed value of vested benefits under the various plans exceeded by approximately $35,000,000 ($20,000,000 at December 31, 1973) the market values of the assets of such plans and balance sheet accruals. The substantial increase in such excess is primarily attributable to the presently depressed market value of the assets of such plans. The Employee Retirement Income Security Act of 1974 is not expected to have a substantial impact on the amount of annual pension expense.

AMERICAN CHAIN & CABLE COMPANY, INC. (DEC)

Notes to Financial Statements

Note G: Pensions—Pension plans are in effect for most employees of the Company and subsidiaries. Total pension expense was $6,427,000 in 1974 and $4,895,000 in 1973.

The Company's policy is to fund pension costs for current service as they accrue, except that pension costs associated with plant closings are funded over future years. Pension costs for prior service are amortized and funded principally over a period of 35 years. With respect to certain of the Company's pension plans at December 31, 1974, the actuarially computed value of vested benefits exceeded the total of the market value of related pension funds and balance sheet accruals by approximately $12,200,000. As to the remaining pension plans, the assets in each plan exceeded the actuarially computed value of vested benefits.

Provisons of the Pension Reform Act of 1974, which will become fully effective in 1976, will require the Company to amend certain of its pension plans, thereby increasing the cost of benefits provided to participants. It is not practicable at the present time for the Company to determine the effect of (a) the resulting increase in annual pension expense for 1976 and subsequent years, (b) the funding thereof and (c) the value of unfunded vested benefits.

RELIANCE ELECTRIC COMPANY (OCT)

Notes to Financial Statements

Note G: Pensions—Substantially all employees are covered by pension and retirement plans of the Company. The expense of these plans was $6,335,000 in 1974 and $5,612,000 in 1973, representing each period's current costs and amortization over 40 years of unfunded prior service costs. The Company's policy is generally to fund pension costs charged against earnings. The increased expense for 1974 was due primarily to increased benefits. At October 31, 1974 certain of the plans had unfunded vested benefits aggregating $21,800,000; for the other plans, vested benefits were overfunded.

WESTVACO CORPORATION (OCT)

Notes to Financial Statements

Summary of significant accounting policies (in part):

Employee retirement plans—Employee retirement benefits are provided under several contributory salaried and noncontributory hourly paid trusteed retirement plans. The cost of these plans charged to income, which is funded, reflects their actuarially computed normal costs and amortization of prior service costs over 20 years. Conservative actuarial cost methods and assumptions are utilized to calculate costs and liabilities related to retirement plan benefits to insure that such benefits are properly provided for.

Note K: Employee retirement plans—The cost of employee retirement benefits for the year 1974 was $12,641,000 (1973-$7,610,000). The Company, in keeping with its policy of utilizing conservative actuarial methods and assumptions to insure that retirement benefits are properly provided for, has changed certain assumptions and methods. Primarily as a result of these changes, net income after applicable income taxes for 1974 was reduced $1,954,000 ($.18 per share). The value of benefits which have vested exceeded the market value of the funds by $39,543,000 at the date of the latest actuarial calculations, March 31, 1974, for most plans. Since the date of the calculations, the market value of the funds, generally paralleling the downward trend of security prices, declined by approximately $20,000,000.

Pension Costs Included Interest on Unfunded Prior Service Costs

A. O. SMITH CORPORATION (DEC)

Notes to Financial Statements

Note 2: Retirement Plans—The Company and its consolidated subsidiaries have noncontributory pension plans covering substantially all employees. Provisions for such plans are based on actuarially determined current cost plus interest on unfunded liabilities employing the frozen liability actuarial method. Provisions also include a 30-year amortization of prior service cost for substantially all plans. Pension expense for 1974 and 1973 was $9,100,000 and $7,300,000 respectively. The increased pension expense in 1974 is principally attributable to increased benefits. For most of the plans, vested benefites are fully funded. The actuarially computed value of vested benefits under the remaining plans exceeded the assets of the related trusts by $28,000,000 at January 1, 1974, 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 $8,700,000 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.

Pension Costs Include Payments to Union Sponsored Plans

BORDEN, INC.

Notes to Consolidated Financial Statements

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

Retirement Plans—Charges to operations under the Company's retirement plans, which cover those employees who are not members of collective bargaining units as well as certain employees who are members of such units, include current service costs, and amortization of prior service costs, generally over a thirty-year period. It is the Company's policy to fund amounts equal to pension costs accrued.

Note 5: Retirement Plans—The charges to operations under the Company's retirement plans were $8,300,000 in 1974 and $6,800,000 in 1973. The actuarially computed value of vested benefits under these plans as of January 1, 1974 exceeded the total pension fund and balance sheet accruals by approximately $31,100,000.

Operations were charged approximately $5,000,000 in 1974 and $4,190,000 in 1973 for payments to pension trusts on behalf of certain employees covered by collective bargaining units who have not elected to participate in the Company's plans and of retirement allowances paid to former employees under arrangements in effect prior to the inception of the present plans.

Higher costs in 1974 are primarily the result of improved benefits under the Company's retirement plans, effective July 1, 1974.

FEDDERS CORPORATION (AUG)

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of significant accounting policies:

Pension plans—Substantially all of the Company's employees are covered under one of the Company's pension plans or under one of the union-sponsored plans to which the Company contributes. Pension expense (see Note 7) for the Company's plans comprises normal cost and provision for either interest on past service costs or amortization of past service costs over a period of 30 years. It is the Company's policy to fund pension costs accrued.

Note 7: Pension plans—Pension expense connected with the Company's plans (see Note 1) was $2,183,000 in 1974 and $1,996,000 in 1973. For those Company pension plans where the actuarially computed value of the vested benefits exceeded the total of the applicable pension fund and any related balance sheet accrual, such aggregate excess value amounted to approximately $1,609,000 at August 31, 1974. Contributions to union-sponsored pension plans amounted to $504,000 in 1974 and $491,000 in 1973.

Vested Benefits Exceed Pension Fund and Accruals

AIRCO, INC. (DEC)

Notes to Financial Statements

Retirement Plans—Airco and its subsidiaries maintain retirement plans covering substantially all officers and employees. It is Airco's policy generally to fund the pension cost accrued. The total pension expense for the years ended December 31, 1974 and 1973 was approximately $7,140,000 and $3,983,000, respectively, the increase resulting principally from a decline in the market value of securities held by the pension funds. Such actuarial losses are recognized over a period not exceeding twelve years. As to some of the retirement plans, fund assets were approximately $1,017,000 in excess of the actuarially computed value of vested benefits as of the most recent valuation dates and, as to the other plans, fund assets were approximately $9,631,000 less than the actuarially computed value of vested benefits at such dates. This results in such vested benefits exceeding, in the aggregate, fund assets by $8,614,000. The change from 1973, when total fund assets exceeded the toal actuarially computed vested benefits by $7,600,000, resulted principally from the significant decline in the market value of such assets.

Airco pension plans are substantially in compliance with the newly enacted Pension Reform Act, effective for years subsequent to 1974, and accordingly it is anticipated that the enactment of this law will not materially increase pension expense in 1975.

AMPCO-PITTSBURGH CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of accounting policies:

Pension Costs—The Corporation has noncontributory pension plans covering substantially all its employees. Pension costs charged to current earnings include current service cost plus amortization of prior service costs over 40 years. The Corporation normally follows the practice of funding current service costs plus interest on prior service costs except for one plan which requires funding of current service cost plus amortization of prior service cost over 30 years. In 1974 the Corporation decided to fund an additional $106,000.

Note 5: Pension costs—Total pension expense was $1,670,976 for 1974 and $1,050,000 for 1973. The increase in pension costs recognizes the improvement in pension benefits included in the 1974 and prior labor settlements. The actuarially computed value of vested benefits for certain plans exceeded pension fund assets (at cost) and balance sheet accruals as of the latest valuation dates by approximately $4,898,000.

The effect of the Employee Retirement Income Security Act of 1974 is being studied by the Corporation's independent actuary and its effect on the Corporation's future pension costs has not been determined.

THE DOW CHEMICAL COMPANY (DEC)

Accounting Principles

Retirement Plans—The Company and certain subsidiaries have plans which provide retirement benefits for eligible employees. The major plan covers substantially all full-time United States employees. The policy is to accrue and fund pension cost as computed by an actuary.

Notes to Financial Statements

Note H: Retirement Plans—The cost of retirement plans in 1974 and 1973 was $65,406,000 and $29,684,000, respectively. The increase in 1974 resulted principally from increased benefits under the major plan and a special one-time award of $11,668,000. The actuarially determined value of vested benefits exceeded pension fund assets, at market, by $18,560,000 for the major plan as of December 31, 1973, the latest date for which such information is available. On an actuarial basis, which recognizes only a portion of each year's market gain or loss, the pension fund assets exceeded vested benefits at December 31, 1973 by $49,932,000.

Due to further declines in market values of pension fund assets and the increased benefits as a result of 1974 amendments, it is expected that as of December 31, 1974, the vested benefits will exceed fund assets on a market basis by $160,000,000. When adjusted to an actuarial basis, the excess is expected to be $105,000,000. Payments from the pension fund to beneficiaries of the Company's major plan in 1974 and 1973 were $12,114,000 and $10,281,000, respectively.

In the opinion of management, no material increase in pension expense will result from compliance with the Employee Retirement Income Security Act of 1974.

H. J. HEINZ COMPANY (APR)

Notes to Consolidated Financial Statements

Note 1 (in part): Significant Accounting Policies:

Retirement Systems—It is the policy of the company and its consolidated subsidiaries to fund pension costs as accrued. Prior service costs are amortized over varying periods not exceeding 40 years.

Note 7: Retirement Systems—The company and the majority of its domestic and foreign subsidiaries have several pension plans covering substantially all employees. The total pension expense for 1974 was $10,312,000 ($7,306,000 in 1973). No unrealized appreciation was taken into account in determining the company's domestic expense for 1974, because of a decline in market value of the related pension trust investments.

The actuarially computed vested benefits of the plan covering employees of the company and its significant domestic subsidaries exceeded fund assets by approximately $1,920,000 at May 1, 1974.

The unfunded past service cost of the company and its consolidated subsidiaries approximated $35,000,000 at May 1, 1974.

THE MEAD CORPORATION (DEC)

Financial Review

Summary of Significant Accounting Policies (in part):

Retirement Plans—The Corporation has retirement plans which cover substantially all employees. Contributions to these plans are determined and funded on an actuarial basis. Prior service costs are amortized over periods of twenty-five and thirty years.

Retirement Plans—The total pension expense was $15,745,000 for 1974 and $12,154,000 for 1973. The actuarially computed value of vested benefits exceeds the valuation of the pension funds by $39,500,000 at December 31, 1974. The vested benefits excess is due primarily to economic trends during 1974 which caused a decline in the market value of securities held by the trusts and to higher benefits resulting from the increased level of wages to participants.

The Corporation anticipates that the Pension Reform Act of 1974 will not have any material effect.

ST. JOE MINERALS CORPORATION (DEC)

Notes to Financial Statements

Notes 1 (in part): Summary of Significant Accounting Policies:

Pension Plan Costs—The Corporation and its subsidiaries have several pension plans (principally non-contributory) covering substantially all of their employees. Pension costs consist of normal cost and amortization of prior service costs over periods ranging from five to thirty years and are generally funded as accrued.

Note 10: Pension and Profit Sharing Plans—Pension expense for all plans, including amortization of prior service costs from five to thirty years, was $5,478,000 in 1974 and $3,215,000 in 1973. Aggregate unfunded prior service pension cost of the companies was $19,115,000 at December 31, 1974. The actuarially computed values of vested benefits exceeded the total market value of pension funds by $18,032,000 at December 31, 1974.

The Corporation does not anticipate any significant increase in the required contributions to the pension funds as a result of the 1974 Pension Reform Act ("the Act"). However, under the Act, the Corporation is liable in the event of termination of the plans for any guaranteed benefits (as defined by the Act) in excess of the plans' net assets, limited to 30% of the Corporation's net worth at the time of termination.

The Corporation has a defined profit sharing plan for salaried employees. Annual contributions to the plan are based on a formula involving consolidated net income and aggregate salaries of eligible employees. Profit sharing expense was $1,552,000 in 1974 and $941,000 in 1973.

Pension Fund Exceeds Vested Benefits

ANDERSON, CLAYTON & CO. (JUN)

Notes to Consolidated Financial Statements

Note 6: The pension plans of the Company and its consolidated subsidiaries cover salaried and certain hourly employees. Pension expense was $225,000 in 1974 and $147,000 in 1973. There was no provision for pension expense for either 1974 or 1973 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.

HART SCHAFFNER & MARX (NOV)

Notes to Consolidated Financial Statements

Pension Plans—The Company and its subsidiaries have pension plans covering substantially all employees other than those covered by union-sponsored plans. The Company's principal plan requires contributions by the employees and one other pension plan permits voluntary employee contributions. Except for several deferred profit sharing plans of subsidiaries, all employer's contributions are based on actuarial requirements. Pension expense charged against earnings includes current service costs and, as to plans not fully funded, amortization of prior service costs over ten to thirty years. The policy is to fund current and prior service pension costs as accrued; the amounts funded at November 30, 1974 exceeded the actuarially computed total of vested benefits.

Total pension costs for the years ended November 30, 1974 and 1973 were $2,367,000 and $2,147,000, respectively, which excludes contributions by the Company and its subsidiaries to union-sponsored plans. The Company does not expect any material change in consolidated pension costs as a result of the Pension Reform Act of 1974.

MARSHALL FIELD & COMPANY (JAN)

Notes to Financial Statements

Note 1 f: Retirement Plans—The retirement plans cover, subject to certain length-of-service requirements, substantially all full-time employees. It is the Company's present policy to charge income annually with the cost of pensions earned by employees during the year. For the plan covering most employees, this charge is increased by interest on unfunded pension liability or decreased by amortization over a 20-year period of the excess of trust fund assets over pension liability, whichever is applicable. Retirement plan expense was $2,677,000 and $2,543,000 for 1974 and 1973, respectively. The present policy is to fund currently each year's total expense. The pension fund assets exceeded the computed value of the vested benefits as of the last valuation date.

Based upon information currently available to the Company and its actuaries, the Employee Retirement Income Security Act of 1974 is not expected to have a significant effect upon the consolidated cost of the pension plans, periodic funding of pension costs, or unfunded vested benefits.

PRATT & LAMBERT, INC. (DEC)

Notes to Financial Statements

Note A (in part): Accounting Policies:

Retirement Income Plans—The Company and its subsidiaries have various Company sponsored and Union sponsored plans covering substantially all United States and Canadian employees. Charges to operations for costs incurred for these plans amounted to $399,910 and $279,819 in 1974 and 1973, respectively, which include, where applicable, amortization of prior service costs generally over thirty years. The Company's policy is to fund accrued pension costs. As of the date of the last actuarial determination, the pension funds exceeded the actuarially computed value of vested benefits. The unfunded prior service liability is approximately $1,674,000 at December 31, 1974. The plans will be amended during 1975 to comply with the requirements of the Employee Retirement Income Security Act of 1974. The effect of the amendments on pension costs in future years has not yet been determined by the Company's actuaries.

Plan Adopted or Amended

THE EASTERN COMPANY (DEC)

Notes to Consolidated Financial Statements

Note A (in part): Summary of Significant Accounting Policies:

Pension Plans—The Company and its subsidiaries have several pension plans in effect generally covering all employees. The Company's policy is to fund pension cost accrued.

Note D: Pension Plans—Pension contributions charged to operations for the fiscal years ended December 28, 1974 and December 29, 1973 aggregated $571,194 and $259,822, respectively, including as to certain of the plans, amortization of prior service cost generally over a 10 to 12 year period. At May 1, 1974 and December 31, 1973 (dates of latest actuarial valuation of the respective plans), the actuarially computed value of vested benefits of certain plans exceeded the total of the applicable pension funds and balance sheet accruals by approximately $1,375,000. As of December 28, 1974 and December 29, 1973 unfunded prior service cost of the plans approximated $2,820,000 and $984,000, respectively.

During 1974, the Company amended benefit provisions and actuarial assumptions of certain plans, which had the effect of increasing pension plan cost by approximately $311,000 and decreasing net income by $162,000. A substantial portion of the increase in pension cost in 1974 was due to the increase in employee benefits.

The effect of the Employee Retirement Income Security Act of 1974 on the pension plans or the financial statements is not determinable until actuarial valuations have been completed.

GENERAL CIGAR CO., INC. (DEC)

Summary of Significant Accounting Policies

Employee Retirement Plans: The Company has several noncontributory retirement plans covering substantially all of its salaried and certain of its hourly employees. Costs are provided for, and funded, at amounts not less than the actuarial estimates.

Notes to Consolidated Financial Statements

Note 7: Employee Retirement Plans—Pension expense for 1974 was $510,000 (1973—$169,000) and includes amortization of prior service cost of $87,000 (1973—$87,000) over a maximum of thirty years. The increase in 1974 expense resulted principally from the decline in market value of securities held by the pension funds.

The total of the pension funds was in excess of the actuarially computed value of the liability for accrued benefits for all vested members at the date of the latest actuarial calculations, principally December 31, 1973. Since the dates of the calculations, the market value of the funds continued to decline but is currently still in excess of the vested benefits.

Effective January 1, 1975 the Company has established a pension plan covering certain hourly employees not previously covered under existing plans. At the inception of the new plan, the estimated actuarial value of vested benefits under the new plan was $520,000 resulting from retroactive coverage of all eligible employees. Expenses of this plan for 1975 are estimated to be approximately $240,000 including amortization of past service cost of $115,000 over a thirty year period.

Preliminary studies indicate that the 1974 Pension Reform Act will not have a significant impact on the Company.

WM. WRIGLEY JR. COMPANY (DEC)

Notes to Financial Statements

Pensions—The Company and its major wholly-owned associated companies maintain group pension plans, principally insured, covering substantially all employees. Pension costs under these plans are funded as accrued and there are no significant unfunded vested benefits or, on a plan termination basis, past service liabilities at December 31, 1974. The cost of all plans charged to earnings was $2,273,000 in 1974 and $2,732,000 in 1973. The decrease in the 1974 cost is primarily due to a reduction in domestic funding requirements, which was partially offset by an $85,000 increase in the cost of foreign plans. The reduced funding in 1974 is the result of the consolidation of the various domestic plans into a single plan for funding purposes and revisions in actuarial cost methods and assumptions.

The board of directors has adopted certain amendments, effective January 1, 1975, to retirement plans for domestic employees to (a) consolidate the existing pension contracts, (b) make the plans non-contributory as to employees, (c) modify eligibility requirements, (d) permit eligible employees to be fully vested after ten years of service, (e) improve early retirement benefits for eligible employees who elect retirement dates prior to age 65, and (f) integrate a portion of the primary Social Security benefit. The amendments are subject to stockholder approval at the March 19, 1975 annual meeting.

The Company anticipates that the matters discussed in the two preceding paragraphs will not have a material effect on its results of operations in 1975 or future years and should stabilize the cost of the retirement program at a reduced percentage of payroll.

Plan Not Funded

CITY STORES COMPANY (JAN)

Notes to Financial Statements

Note A (in part): Significant Accounting Policies:

Pension Plans—Under the Company's pension plans, which are unfunded, annual amounts are provided, on the accrual basis, based on actuarial estimates of current service costs, amortization of prior service costs over thirty years and interest.

Note M (in part): Commitments and Other Comments—The Company's non-contributory pension plans (as amended) cover, generally, employees with fifteen years of service who are not participants in any other plan to which the Company contributes. The plans provide for retirement, generally at age 65, with no vesting of benefits and are not funded. The Company may amend, modify or terminate the plans in whole or in part at any time.

The amounts charged to income for pensions were approximately $1,708,000 this year and $1,650,000 last year.

Under the plans there is no vesting, but if there were vesting, the actuarially computed value of vested benefits for retired employees and those who are eligible for retirement, as this term is defined in Opinion 8 of the Accounting Principles Board of the American Institute of Certified Public Accountants, would amount to approximately $11,100,000 as at February 1, 1975.

In 1976 the Company's pension plans will become subject to the Employee Retirement Income Security Act of 1974. Compliance with the act will require amendments to the plans pertaining principally to eligibility, vesting and funding. Although final determinations have not as yet been made, management believes that amendments to the plan will not have a significant effect upon the cost of the pension plans.

Statement of Pension Plan

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

1974 Review of Operations and Financial Information

Retirement plans—Retirement expense was as follows:

(in millions)	1974	1973
Pension	$18.4	$17.8
Savings and profit-sharing	11.6	15.2
Total	$30.0	$33.0

JCPenney's principal pension plan is noncontributory and covers substantially all United States full-time employees who have completed 30 months of continuous service. Current pension costs are funded annually as incurred, and at year end 1974 all vested benefits were fully funded, based upon market valuation of investments.

During 1974 JCPenney increased certain benefits payable to retired employees through a pension supplement, which added $2.1 million to pension costs in 1974.

The unfunded past service liability for pension plans at year end was $38.8 million, of which $15.2 million is attributable to the new pension supplement.

The savings and profit-sharing plan encourages savings by allocating 4½ per cent of the Company's available profits, as defined in the plan, to participants who save under the plan.

JCPenney will amend its retirement plans to comply with the provisions of the Employee Retirement Income Security Act of 1974. These amendments and related changes under consideration are presently expected to add about $5 million to retirement expense annually, beginning in 1976. No significant changes in the Company's funding or vesting policies are required under the Act.

Condensed financial statements of the combined retirement plans are as follows:

Balance sheet

(In millions)	December 31 1974	December 31 1973
Assets		
JCPenney common stock at market value: 4,277,516 shares in 1974; 3,832,358 shares in 1973 (cost: $223.5 in 1974 and $190.9 in 1973)	$153.5	$275.0
Funds with insurance companies	109.3	119.8
Other investments at market value (cost: $80.8 in 1974 and $77.7 in 1973)	61.5	76.2
Other assets, net	26.7	31.4
	$351.0	$502.4
Liabilities and Equity		
Refunds due to participants	$ —	$ 15.1
Reserved for pensions:		
Retired participants	10.1	6.1
Active participants	53.9	58.8
Participants' equity in savings and profit-sharing plan	287.0	422.4
	$351.0	$502.4

Statement of changes in retirement plans assets

(In millions)	1974	1973
Total assets at January 1	$502.4	$580.0
Company contributions	27.6	33.1
Participants' contributions	35.8	33.5
Dividends, interest, and other income	13.3	12.2
Market depreciation of investments	(165.9)	(90.9)
Participants' contributions refunded	(12.7)	(13.1)
Benefits paid	(49.5)	(52.4)
Total assets at December 31	$351.0	$502.4

WESTINGHOUSE ELECTRIC CORPORATION (DEC)

Accounting Principles and Policies

Pension Plans cover substantially all employes of the Corporation. Benefits under the plans are being funded by the pension trust method. It is the policy of the Corporation to fund each year the amount actuarially determined to be necessary to provide benefits earned during the year and to amortize prior service liability over a period of 30 years.

Financial Review

Pension expense was $75.2 million in 1974 and $60.4 million in 1973. No changes in actuarial assumptions were made in either year. Unfunded prior service liability at December 31, 1973 was estimated at $579 million, of which $431 million represented unfunded vested benefits. Based upon the latest actuarial valuation which recognizes the increased pension benefits resulting from wage and salary improvements, unfunded prior service liability approximates $587 million, of which $444 million represents unfunded vested benefits at December 31, 1974.

The agreement for the disposal of the domestic major appliance business provides for the assumption of the related total pension liability by White Consolidated Industries, Inc. and the transfer of the proportionate share of pension fund assets.

Various pension arrangements, which are normally supplemented by required government plans, are in effect for most non-U.S. subsidiary companies.

In 1977, Westinghouse will be completely subject to the Pension Reform Act of 1974. It is esimated that pension expense will increase 10 to 15 per cent over the amount otherwise expected to be incurred in 1977.

Statement of Changes in Pension Assets

	Year Ended December 31 1974	Year Ended December 31 1973
Book value—beginning of year—at cost	$851,580,000	$802,688,000
Additions:		
Company contributions	68,750,000	60,376,000
Employe contributions	10,689,000	10,558,000
Income from investments	34,693,000	28,133,000
Net gain (loss) from disposal of assets	(44,377,000)	2,512,000
Consolidation of Retirement Annuity Plan assets	16,729,000	—
	86,484,000	101,579,000
Deductions:		
Benefit payments	59,908,000	50,458,000
Fees, asset transfers, etc.	738,000	2,229,000
Book value—end of year—at cost	$877,418,000	$851,580,000
Market value	$673,453,000	$838,661,000

Change In Actuarial Assumptions Or Accounting Method

AMERICAN CAN COMPANY (DEC)

Statement of Significant Accounting Policies

Pension and Retirement Plans—The Company has in effect various pension plans covering substantially all of its employees. It is the general policy of the Company to accrue and fund annually actuarially-computed current costs plus unfunded prior service costs amortized over a period not in excess of 40 years.

Notes to Financial Statements

Note 3: Future Plant Closings—As a result of continuing changes in markets for its products and the rapid technological changes in the industry, the Company has shortened the estimated useful lives of certain plant facilities and has changed the assumed basis on which employees at such facilities will retire from that of an on-going plant to a closed plant (early retirement) in order to recognize and anticipate future plant closings. Accordingly, depreciation and pension expense for 1974 has been increased $4,700,000 and $5,300,000, respectively, and net income reduced by $5,100,000 ($.29 per share).

Note 6: Pension Plans—Pension plan costs for the years 1974 and 1973 were $61,000,000 and $32,600,000, respectively.

In order to reflect in pension expense a portion of the marked decline in the securities market during 1974, the Company changed the date for determining unrealized market depreciation of pension trust securities from the normal date, January 1, 1974, to a more current basis. This change in accounting method increased pension expense and decreased net income for 1974 by $6,600,000 and $3,366,000 ($.19 per share), respectively. The remaining increase in pension expense was principally attributed to the cost of higher benefits resulting from the 1974 labor contracts which approximated $6,000,000 and to the effect of modifying the retirement assumption for future plant closings as described in Note 3. The Company estimates that the provisions of the Employee Retirement Income Security Act of 1974 will not have a material effect upon future pension costs.

After giving effect to pension accruals of $129,519,000 related to the 1972 Plant Closing Program and the future plant closings, the actuarially computed excess of vested benefits over fund assets was $58,588,000, and the unfunded past service cost (to be funded over a period not in excess of 40 years) was $344,300,000, of which $88,000,000 resulted from the 1974 labor contracts.

GENERAL REFRACTORIES COMPANY (DEC)

Summary of Significant Accounting Policies

Pension Plans—The Company and its subsidiaries have pension plans which cover substantially all of their employees. Pension costs charged to income are actuarially determined and include normal costs and amortization of prior service costs over periods not exceeding thirty years.

Notes to Consolidated Financial Statements

Note 9: Retirement Plans—Pension costs charged to income under retirement plans for salaried and non-salaried employees of the Company and its subsidiaries amounted to $6,309,000 and $4,094,000 for 1974 and 1973, respectively.

During 1974, the Company for certain pension plans changed its method of valuing assets and also amended certain plans to provide for more liberalized benefits. These changes increased pension expense by approximately $1,000,000 and reduced net income by approximately $490,000. The Company has not fully determined the effect of changes in the plans required by the Employee Retirement Income Security Act of 1974.

The Company, its domestic subsidiaries and a Canadian subsidiary currently fund all accrued pension costs. Pension costs of other foreign subsidiaries are funded as benefits become payable.

At the most recent valuation dates, the actuarially computed value of vested benefits under the salaried and non-salaried plans in the United States exceeded the retirement fund assets and balance sheet accruals by approximately $1,650,000 and $9,933,000 respectively.

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 amortization of unfunded prior service costs on 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 $29,033,000 in 1973 to $42,628,000 in 1974 results principally from a change in the actuarial assumption relating to the future compensation levels of active participants as reflected in the provisions of the 1974 USW contract. This change increased pension costs by $9,884,000 and had the effect of reducing net income by $5,140,000 or 28c per share.

The Company does not expect that provisions of the Pension Reform Act of 1974 will have a significant impact on pension costs.

At December 31, 1974, the Inland Steel Company Pension Trust assets had a market value of $271,000,000 and the Equitable Life Assurance Society held approximately $13,000,000 of Company funds under annuity contracts. At January 1, 1974 (the latest valuation date), the actuarially computed value of all vested benefits under the plan exceeded trust assets at adjusted market value by $31,354,000 and the unfunded prior service cost computed under the entry-age normal method was $416,209,000.

Life insurance costs for retired employees were $3,809,000 in 1974 and $3,960,000 in 1973.

LITTON INDUSTRIES, INC. (JUL)

Notes to Financial Statements

Note A (in part): Summary of Significant Accounting Policies:

Pension Plans—The Company has pension plans for most of its employees. Employees are eligible for benefits at age 65. Pension expenses are provided and funded based on the actuarially determined costs of the plans.

Note N: Pension and Retirement Plans—Charges to operations under the various pension and retirement plans aggregated $20,400,000 and $15,500,000 for the years ended July 31, 1974 and 1973, respectively. The actuarial liability for vested benefits exceeded the corresponding market value of assets by approximately $69,000,000 at June 30, 1974 primarily resulting from the recent decline in market values of invested funds. During 1974 the Company changed its amortization period for unfunded liabilities to twenty years from the ten years previously used which had the effect of decreasing the net loss for the year by approximately $1,700,000 (5c per share). Past service costs are not significant.

THE PENN TRAFFIC COMPANY (JAN)

Notes to Financial Statements

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

Pension Plans—Current service costs are accrued currently while past service costs have been funded generally over thirty-year periods from the various dates of provision for pension benefits, and it is anticipated that this policy will be continued. However, an election was made to amortize past service costs over a ten year period for the year ended January 31, 1975.

Note 6: Pension and Incentive Compensation Plans—The company has several noncontributory retirement plans for eligible employees and also contributes to a fund jointly administered by management and union representatives.

The total pension expense for all plans for the years ended January 31, 1975 and 1974 was $843,923 and $686,073, respectively. For the year ended January 31, 1975 the interest rate assumption for company plans was changed to 5% from 4% and an election was made for the year to amortize past service costs over a ten-year period. For the year ended January 31, 1974 past service costs were amortized over a thirty-year period. The net effect of these changes reduced net earnings by $19,826 or 2c per share. The company's policy is to fund pension costs accrued.

As of the date of the latest actuarial valuations, the actuarially computed value of the vested benefits for certain of the company plans exceeded the total of the pension fund assets and balance sheets accruals by approximately $1,137,849 and the company's actuaries estimated that the amount of the unfunded prior service cost was approximately $3,230,843.

As a result of the enactment of the Employee Retirement Income Security Act of 1974, the plans will have to be amended as soon as decisions with respect to the vesting election and other changes have been made. Until the plans have been amended and the proper actuarial determinations have been made, it is not possible to estimate the effect that such amendments will have on future pension costs.

The company has an incentive compensation program for executives and key employees, whereby a portion of the net profits before income taxes is set aside for the payment of bonuses. The amount charged to earnings was $175,909 for 1975 and $123,385 for 1974.

Terminated Plan Benefits

WHITE MOTOR CORPORATION (DEC)

Notes to Financial Statements

Note G: Discontinued Farm Equipment Operation—Provision was made in 1971 for the present value of future retirement benefits under the Minneapolis-Moline Pension Plan for employees at the farm equipment operation discontinued June 30, 1972. In 1972, certain of these employee benefits were submitted to arbitration which, on August 30, 1973, resulted in an award whereby the Corporation could not terminate the pension plan prior to April 30, 1974. The present value of the cost of additional retirement benefits under and related to the arbitration award was actuarially determined to be $2,706,000, net of $2,498,000 deferred income tax benefits, and was accounted for as a retroactive adjustment of the extraordinary charge reported in 1971. In April, 1974 the Minnesota Private Pension Benefits Protection Act was enacted which, in effect, could require that the Corporation provide employees covered by the terminated plan those benefits that would have been payable under a continuing plan rather than the guaranteed level presently required under the arbitration award. The law alternatively provides for settlement of the liability for benefits by agreement between the employer and individual employees with approval by the Commissioner of Labor and Industry for the State of Minnesota. If all such benefits as contemplated under the Act were provided for, the Corporation would become liable for substantial additional amounts.

On January 30, 1975, the Corporation and the UAW International Union and its locals signed a Memorandum of Agreement to grant additional benefits to retired employees under the terminated plan and to provide a new pension plan for the active employees. This agreement is subject to approval by the Commissioner and ratification by the membership of the locals. The Commissioner has deferred action on this agreement pending review of additional information.

Because of the numerous uncertainties relating to interpretation and application of the Minnesota Act and the possible legal remedies and defenses available to the Corporation, no additional benefits have been provided in 1974.

Note H: Pension Plans—Substantially all employees are covered by various pension and retirement plans of the Corporation and its subsidiaries. The expense of these plans, $16,300,000 in 1974 and $13,800,000 in 1973, includes amortization of unfunded prior service cost over periods ranging from 16 to 35 years and supplemental benefits paid to employees electing yearly retirement. Approximately $1,800,000 of the increase in expense from 1973 to 1974 is due to amendments to several plans in 1974. Such amendments provide for additional future benefits. The Corporation's policy is to fund pension cost accrued except as to benefits provided under terminated plans, as more fully described in Note G.

The actuarially computed value of vested benefits at the valuation date (January 1, 1974) exceeded the total of the pension fund cost of assets plus an appreciation factor at the valuation date and related balance sheet accruals by approximately $136,000,000 in 1974 and $75,000,000 in 1973 ($165,000,000 and $83,000,000 using market value for equity securities at December 31, 1974 and December 31, 1973, respectively). The increase in unfunded vested benefits was due principally to the amendments in 1974 referred to above.

In accordance with the provisions of the Employee Retirement Income Security Act of 1974, the Company will make certain amendments to its pension plans and make certain changes in the actuarial determination of pension costs. These changes, which will be required as of January 1, 1976, are expected to increase future pension costs and unfunded vested benefits. Estimates of such increases will be available upon completion of an actuarial evaluation.

Pension Reform Act of 1974

BIRD & SON, INC. (DEC)

Notes to Consolidated Financial Statements

Notes 1 (in part): Accounting Policies:

Retirement Plans—The Company has noncontributory pension plans covering substantially all employees except those covered under union pension plans. Annual contributions are made to the funds in varying amounts based on the advice of consulting actuaries.

The method used to determine the charge to earnings was changed in 1974 from current service cost plus amortization of prior service cost over a period of forty years to current service cost plus amortization of prior service cost over a period of thirty years. This change in accounting estimate was made as a result of discussions with actuaries and the effect of the change on earnings is not material.

Note 6: Retirement Plans—The actuarially computed value of vested benefits for all plans exceeded the total of pension fund assets and balance sheet accruals, less deferred pension charges, at December 31, 1974 and 1973 by $4,330,000 and $3,000,000, respectively. Plan amendments for expanded pension benefits, adopted in 1973, were primarily responsible for this increase.

Total pension expense under these plans amounted to $1,461,000 in 1974 compared with $1,212,000 in 1973.

The Company has been advised by consulting actuaries that compliance with the Employees Retirement Income Security Act will have no significant impact on future earnings. The new Act imposes over a period of years a limitation to an ultimate 10% as the maximum proportion which an Employer's securities may represent in the total value of its Retirement Trust Fund. Since the amount of Bird & Son, inc. stock in the Retirement Trust Fund exceeded that level, the Board of Directors, as an initial step toward the required level, authorized and completed purchase of 40,000 shares of common stock of Bird & Son, inc. from the Retirement Trust Fund, at the current market price, for the Treasury. The nature and timing of further steps which may, but not necessarily, include purchase of Bird & Son, inc. stock from the Retirement Trust Fund for the Treasury will be determined with due regard to business and market conditions.

BRUNSWICK CORPORATION (DEC)

Summary of Accounting Policies

Pension Plans—The Company funds the pension costs of several pension plans covering substantially all employees and amortizes unfunded prior service costs over periods up to 25 years.

Notes to Consolidated Financial Statements

Note 15: Pension Costs—Consolidated pension expense, including amortization of prior service costs, was $8,900,000 ($7,800,000 in 1973).

During 1974, various changes were made in the actuarial assumptions used in computing pension costs, and the amortization of prior service costs for the hourly pension plans was changed from 30 years to 15 years. The net effect of these changes was not significant.

The latest actuarial study of the pension plans as of January 1, 1974, indicated that unfunded prior service costs were $23,700,000. At December 31, 1974 the value of all pension fund assets exceeded the actuarially-computed value of vested benefits. However, the vested benefits of five of the hourly pension plans exceeded the value of their respective funds by approximately $4,000,000.

The Company will amend its pension plans to comply with the Employee Retirement Income Security Act of 1974 and expects that annual pension expense in 1976 and subsequent years will increase about $1,500,000 as a result of these amendments.

During 1974, the Company transferred its investment in vacant land acquired in 1970 to the Brunswick Salaried Pension Fund at appraised market value. The gain on appreciation in value increased net earnings for the year by $600,000 after capital gains taxes.

CHICAGO PNEUMATIC TOOL COMPANY (DEC)

1974 Financial Summary

Pensions, in the form of non-contributory retirement plans, are provided by the company and certain of its subsidiary companies for their employees. Costs of these plans were $3,800,000 and $3,100,000 in 1974 and 1973 respectively, which include as to substantially all the plans, amortization of past service cost over approximately forty years or less. The company's policy, with minor exception, is to fund pension costs accrued. The estimated past service cost of these plans not funded or otherwise provided for, amounted to approximately $17,100,000 at December 31, 1974 and $15,100,000 at December 31, 1973. Vested benefits for all plans exceeded the total of the pension funds and accrued liabilities by approximately $12,000,000 as of December 31, 1974 and $10,000,000 as of December 31, 1973. This increase in the unfunded cost of vested benefits results primarily from the generaly decline in the market value of the pension funds.

In order to comply with certain requirements of the recently enacted Employee Retirement Income Security Act of 1974, the company will have to amend its funding of pension costs for years subsequent to 1975. The charges that will be required are presently being developed by the company's actuaries and are therefore not presently available. However, from a preliminary analysis of the Act, it appears that additional costs resulting from compliance will not have a material effect on earnings.

CLUETT, PEABODY & CO., INC. (DEC)

Summary of Significant Accounting Policies

Retirement Plans—The Company and most of its subsidiaries have retirement plans which, with union plans, cover substantially all employees. Under Company plans, pension costs accrued are funded and prior service costs are amortized over periods not in excess of thirty years.

Notes to Financial Statements

Retirement Plans—Provisions in 1974 and 1973 for the cost of Company plans charged to operations were $2,654,000 and $2,510,000, respectively, and included a portion of prior service costs. As of the most recent actuarial valuation date, the total of pension funds and accrued expenses for pension costs of significant plans exceeded the actuarially computed value of vested benefits. Declines in the market value of pension fund common stock investments since the most recent actuarial valuation date have resulted in an excess of actuarially computed value of vested benefits of certain Company plans over the total of pension funds and accrued expenses for pension costs of such plans by approximately $760,000.

At December 31, 1974 the liability for unfunded prior service costs of Company plans was approximately $11,749,000.

As a result of the enactment of the Employee retirement Income Security Act of 1974, Company plans will require amendment within the next two years. These amendments are expected to result in an additional increase in the liability for unfunded vested benefits of approximately $637,000.

FMC CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Principal accounting policies:

Retirement plan costs—Current service costs are accrued and funded on a current basis. Prior service costs are amortized and funded principally over a period of 30 years from the dates such costs were established.

Note 14: Retirement plans—FMC has retirement plans for substantially all domestic employees and certain employees in foreign countries. The 1974 and 1973 pension provisions amounted to $26,069,000 and $21,271,000, respectively. As of the most recent valuation dates (December 31, 1973 for the most significant plans) the actuarially computed value of vested benefits exceeded the market value of assets of the plans by approximately $62,000,000. The December 31, 1974 market value of assets of plans valued prior to that date was lower by approximately $38,000,000 than the value at the valuation dates.

The impact of compliance with the Employee Retirement Income Security Act of 1974 cannot be presently estimated because concise interpretations of the Act are not yet available and final regulations have not been issued. It is expected that compliance will result in a significant increase in future years pension costs.

GAF CORPORATION (DEC)

Summary of Significant Accounting Policies

Retirement Plans—The company and its subsidiaries have several retirement plans covering substantially all employees. The company's policy is to fund amounts equal to pension costs accrued and, for plans with prior service costs, to amortize such costs over periods not to exceed forty years.

Notes to Consolidated Financial Statements

Note 4: Retirement Plans—The cost of employee retirement benefits amounted to $9,282,000 in 1974 and $6,777,000 in 1973. At December 31, 1974, the actuarially computed value of vested benefits exceeded the total of pension funds and accrued liabilities for pension costs by $40,300,000. The company does not anticipate any significant increase in the required contributions to the pension funds as a result of the 1974 pension reform act. However, under the act, the company is liable in the event of termination of plans for any guaranteed benefits (as defined by the act) in excess of the plans' net assets, limited to 30% of the company's net worth at the time of termination. Such liability for guaranteed benefits at December 31, 1974, is not readily determinable, but would be less than the unfunded vested benefits at that date. Following the general decline in security prices during 1974, the market value of the funds decreased by approximately $18,000,000.

THE HOOVER COMPANY (DEC)

Notes to Consolidated Financial Statements

Note A (in part): Summary of Significant Accounting Policies:

Retirement and Pension Plans—Various retirement and pension plans cover employees of the Company and certain of its subsidiaries, including employees in foreign countries. As to the principal plans, unfunded prior service costs are spread over the average future service lives of present employees or are being amortized over periods ranging from thirty to forty years, and the Company's policy is to fund such pension and retirement costs.

Note H: Retirement and Pension Plans—Retirement and pension plan costs of the Company and its subsidiaries amounted to approximately $7,700,000 in 1974 and $5,855,000 in 1973. The increase was due primarily to amendments to certain of the plans which provided for increased employee benefits becoming effective during 1974.

With respect to The Hoover Company, the actuarially computed value of vested benefits exceeded the total of the pension funds, based on cost at the valuation dates (January 1 and December 1, 1974) and related balance sheet accruals by approximately $6,548,000 ($11,464,000 using market value for equity securities at December 31, 1974). The total of the pension funds, based on market value at the valuation date (March 31, 1974) and at December 31, 1974, of the subsidiaries' major plans exceeded the actuarially computed value of vested benefits. The Employee Retirement Income Securities act of 1974 is not expected to have a significant effect on annual pension expense, funding requirements, or unfunded vested benefits.

MARCOR INC. (JAN)

Major Accounting Policies

Retirement Plans—The provision charged to earnings each year is sufficient to cover the normal cost of the retirement plan including amortization of unfunded liabilities and interest on the unfunded past service liability. Costs of the retirement plan are funded on a discretionary basis.

Marcor Financial Information

Retirement Plans of a contributory nature cover a majority of full-time employees of Marcor and its subsidiaries. The total cost provided applicable to these plans, including interest on unfunded past service costs was $21,873,000 in 1974 and $15,497,000 in 1973. The subsidiaries fund the retirement plans on a discretionary basis.

Effective January 1, 1975, Ward amended its Retirement Plan to include, among others, changes in eligibility, vesting, employee contributions and amount of benefits to be received. In addition, on December 31, 1974, Ward discontinued company and employee contributions to its Profit Sharing Plan. Subject to Internal Revenue Service approval, employees' credits under the plan would be converted to supplemental benefits under the Retirement Plan. It is estimated that the increased annual cost (including amortization of past service cost over 40 years) of the amended retirement plan will be $9 million which was the approximate annual cost of the Profit Sharing Plan. Based upon the latest actuarial reviews (using data principally as of the end of 1973), which reflect the provisions of the amended plan of Montgomery Ward effective January 1, 1975, the vested benefits and past service liabilities under the retirement plans of Marcor and its subsidaries exceeded the assets held by retirement fund trustees (based upon market values as of January 31, 1975) and retirement plan accruals by approximately $11 million and $135 million, respectively.

The Employee Retirement Income Security Act of 1974 requires Marcor and its subsidiaries to amend their retirement plans to conform with certain provisions of the Act which will become effective in 1976. Marcor believes that these changes will not have a significant effect on the past service liabilities and the annual retirement plan costs for 1976 and subsequent years. Also it is estimated that the effect on the vested benefits, net of the retirement fund assets (based upon market values at January 31, 1975) and retirement plan accruals, will be approximately $5 million. In addition, Marcor and its subsidiaries will be required to fund the annual retirement plan costs.

NATIONAL STARCH AND CHEMICAL CORPORATION (DEC)

Notes to Consolidated Financial Statements

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

Retirement Plans—Pension costs are generally accrued and funded based upon actuarial studies or contract provisions. Prior service costs are amortized over 30 years.

Note 10: Retirement Plans—The Company has several pension plans under which substantially all of its employees are eligible for coverage. The assets of the pension funds exceed the actuarially computed value of vested benefits for all plans as of the latest valuation dates. In addition to these plans, certain subsidiaries have plans but their combined cost is not a significant portion of consolidated pension expense, which is $1,962,488 and $1,340,253 for 1974 and 1973, respectively.

Under the Employee Retirement Income Security Act of 1974, the Company's compliance with most of the Act's requirements is not required until after December 31, 1975, and it is estimated that the new Act will have no material effect on the Company's future annual pension costs or funding nor will the Act cause the value of vested benefits to exceed the assets of the pension funds.

PENNWALT CORPORATION (DEC)

Notes to Consolidated Financial Statements

Retirement Plans—The Company and certain of its consolidated subsidiaries have pension plans covering substantially all of their employees. The total pension expense was $6,500,000 in 1974 and $5,500,000 in 1973, representing current service cost plus interest on unfunded prior service cost.

The Company's policy is to fund pension costs accrued. At December 31, 1974, the pension fund assets approximated the actuarially computed value of vested benefits of the plans.

Provisions of the Pension Reform Act of 1974, which will become effective in 1976, will require the Company to amend its pension plan which will have the effect of increasing the cost of benefits to certain participants. Had such an amendment and other changes required under the Act been in effect in 1974, annual pension expense and the annual amount of pension costs funded would have increased by $900,000. The pension fund assets at December 31, 1974, would still approximate the actuarially computed value of vested benefits of the plans.

COMPENSATORY PLANS

In addition to pension plans (Table 3-8) and "traditional" stock option and purchase plans (Table 2-42), many companies disclosed the existence of compensatory plans of the nature indicated in Table 3-9. *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.....

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.

TABLE 3-9: COMPENSATORY PLANS

	1974	1973	1972	1971
Plan				
Incentive compensation plan	93	117	104	92
Profit-sharing plan...........	118	93	75	71
Deferred compensation contract..................	88	61	56	46
Savings fund plan............	30	33	33	27
Other employee benefit plans......................	38	40	24	19
Total Plans..........................	**367**	**344**	**292**	**255**
Number of Companies				
Disclosing above plans......	282	259	236	217
Not disclosing above plans..	318	341	364	383
Total..................................	**600**	**600**	**600**	**600**

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

AIRCO, INC. (DEC)

Notes to Financial Statements

Corporate Incentive Compensation Plan—Under the corporate incentive compensation plan, as approved by the stockholders in 1972, a committee of the board of directors may allocate to an incentive compensation account an amount for incentive compensation awards to officers and certain other key employees of Airco. The amount allocated, in the aggregate, is limited in any year, to 7½% of the amount by which income before Federal and foreign taxes on income and provision for such allocation exceed a 13% return on stockholders' equity at the end of the preceding year. No amount shall be available for allocation unless earnings per share, before extraordinary items, and cash dividends paid on common stock are $1.80 per share and $.80 per share, respectively. Under the provisions of the plan, $1,920,000 could be allocated to the incentive compensation account; however, in anticipation of the committee's decision, the amount charged to expense in 1974 was $1,200,000. There was no allocation in 1973.

AMERADA HESS CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 8: Incentive Compensation Award Plan—The incentive Compensation Award Plan, adopted in 1968, provides for granting to key employees awards payable in cash and/or rights to purchase stock of the Corporation. The amount available for awards each year is limited to 3% of the amount by which net income exceeds an amount equal to 6% of capital investment as defined by the Plan. Amounts not awarded during the year may not be carried over to subsequent years. A provision of $470,000 (net of income tax effect of $433,000) was made against 1974 earnings for cash awards granted in early 1975. In 1973, cash awards resulted in a charge against earnings of $529,000 (net of income tax effect of $489,000).

AMERICAN HOME PRODUCTS CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 7: Management Incentive Plan—The Company's Management Incentive Plan, adopted in 1966, and as last amended by the Board of Directors on December 20, 1974, provides for awards to key employees of a maximum of 3,000,000 common shares, which are limited each year to 12% of Incentive Earnings, as defined. Such common stock awards plus accrued dividends thereon, are generally distributable in the seventh year following the year for which each award is made provided the employee has remained in the Company's employ; otherwise such awards are distributable in ten approximately equal annual installments following each employee's termination of employment, subject to certain conditions. A total of 1,037,349 shares has been awarded, and awards plus accrued dividend equivalents for a total of 946,121 shares were outstanding at December 31, 1974. Provisions for Management Incentive Plan costs charged to expense were $4,285,000 in 1974 and $3,873,000 in 1973 (after applicable income tax reduction).

Stock Compensation Plans

AIR PRODUCTS AND CHEMICALS, INC. (SEP)

Notes to Consolidated Financial Statements

Note 6 (in part): Stock Option and Incentive Plans—The provision for awards under the Incentive Compensation Plan adopted in 1969 was $1,975,000 in 1974 compared to $900,000 in 1973.

Under a performance share plan adopted in 1973, awards in the aggregate of 416,000 performance shares may be made to officers and employees. The first awards were made in 1973 and further awards will be made in the third, fifth and seventh years of the plan. Awards will be paid in cash or shares of the Company's Common Stock four years after the date of grant subject to achievement of earnings objectives. The annual provision for the cost of these awards will vary depending on the changes in the market value of the Common Stock over the performance period and because of this factor the 1974 provision was $439,000 compared to $1,200,000 in 1973.

A total of 480,134 shares of Common Stock is reserved for stock options and deferred stock and performance share awards.

BEMIS COMPANY, INC. (DEC)

Notes to Financial Statements

Note 5: Performance Share Plan—Effective January 1, 1974 the company adopted a Performance Share Plan for certain key executive employees of the company. The Plan authorized issuance of up to 300,000 performance share units over a ten-year period. Each unit is equivalent to one share of Bemis Company, Inc. common stock. Under the Plan, executives earn their awards only if the company meets specific performance targets.

Payments to participants are to be made four years after the date of the award in shares or cash, or both, in such proportion as the Compensation Committee shall determine. However, for the first award period only, a partial payment of up to 25% of the first four-year award may be made after December 31, 1975. During 1974 a total of 70,000 performance shares were awarded. The cost of the awards made under the Plan is being charged to income over the applicable four-year period; $267,000 was expensed in 1974.

BETHLEHEM STEEL CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note H: Special Incentive Compensation Plan—Under the Special Incentive Compensation Plan in effect under Article Tenth of Bethlehem's Amended Certificate of Incorporation, certain executives and other important employees receive special incentive compensation in the form of dividend units. The aggregate number of dividend units credited for any year is determined by dividing an amount equal to 2% of the consolidated net income for the year by the market value per share of Bethlehem Common Stock at the beginning of the year. Each dividend unit entitles the holder to receive cash payments equal to cash dividends paid on a share of Common Stock after the crediting of the unit and during his life, but in any event until the 15th anniversary of the termination, by death or otherwise, of his service with Bethlehem, subject to earlier termination in certain circumstances. The charges to expense for the Plan in 1974 and 1973 were $9,841,000 and $5,304,000, respectively.

CBS INC. (DEC)

Notes to Consolidated Financial Statements

Note 8: Long-Term Incentive Compensation Plans—On April 17, 1974 CBS shareholders approved the adoption of the Performance Incentive Plan to succeed the Performance Share Unit Plan as the long-term incentive element of the executive compensation program for key employees of the Corporation and its subsidiaries. Participants may be granted "Units" consisting of two elements: (a) an option to purchase one share of CBS common stock and (b) one "performance share" of CBS common stock. The value of the payment with respect to the performance share element will not be higher than the closing market price of one share of CBS common stock on the date of grant. The performance criteria and other conditions subject to which amounts may become payable with respect to the performance share elements of the Units are based upon such considerations as the Plan Committee of the CBS Board of Directors deems appropriate and may be different for different classes of participants. The purchase price of each share of CBS common stock under each stock option included in a Unit is determined by the Plan Committee, but is not to be less than 100% of the fair market value of such a share on the date of grant. The Plan Committee is authorized to grant a maximum of 750,000 Units. If, for any reason, payment is not made with respect to performance share elements of Units previously granted to a participant, the Committee's authority to grant Units would be augmented by that number of Units equal to the number of such lapsed performance share elements.

During 1974, 407,549 Units were contingently granted under the Plan and 9,909 Units were terminated. At December 31, 1974, 397,640 Units were outstanding. The exercise price of all stock options included in all grants of Units made during 1974 is $39.375 for each share of CBS common stock. These options are exercisable beginning January 1, 1976, 1977, 1978 for periods not exceeding two years from such dates. No payment with respect to the performance share element of Units granted during 1974 will be made to participants prior to 1976. At the discretion of the Plan Committee, payments may be made in cash or in shares of CBS common stock or any combination thereof.

The cost of the Plan is being accounted for over the period during which the right to receive payment is earned. The portion of the Plan cost charged to earnings in 1974 approximated $5,648,000.

In connection with the Performance Share Unit Plan a maximum of 765,000 performance share units (adjusted for 1971 2% stock dividend) were authorized to be granted. The authority to make grants under this Plan terminated upon the adoption of the Performance Incentive Plan, and no grants were made subsequent to April 10, 1974. During the years 1971 through 1974, 418,122 performance share units were contingently granted, and 88,872 Units were terminated. During 1973, the Company made payments in shares with respect to 71,318 Units. During 1974, the Company made cash payments with respect to 80,453 Units. At December 31, 1974 177,479 of such Units are outstanding. Final payout with respect to outstanding Units earned will be made in 1975.

CORNING GLASS WORKS (DEC)

Notes to Consolidated Financial Statements

Note 8: Employe stock plans—Under the 1967, 1971 and 1974 Employe Stock Option Plans, officers and key employes have been granted qualified options and nonqualified options to purchase unissued common stock of the company at 100% of the market price on the date of grant. Options become exercisable in installments from one to five years from the date of grant; nonqualified tandem options become exercisable for an additional five years to the extent the related qualified options expire unexcersied. Since all option prices are 100% of market value at the date of grant, no compensation expense is recorded. The proceeds from shares issued are credited to common stock and to capital in excess of par value. Stock appreciation rights are permitted under the 1974 Plan, but none have been granted. Transactions under the Plans during 1974 were:

	Option Price per Share	Shares Under Option
Balance at December 30, 1973	$32.18-$115.00	276,811
Options granted	$87.50	21,000
Options terminated	$73.56-$110.90	(4,514)
Balance at December 29, 1974	$32.18-$115.00	293,297
Exercisable at December 29, 1974	$32.18-$115.00	200,498

Under the Equity Purchase Plan, common shares may be sold to certain employes at book value and, upon request of the employe or the Board of Directors or on termination of employment, must be resold to the company, and must be repurchased by the company, at the book value at the latest plan valuation date. In 1974, 43,631 common shares were issued to employes at the $29.79 book value at the end of the first quarter. The proceeds were credited to common stock and to capital in excess of par value; no compensation expense has been recorded.

At December 29, 1974, 635,369 common shares were available for grant under the stock option plans and the Equity Purchase Plan.

The Incentive Stock Plan permits grants of common stock without cash consideration. The Directors authorized in December, 1974, grants of 11,800 shares (of a total plan authorization of 50,000 shares) to be issued January 2, 1975. Compensation expense of $97,000 was recognized in 1974 and an equal amount will be recognized in each of the next three years as restrictions on these shares lapse.

RAYBESTOS-MANHATTAN, INC. (DEC)

Notes to Consolidated Financial Statements

Note N: Performance Share Plan—On December 18, 1974, the Board of Directors adopted, subject to shareholders' approval, a performance share plan which commences in fiscal 1975. The plan provides for incentive awards to certain key executives of the Company and its subsidiaries and will be administered by a committee consisting of outside members of the Board. The committee may make awards of performance share units annually for 10 years beginning in 1975, which if earned will be paid out 50% in cash and 50% in the Company's common stock, unless the Board of Directors requires a greater portion to be paid in cash. The last award period will end January 5, 1987.

The performance share unit award is payable approximately three years after grant based upon the Company's attaining cumulative earnings per share objectives, determined at the time of grant. The value of the performance units earned will depend on the market value of the shares at the end of the three-year period not to exceed an increase of 100% of the value at time of grant. No more than 90,000 shares of the Company's common stock may be awarded under the plan, subject to dilutive adjustments, and no one executive can receive more than 15% of the total performance share units over the life of the plan.

The estimated value of the performance share units, including the cumulative change in the market value of the common shares will be charged to operations based on the annual attainment of the objectives.

Profit Sharing Or Bonus Plans

EXXON CORPORATION (DEC)

Notes to Financial Statements

Note 10: Bonus plan—The 1973 Incentive Program makes provision for grants of bonuses in respect of each of the five years beginning with 1973 which are not to exceed 3 percent of the amount by which net income in a given year exceeds 6 percent of capital invested (as defined in the plan). Bonuses may be granted to eligible employees of the corporation and of those affiliates at least 95 percent owned. Bonuses may be granted in cash, shares of the corporation's stock or stock appreciation bonus units, which are rights entitling the grantee to receive on the settlement date, with certain limitations, an amount equal to the sum of (i) the appreciation, if any, in the market value of the corporation's stock between the date of grant and the date of settlement and (ii) the equivalent of dividends on the stock during this same period. Bonuses other than units may be paid in cash or shares of the corporation's stock in full at the time of allotment or retirement or in annual installments. Any unpaid amounts are subject to certain forfeiture provisions contained in the plan. The amounts provided out of earnings for 1974 and 1973 were $9,831,009 and $8,828,088, respectively, substantially less than the maximum permitted.

FAIRCHILD CAMERA AND INSTRUMENT CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 5: Employee Benefit Plans—Pension expense charged against operations was $1,863,000 in 1974 and $1,744,000 in 1973. The pension fund assets and balance sheet accruals exceed the actuarially computed value of vested benefits under the plans.

As a result of the recently enacted Pension Reform Act of 1974, the Company will be required to amend certain aspects of its pension plans and increase the funding of pension costs for years after 1975. Based upon the results of a preliminary review, Management estimates that these changes will result in an increase in pension expense of between $250,000 and $350,000 in 1976.

During 1974, the shareholders approved a qualified, noncontributory profit sharing plan for eligible employees of the Company and participating subsidiaries. The Company's contribution to the plan, as determined by the Board of Directors, is discretionary but may not exceed 15% of the annual aggregate compensation (as defined) paid to all participating employees. In addition, the maximum contribution may not exceed 15% of the amount by which Income Before Income Taxes and Extraordinary Items for the year (as defined) exceeds 10% of Shareholders' Equity at the end of the year (as defined). During 1974, contributions charged against operations amounted to $1,500,000.

In addition, during 1974, the shareholders approved an incentive compensation plan for awarding bonuses to certain officers and other key employees. The aggregate awards, which may be in cash or common stock, shall not exceed 6% of the amount by which Income Before Income Taxes and Extraordinary Items for the year (as defined) exceeds 10% of Shareholders' Equity at the end of the year (as defined). During 1974, the provision charged against operations amounted to $940,000. During 1973, prior to adoption of the plan, incentive bonuses totaling $1,375,000 were paid to certain officers and other key employees and were charged against operations for that year.

METRO-GOLDWYN-MAYER INC. (AUG)

Notes to Financial Statements

Note 5 (in part): Stock Options and Incentive Profit-Sharing Plans—In May, 1974, the Company initiated profit-sharing plans for executives and employees of the MGM Grant Hotel and for the Company's other executives in the United States. The plan for hotel executives and employees provides for a percentage of annual profits of each department to be divided among employees of the department on a discretionary basis. The plan for non-hotel executives provides for a percentage of annual pre-tax operating profits (as defined, such definition excluding profits but including interest from the MGM Grand Hotel) in excess of $4,000,000 to be available for distribution. If such profits are from $4,000,000 to $20,000,000, varying amounts are available for distribution depending on the amount of such profits, with a maximum of $550,000 being available if such profits reach or exceed $20,000,000. Of the amount so available for distribution to non-hotel executives, at least 50% must be distributed annually, with any remainder being available for future distribution. Based on fiscal 1974 earnings, an aggregate of approximately $849,000 has been charged to income to provide for these distributions. The plans can be discontinued or modified at any time.

PEOPLES DRUG STORES, INCORPORATED (DEC)

Notes to Consolidated Financial Statements

Note 7: Executive Bonus Plan—The Company has an executive bonus arrangement whereby the Company must earn a minimum amount (before taxes) before an executive bonus is paid. The bonus is computed as a percentage of basic salary and the percentage increases on a gradual scale from 2.5% to a maximum of 30% based on the amount of earnings over the minimum requirement. The Board of Directors reserves the right to increase the amount of bonus if it feels such is justified. The amount of bonus charged to expense was $170,000 in 1974 and $303,000 in 1973.

TEXAS INSTRUMENTS INCORPORATED (DEC)

Notes to Financial Statements

Profit Sharing and Retirement Plans—Total expense for all deferred profit sharing plans was $26,207,000 in 1974 and $23,359,000 in 1973. Under the plans, except in France where a government-prescribed formula is used, the annual contributions are a function of consolidated after-tax return on assets, a People Effectiveness Index (defined as consolidated sales divided by total payroll) and the aggregate compensation of the participants. Total payroll of Texas Instruments Incorporated and all subsidiaries in 1974 was

$594,000,000. The annual contributions are subject to a ceiling of the lesser of 25 percent of consolidated income before profit sharing and income taxes, or an amount which, together with all previous contributions, does not exceed 15 percent of the cumulative compensation paid to all participating employees for all plan years. These plans are stock bonus plans under which each year's cash contributions are invested in TI common stock through purchases of outstanding shares by the Trustees during a 12-month period beginning July 1 of that year.

Employees of the company and certain of its subsidiaries are covered by TI retirement plans. The company's policy is to fund retirement costs annually. Total expense under the plans was $15,549,000 in 1974 and $12,224,000 in 1973. Beginning in 1976, the Pension Reform Act of 1974 is expected to increase retirement costs, principally for earlier vesting, by approximately 15% over what retirement costs would be in the absence of the changes required by the Act.

ZENITH RADIO CORPORATION (DEC)

Notes to Financial Statements

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 plan is based on consolidated net income for the year, as defined, after providing for a return to stockholders of 6% on beginning stockholders' equity, 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, 1974, and 1973, were $8,344,000 and $15,328,000, respectively.

In 1972, the Company established an incentive award plan. The plan provides that incentive awards may be made to officers and senior management employees from an incentive award reserve account funded each year, based on an amount equal to 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 provision for the year ended December 31, 1973, was $2,315,000. No provision was made for 1974.

Savings Or Investment Plans

MCDONNELL DOUGLAS CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note I: Savings Plans—The voluntary savings plans provide that MDC contribute to a trustee amounts equal to certain percentages of amounts contributed by employes. MDC contributions may be made in cash, or, in the case of the Salaried Savings Plan, contributions may be made in shares of MDC Common Stock.

Cash contributions to the savings plans aggregated $24,914,452 for 1974 and $25,745,478 for 1973. The future annual costs of the plans are indeterminate because of the dependence upon employe compensation and participation. At 31 December 1974, there were 757,070 shares of authorized and unissued Common Stock reserved for issuance under the plans.

MEREDITH CORPORATION (JUN)

Notes to Consolidated Financial Statements

Note 5 (in part): Common Stock—Under the Company's Savings and Investment Plan, 97,858 shares of common stock were issued during the year at market prices totaling $1,068,000 (57,860 shares at market prices totaling $1,061,000 in 1973). The Plan enables eligible employees to acquire stock of the Company by contributing up to five percent of their salary with the Company matching the employee contribution. The cost to the Company for the year was approximately $427,000 ($435,000 in 1973). A total of 510,000 shares (200,000 subject to shareholder approval in October 1974) have been reserved for the Plan, of which 306,690 shares were issued at June 30, 1974.

POTLATCH CORPORATION (DEC)

Notes to Financial Statements:

Note 8 (in part): Retirement, Incentive, and Savings Investment Plans—Effective July 1, 1973, the company instituted a voluntary savings investment plan for which substantially all salaried employees are eligible. The plan provides for the company to contribute a percentage, based on the company's earnings, of the eligible contributions by employees. Company contributions, all of which are invested in Potlatch common stock, were $390,000 in 1974 ($121,000 in 1973).

QUAKER STATE OIL REFINING CORPORATION (DEC)

Notes to Financial Statements

Note 7 (in part): Employee Retirement and Savings Plans—The Company contributes to a voluntary savings plan designed to encourage and assist employees in an investment program and to provide incentives to employees by providing stock ownership in the Company. Under the plan, the Company makes regular monthly contributions equal to 50% of the amounts invested by the participants. The participant's contribution may, at his election, be up to 6% of his salary. The Company may make additional contributions based upon a formula measuring improvements in pre-tax income. Company contributions to this plan amounted to $534,000 and $485,000 in 1974 and 1973, respectively.

DEPRECIATION EXPENSE

Paragraph 5 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 5, 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.

Table 3-10 summarizes both the descriptive captions used by the survey companies to describe depreciation expense in the income statement and the methods of depreciation used to allocate the cost of productive facilities. Five hundred and ninety-six of the survey companies disclosed their depreciation method and 57 survey companies disclosed their method of depletion. Examples of depreciation expense disclosures are presented below and in PROPERTY, PLANT AND EQUIPMENT of Section 2 of this book.

TABLE 3-10: DEPRECIATION EXPENSE

	1974	1973	1972	1971
Descriptive Caption				
Depreciation	291	290	293	292
Depreciation and amortization	207	210	202	202
Depreciation and depletion	47	48	46	50
Depreciation, depletion, and amortization	44	43	43	47
Other descriptions	11	9	16	9
Total Companies	**600**	**600**	**600**	**600**
Method Used				
Straight-line	563	568	565	545
Declining balance	71	74	73	77
Sum-of-the-years digits	45	47	52	51
Accelerated method-not specified	74	76	80	74
Unit of production	35	40	38	36
Sinking fund	1	1	1	1
Total Disclosures	**789**	**806**	**809**	**784**

Straight Line Method

AEROSOL TECHNIQUES, INCORPORATED (SEP)

Consolidated Statement of Changes in Financial Position

	1974	1973
Source of Working Capital:		
Operations:		
Income (loss) before extraordinary items	$ 251,243	$(331,311)
Add: Items not requiring the outlay of working capital:		
Depreciation and amortization of property, plant and equipment	950,361	1,022,893
Amortization of other non-current assets	100,880	42,538
Other	12,491	1,037
Working capital provided from operations	$1,314,975	$735,157

Notes to Consolidated Financial Statements

Note A (in part): Summary of Significant Accounting Policies:

Property and Depreciation—Depreciation is computed for both financial and tax purposes on the straight-line method based on the following estimated useful lives of the assets.

	Years
Building and improvements	10-33
Machinery and equipment	4-10
Furniture and fixtures	5-10
Automotive equipment	4- 6

Leasehold improvements are amortized over the estimated useful lives or the initial terms of the leases (ranging from 5 to 15 years) whichever is shorter.

Expenditures for maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. At the time property, plant and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are eliminated from the asset and accumulated depreciation accounts and the profit or loss on such disposition is reflected in earnings.

AIRCO, INC. (DEC)

Statement of Accounting Policies

Depreciation Methods—Allowances for depreciation and amortization are accumulated generally on a straight-line basis. Alloys production equipment acquired after January 1, 1971 was previously depreciated on the units of production method and in 1974 was depreciated on a straight-line basis. This change had virtually no effect on net income for 1974 nor would there have been any significant effect in prior years' net income if such assets had been depreciated on a straight-line basis from dates of acquisition. Additional depreciation is provided where facilities and equipment may be subject to abnormal economic conditions or obsolescence.

Notes to Financial Statements

Property, Plant and Equipment—Capital expenditures during 1974 aggregated $45,900,000 up from $28,800,000 spent in 1973. Depreciation and amortization amounted to $45,386,000 in 1974 and $27,530,000 in 1973, of which $4,281,000 and $1,470,000, respectively, was for depreciation provided for idle plant facilities and equipment. Also included in 1974 was additional depreciation of $11,515,000 in recognition of the reduced economic value of certain production facilities and equipment of the Vacuum Metals and Electronics Divisons.

AMERICAN BAKERIES COMPANY (DEC)

Consolidated Statements of Changes in Financial Position

	1974	1973
	(In Thousands)	
Sources of Working Capitol:		
Net loss for the year	$(1,698)	$(2,019)
Add (Deduct) items not affecting working capital—		
Depreciation and amortization (Note 1)	7,280	7,114
Deferred income taxes	(1,500)	(1,135)
Provisions for closed plants and idle equipment	1,315	372
Working capital provided from operations	$5,397	$4,332

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

Depreciation and Amortization—Depreciation provisions, based on estimated useful lives from the dates of acquisition, are computed on the straight-line method for financial reporting purposes at the following annual rates:

Classification	Rate
Buildings and improvements	2½% or remaining life
Machinery and equipment	8%-12½%
Delivery equipment	12%

Leasehold improvements, included in buildings and improvements in the accompanying financial statements, are being amortized over the lives of the respective leases.

Maintenance and repairs are charged to expense as incurred. Costs of renewals and betterments are capitalized by charges to plant and equipment accounts and are depreciated at appropriate rates. The cost of property sold, retired, or otherwise disposed of and the related accumulated depreciation or amortization are removed from the accounts and the net gain or loss is recorded in net income.

For tax purposes, the Company for the most part utilizes accelerated depreciation methods and guideline procedures and resulting deferred Federal income taxes are reflected as such in the accompanying financial statements.

AMERICAN CYANAMID COMPANY (DEC)

	1974	1973
	(Thousands of dollars)	
Expenses:		
Manufacturing cost of sales less depreciation and depletion	$ 972,483	$ 775,512
Selling and advertising expenses	303,837	270,584
Administrative and general expenses	82,788	60,683
Depreciation and depletion	71,961	69,128
Research and process development expenses	58,807	47,918
Employees' benefits (Note 9)	59,399	48,919
	$1,549,275	$1,272,744

Notes to Consolidated Financial Statements

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

Depreciation and amortization—Depreciation is provided on a straight-line composite method over the estimated remaining useful lives of various classes of assets. In view of the variety of plants, equipment and facilities, it is not considered practicable to list the rates used in making the computations. However, the aggregate charge for depreciation was equivalent to 6.6% in both 1974 and 1973, of the average amount of depreciable plants, equipment and facilities. When depreciable assets are sold or otherwise retired from service, their cost, less amounts realized on sale or salvage, is charged or credited to the accumulated depreciation account. Expenditures for maintenance and repairs are charged to current operating expenses. Acquisitions, additions and betterments for increasing productive capacity or prolonging service lives of the plants, equipment and facilities are capitalized. Intangibles resulting from business acquisitions are carried at cost and amortized over a period of forty years unless, in the opinion of management their lives are limited, or they have sustained a permanent diminution in value in which case they are amortized over appropriate periods.

CYCLOPS CORPORATION (DEC)

	1974	1973
	($000)	
Costs and expenses		
Cost of products sold	$561,885	$452,774
Depreciation	13,732	13,139
Selling and administrative	35,939	33,114
Interest	5,435	6,675
	$616,991	$505,702

Accounting Policies

Property and Depreciation—Renewals and betterments which substantially extend the useful life of property are capitalized. Maintenance and repairs are charged to expense.

The cost of properties retired (other than abnormal retirements) is eliminated from the asset and related reserve account and the salvage, if any, is credited to the reserve. For abnormal retirements, the cost of properties retired is eliminated from the asset account and the accumulated depreciation is eliminated from the reserve account. The profit or loss realized is credited or charged to income.

Depreciation on plant and equipment is computed on the straight-line method for financial statement purposes; whereas accelerated depreciation, including the Class Life System for certain assets acquired since January 1, 1971, is utilized for federal income tax purposes. The depreciation provisions are based on the estimated useful life of the assets which generally meet guideline classifications.

The benefits derived from the investment tax credit are accounted for on the "flow-through" method as a reduction of income taxes in the year in which the assets which gave rise to the credit are placed in service.

GENERAL SIGNAL CORPORATION (DEC)

Notes to Financial Statements

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

Depreciation—The company and its subsidiaries provide for depreciation of plant and equipment using the straight-line method over the estimated useful lives. Accelerated depreciation is used for Federal income tax purposes.

Depreciation and amortization charged to operations amounted to $8,508,000 in 1974 and $7,590,000 in 1973.

BRIGGS & STRATTON CORPORATION (JUN)

Consolidated Statements of Changes in Financial Position

	1974	1973
Working Capital Provided from:		
Operations—		
Net Income	$25,873,000	$26,966,000
Depreciation	4,999,000	5,496,000
Total Provided by Operations	30,872,000	32,462,000
Dispositions of Plant and Equipment	251,000	102,000
Total Working Capital Provided	$31,123,000	$32,564,000

Notes to Consolidated Financial Statements

Note 1 (in part): Accounting Policies:

Depreciation—Substantially all of the Company's fixed assets are depreciated under the double declining balance method for both book and tax purposes, until such time as the straight line method results in a greater depreciation charge. For assets placed in use subsequent to July 1, 1973, the straight line method is used for financial statement purposes. If the double declining balance method had been used to depreciate 1974 additions, depreciation would have been increased by $340,000, and net income decreased by $.02 per share.

Declining-Balance Method

AMERICAN MOTORS CORPORATION (SEP)

	1974	1973
	(Dollars in Thousands)	
Costs and Expenses		
Cost of products sold, other than items below	$1,735,774	$1,454,769
Selling, advertising, and administrative expenses	174,117	164,550
Amortization of tools and dies	23,783	20,656
Depreciation and amortization of plant and equipment	15,924	13,798
Cost of pensions for employees (Note I)	24,762	20,927
Interest	6,763	6,614
	$1,981,123	$1,681,314

Notes to Financial Statements

Note A (in part): Summary of Accounting Policies:

Depreciation and Amortization—Property, plant, and equipment, which is stated at cost is depreciated over the estimated useful lives of the assets. Assets being depreciated by the straight-line method approximate 42% of the total depreciable assets. All other depreciable assets are depreciated by the declining balance method. Deferred costs of tools and dies are being amortized ratably over the estimated production of the models to which such tools and dies relate.

MOTOROLA, INC. (DEC).

	1974	1973
	($000)	
Manufacturing and other costs of sales	878,675	755,720
Selling, service and administrative expense (notes 6 and 7)	285,035	240,274
Depreciation of plant and equipment	43,456	33,340
Interest and amortization of debenture discount, expense and premium, net	27,201	16,194
Minority interest in losses of majority-owned subsidiaries	(794)	(280)
Total costs and other expenses	1,233,573	1,045,248

Notes to Consolidated Financial Statements

Note 1 (in part): Accounting Policies:

Plant and Equipment—Plant and equipment is stated at cost. The related cost and accumulated depreciation on property sold, retired or fully depreciated are cleared from the accounts with the net difference, less any amount realized from disposals, reflected in current operations. Depreciation is provided on the basis of the estimated useful lives generally by the declining-balance method for items acquired subsequent to December 31, 1953, and by the straight-line method for items acquired prior to that date. For income tax purposes, the company has elected the provisions of the Class Life Asset Depreciation Range System (ADR) permitting accelerated depreciation. The tax effect of the difference between book and tax depreciation has been provided as deferred income taxes in the accompanying consolidated financial statements.

TYSON FOODS, INC. (SEP)

Notes to the Financial Statements

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

Property, Plant and Equipment—Property, plant and equipment is stated at cost. Depreciation is generally provided for on the double-declining method for new assets acquired, and on the straight-line method for used assets for both book and tax purposes. Had the company provided for depreciation using the straight-line method for all assets, the depreciation charged against income would be decreased approximately $485,393 and $336,400, respectively, for the years ended September 30, 1974 and 1973. Estimated useful lives for depreciation are as follows:

	Years
Buildings and leasehold improvements	6-33
Machinery, equipment and vehicles	2-20

The cost of units of property sold or retired is credited to the asset account, and the related depreciation is charged to the accumulated depreciation account with any resulting profit or loss from disposition included in income.

Maintenance and repairs, including replacement of minor items, are charged to income and major additions to property are capitalized.

Note 9: Supplementary Income Statement Information

	For the year ended Sept. 30, 1974	For the year ended Sept. 30, 1973
Account		
Maintenance and repairs	$3,442,334	$1,608,356
Depreciation	3,477,165	3,400,509
Taxes other than income:		
Payroll	1,858,535	1,760,618
Property	144,464	181,799
Rents	3,142,134	2,478,642

Amounts expended for advertising costs and research and development costs for each year were less than 1% of net sales.

No royalties were paid by the Company.

Sum-Of-The-Years-Digits Method

BAYUK CIGARS INCORPORATED (DEC)

	1974	1973
	($000 omitted)	
Costs and expenses		
Cost of goods sold	$27,957	$26,480
Selling, administrative and general	7,717	6,828
Depreciation and amortization	641	673
Interest, net of interest income $285 (1974); $244 (1973).	1,258	393
Dividends and miscellaneous income	(314)	(133)
Plant consolidation	600	—
Provision for (recoverable) income taxes	(627)	323
	$37,232	$34,564

Notes to the Consolidated Financial Statements

Note 1: Significant accounting policies:

Plant facilities—Plant facilities are stated at cost less accumulated depreciation and amortization, where appropriate. Additions and betterments are capitalized and maintenance and repairs are charged to current operations. Installation costs of licensed cigar machines are capitalized and amortized while the related rental expense, determined by fixed amounts over time or by production levels, is charged to current operations in accordance with industry practice. Depreciation and amortization of plant facilities are computed over the estimated useful lives of the various classes of assets. Depreciation is computed on the straight-line method for assets acquired in 1959 and prior and by the sum-of-the-years' digits method for substantially all assets acquired thereafter. Amortization of cigar machine licenses is based on the straight-line method. Gains or losses resulting from the disposal of plant facilities are reflected in current operations.

CANNON MILLS COMPANY (DEC)

Statement of Changes in Consolidated Financial Position

	1974	1973
Working Capital Provided By:		
Operations:		
Net income	$15,500,750	$11,078,642
Charges (credits) to income not currently requiring (providing) working capital:		
Depreciation	16,118,810	15,590,588
Equity in earnings of minority investments, net	(753,777)	(46,475)
Increase in allowance for workmen's compensation claims and expenses	295,839	169,640
Total from operations	31,161,622	26,792,395

Notes to Financial Statements

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

Property and Depreciation—Property is carried at cost. Depreciation is computed principally on the sum of the years digits method and in fiscal 1974 exceeded, by approximately $3,775,000, the provision which would have resulted from using solely the straight-line method and the same estimated useful lives.

Maintenance and repairs are deducted from income when incurred. When property is retired from item accounts, the resulting gains or losses are taken into income. When property is retired from multiple asset accounts or Asset Depreciation Range vintage accounts, the cost of the assets, reduced by salvage, is deducted from accumulated depreciation.

THE GOODYEAR TIRE & RUBBER COMPANY (DEC)

	1974	1973
	Dollars in thousands	
Cost and Expenses:		
Cost of goods sold	$3,878,790	$3,363,565
Depreciation	171,996	156,669
Selling, administrative and general expense	782,282	732,905
Interest expense	154,543	108,262
United States and foreign income taxes	143,931	154,666
Minority equity in earnings of foreign subsidiary companies	3,931	3,219
	$5,135,473	$4,519,286

Accounting Policies

Depreciation—Depreciation is computed on the straight line method for capital additions acquired after January 1, 1968 and prior to 1954, while depreciation of capital additions during the years 1954 through 1967 is computed on accelerated methods, principally the sum of the years digits method. Accelerated depreciation is used for income tax purposes, where permitted.

Notes to Financial Statements

Properties, Plants and Depreciation (in part)

(In Thousands)	1974	1973
Land and improvements	$ 139,326	$ 126,325
Buildings	652,591	605,756
Machinery and equipment	2,333,056	2,172,574
Construction in progress	168,502	158,553
Properties and plants at cost	3,293,475	3,063,208
Less accumulated depreciation	1,611,719	1,484,286
	$1,681,756	$1,578,922

Capital expenditures for expansion, modernization and replacement amounted to $281,531,000 in 1974 compared with $303,938,000 in 1973. Depreciation in 1974 increased to $171,996,000 from $156,669,000 in the previous year.

SPERRY RAND CORPORATION (MAR)

Consolidated Statements of Changes in Financial Position

	1974	1973
	($000)	
Source of Working Capital		
Net income	$112,558	$90,057
Add income charges not affecting working capital		
Depreciation, amortization and obsolescence:		
Rental machines	112,430	135,920
Other property, plant and equipment	37,363	34,894
	149,793	170,814

Notes to Financial Statements

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

Depreciation—Depreciation of property, plant, and equipment is generally provided on the sum-of-the-years'-digits method over the estimated economic lives of the assets. Rental machines are depreciated over a life of five years. Leasehold improvements are amortized over the lease period or the estimated useful life, whichever is shorter. Maintenance and repairs are charged to income as incurred and renewals and betterments are capitalized.

Unit of Production Method

HERCULES INCORPORATED (DEC)

Consolidated Statement of Changes in Financial Position

	1974	1973
	($000)	
Source of Funds		
Operations		
Net income	$93,654	$91,111
Depreciation and amortization	81,541	68,918

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.

SHELL OIL COMPANY (DEC)

	1974	1973
Costs and Expenses		
Purchased raw materials and manufactured products	$4,256,760,000	$2,264,903,000
Costs and operating expenses	1,256,806,000	1,071,777,000
Selling, general and administrative expenses	530,701,000	503,154,000
Income, operating and consumer taxes:		
Consumer excise and sales taxes	784,872,000	817,327,000
Operating taxes	179,078,000	135,465,000
Federal and other income taxes	300,577,000	121,771,000
Depreciation, depletion, amortization and retirements, including dry holes	502,851,000	441,695,000
Interest and discount amortization on indebtedness	60,783,000	60,780,000
	$7,872,428,000	$5,416,872,000

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.

THE SUPERIOR OIL COMPANY (DEC)

	1974	1973
Operating Expenses		
Operating costs	$ 64,584,000	$ 55,209,000
General and administrative	18,181,000	15,145,000
Geological and geophysical	28,835,000	21,879,000
Intangible development costs	58,335,000	41,065,000
Nonproductive leases and other properties abandoned	8,008,000	12,527,000
Depletion, depreciation and amortization	31,253,000	27,647,000
Taxes (other than income)	18,094,000	11,367,000
	$227,290,000	$184,839,000

Summary of Significant Accounting Policies

Depletion and Depreciation—In all areas except Canada, 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.

In Canada, depletion of producing oil and gas properties is calculated on a composite basis using the unit-of-production method. Depreciation of wells and related production equipment and gas plants and related facilities is calculated on a composite basis using the declining balance method at rates of thirty percent and ten percent, respectively. Depreciation of other plant and equipment is calculated using the declining balance method at rates which, in the opinion of management, are adequate to allocate the cost of such properties over the established useful lives.

WEYERHAEUSER COMPANY (DEC)

Consolidated Changes in Financial Position

	1974	1973
	(Dollar Amounts in Thousands)	
Working capital was increased by:		
Operations resulting in net earnings	$276,197	$349,640
Charges to net earnings not requiring working capital:		
Depreciation, amortization and fee stumpage	170,670	160,992
Deferred (prepaid) income taxes—net	(2,855)	3,637
Working capital obtained from operations	$444,012	$514,269

Summary of Accounting and Reporting Standards

Properties—The cost of properties includes interest on funds borrowed to finance the acquisition or construction of major facilities. Construction financing is part of the cost of acquiring economic resources which provide benefits beyond the period in which acquired; therefore, deferred expense recognition through association of all property acquisition costs with future revenues or through allocation to future periods in a systematic and rational manner is appropriate. A borrowed capital pool rate is applied to construction in progress project balances to compute the amount of interest to be capitalized. Capitalization of interest ceases when a facility commences operations.

Betterments and replacements of major units of property are capitalized. Mainentance, repairs and minor replacements are expensed. The Company's property accounts are maintained, for the most part, on an individual asset basis. The cost and related depreciation of property sold or retired is removed from the property and allowance for depreciation accounts and the resultant gain or loss is recorded. In the case of normal dispositions from multiple asset accounts, the cost of property sold or retired is removed from the property accounts and charged to the allowance for depreciation account. Proceeds of sale are credited to the allowance for depreciation account and no gain or loss is recorded.

Depreciation, amortization and stumpage—Depreciation of property and equipment is provided generally on the straight-line or unit-of-production methods at rates based on estimated service lives.

Amortization of logging railroads and truck loads is provided generally as timber is harvested and is based upon rates determined with reference to the volumes of timber estimated to be removed over such facilities.

Stumpage is the cost of standing timber and is charged to timber disposals as timber is harvested, lost as the result of casualty or sold. Stumpage rates are determined with reference to the cost of timber and the related volume of timber estimated to be recoverable.

Sinking Fund Method

AIR PRODUCTS AND CHEMICALS, INC. (SEP)

	1974	1973
Costs and Expenses		
Cost of sales (excluding depreciation of $35,423,000 in 1974 and $29,528,000 in 1973)	$307,673,000	$207,853,000
Selling, distribution, administrative, research and development expenses, excluding depreciation	127,041,000	102,779,000
Depreciation (Note 1)	45,841,000	37,484,000

Note 1 (in part): Major Accounting Policies:

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 Change In Estimates

FMC CORPORATION (DEC)

Consolidated Changes in Financial Position

	1974	1973
Net income	$ 80,887,000	$ 79,190,000
Provision for depreciation	69,832,000	61,467,000
Provision for deferred Federal income tax regarding depreciation	1,972,000	5,939,000
Undistributed earnings of affiliated companies	(12,009,000)	(10,888,000)
Working capital provided from operations	$140,682,000	$135,708,000

Notes to Consolidated Financial Statements

Note 1 (in part): Principal accounting policies:

Property, plant and equipment—Property, plant and equipment is capitalized at cost. For financial reporting purposes, depreciation is provided using lives which approximate those permitted by the 1962 Internal Revenue Service guideline regulations, except for those facilities for which shorter lives are being used as described in Note 12. New assets acquired subsequent to 1953 and prior to 1968 are depreciated using accelerated methods. Substantially all other assets are depreciated using the straight-line method.

Maintenance and repairs are charged to expense in the year incurred. Renewals are charged to plant and equipment accounts which have been relieved of items renewed or replaced. Betterments are capitalized. Gains and losses on normal retirements of properties are credited or charged to accumulated depreciation, and gains and losses on abnormal retirements are reflected in the income statement.

Note 12: Provisions for additional depreciation and plant close-downs—The depreciation lives of certain manufacturing facilities and equipment were significantly reduced during 1973 to approximate their estimated remaining useful economic lives, thereby increasing depreciation for 1973 by $8,336,000 and reducing net income by $4,335,000 ($0.14 per share). Similar additional depreciation of $13,190,000 was provided in 1974 (of which $9,594,000 arose from changes in lives effected in 1974) decreasing net income by $6,859,000 or $0.21 per share.

During 1974 the rayon plant at Parkersburg, West Virginia was closed down, resulting in a charge to income of approximately $5,450,000 ($2,834,000 after tax, or $0.09 per share) for estimated net close-down costs. During 1974 and 1973 the plant had operating losses and made an immaterial contribution to consolidated sales.

Due to uncertainties affecting the recreational vehicle industry and FMC's continued participation in it, production at FMC's Motor Coach Division was reduced in 1973 and the activation of a second plant was postponed indefinitely. In recognition of this an allowance of $6,394,000 for possible inventory writedowns and other costs was made in 1973, reducing net income by $3,325,000 ($0.10 per share). This allowance was reduced by $500,000 in 1974 due to changes in inventory levels and adjustments to estimates of other possible related costs.

THE UNITED PIECE DYE WORKS (DEC)

Notes to Consolidated Financial Statements

Note A (in part): Significant Accounting Policies: Expenditures for maintenance and repairs of property, plant and equipment are charged to current operations; renewals and betterments are capitalized. At the time properties are sold, retired, or otherwise disposed of, the costs and accumulated depreciation are eliminated from the accounts, and the net gain or loss is reflected in operations.

Depreciation is provided on the straight-line and declining balance methods and is designed to amortize the cost of various classes of depreciable assets over their estimated useful lives. Leasehold costs are amortized over the shorter of the life of the related asset or the term of the related lease.

For federal income tax purposes, accelerated methods of depreciation are used with respect to most assets and deferred income taxes are provided on the resultant difference between depreciation expense for financial accounting purposes and for income tax purposes.

Note E (in part): Property, Plant and Equipment—Depreciation is provided for financial accounting purposes on the straight-line method with respect to assets acquired prior to January 1, 1973 and on the double-declining-balance method, with respect to most assets acquired subsequent thereto, based on estimated useful lives of the various assets ranging from 4 years to 45 years. Depreciation expense aggregated $1,454,066 in 1974 and $1,168,608 in 1973 (including obsolescence factors of $457,682 on certain equipment in 1974 and $51,389 on other equipment in 1973). For income tax purposes, the Company uses accelerated depreciation methods for most assets irrespective of their acquisition dates.

Idle Facilities

ZENITH RADIO CORPORATION (DEC)

Consolidated Statements of Changes in Financial Position

	1974	1973
	($000)	
Source of funds:		
Income before cumulative effect of accounting change........	$11,955	$54,979
Add—Expenses which did not result in the use of funds—		
Depreciation....................	15,945	14,386
Deferred income taxes........	3,799	2,354
Total funds provided from operations................	31,699	71,719

Notes to Consolidated Financial Statements

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

Property, Plant and Equipment—Depreciation of plant and equipment acquired prior to 1973 is computed using principally the declining-balance method over the estimated useful lives of the assets. Beginning in 1973, new plant and equipment additions with estimated useful lives of eight years or more are being depreciated using the straight-line method because, in the opinion of management, such assets are not subject to the rapid economic obsolescence which may characterize shorter-lived high technology equipment. Lease rental expense is not significant.

The Company has approximately $40 million invested in plant and equipment representing facilities not now being utilized and that may not be utilized in 1975. Depreciation expense of $4 million on these assets will be charged to expense in 1975 whether or not these facilities are utilized.

Depletion

CROWN CENTRAL PETROLEUM CORPORATION (DEC)

	1974	1973
Costs and Expenses		
Costs and operating expenses...	$365,927,437	$178,404,685
Selling and administrative expenses....................	13,681,150	10,273,777
Depreciation and depletion.......	6,403,858	5,979,782
Interest...........................	4,836,768	3,616,724
Abandonments and sales of property, plant and equipment (net of proceeds)...........	610,795	1,124,496
Expenditures related to certain long-term projects (Note I)..	3,161,814	1,774,935
	$394,621,822	$201,174,399

Notes to Consolidated Financial Statements

Note A (in part): Summary of Accounting Policies:

Property, Plant and Equipment—Property, plant and equipment is carried at cost. Depreciation is provided on the straight-line method over estimated useful lives. Depletion is based on estimated future production which will exhaust costs under the unit of production method.

Drilling and development costs of producing oil and gas wells and lifting costs related to the production payment (Note F) are being capitalized but for income tax purposes are deducted as incurred. Exploration costs, including delay rentals and dry hole costs, and drilling and development costs related to nonproducing wells are charged against income as incurred.

The cost of all significant undeveloped leases is being amortized over the lives of the leases, which range from 2 to 10 years.

Upon sale or retirement, the costs and related accumulated depreciation or depletion are eliminated from the respective accounts, and the resulting gain or loss is included in income.

Routine current maintenance, repairs and replacement costs are charged against income. Turnaround costs, which consist of complete shutdown and opening up of certain significant units of the refinery for internal inspection and making of necessary repairs and replacements, are deferred and amortized. Expenditures which materially increase values, change capacities, or extend useful lives are capitalized.

GEORGIA-PACIFIC CORPORATION (DEC)

	1974	1973
	(Amounts in thousands)	
Costs and expenses:		
Cost of sales	$1,846,870	$1,640,400
Selling, general and administrative expenses	136,130	125,740
Depreciation and depletion (Notes 4 and 5)	123,500	123,250
Interest expense (less interest capitalized on construction projects of $18,750 in 1974 and $8,950 in 1973) (Note 5)	61,500	52,000
Provision for income taxes	100,000	118,500
	$2,268,000	$2,059,890

Financial Footnotes

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.

Note 5: Depreciation and Capitalization Policies—Provisions for depreciation of buildings, machinery and equipment have been computed using straight-line composite rates based upon the estimated service lives of the various units of property. The straight-line composite rates for the principal classes of property and equipment are as follows:

Land improvements	5 to 7%
Buildings	2 to 5%
Machinery and equipment	5 to 20%

Maintenance and repairs and replacements of minor units of property are charged to expense as incurred. Replacements of major units of property are capitalized and the replacement properties retired. No gain or loss is recognized on normal property dispositions; property cost is credited to the asset accounts and charged to the depreciation reserve accounts and any proceeds are credited to the depreciation reserve accounts. When there are abnormal dispositions of property, the cost and related depreciation reserves are removed from the accounts and any gain or loss is reflected in income.

The Corporation capitalizes interest during construction periods based upon the interest cost on the additional debt incurred to finance construction projects. Capitalized interest is charged to the property and equipment account and amortized over the life of the related assets in order to properly match expenses with revenues resulting from the facilities. As a result of this policy, net income was increased $7.4 million in 1974 and $2.5 million in 1973 after giving effect to amortization of capitalized interest charged to depreciation expense.

The Corporation defers net operating costs on new construction projects during the start-up phase and amortizes the deferral over approximately seven years. New project start-up costs were not significant in 1974 and 1973.

HOUDAILLE INDUSTRIES, INC. (DEC)

Changes in Consolidated Financial Position

	1974	1973
Working Capital was Provided by:		
Operations:		
Net income for the year	$18,183,849	$17,229,787
Add (deduct) items not requiring outlay of working capital in the current period:		
Depreciation, depletion, and leasehold amortization (Notes A and E)	8,932,836	8,344,044
Amortization of other assets	83,516	671,599
Deferred income taxes	117,441	(421,720)
Total from operations	$27,327,642	$25,823,710

Note A (in part): Accounting Policies:

Depreciation and Depletion—Depreciation is recorded in the accounts using both accelerated and straight-line methods applied to individual property items.

Depletion is provided for book purposes at rates per ton calculated to amortize the residual cost of aggregate reserves over the remaining tons estimated to be recoverable.

The Corporation and subsidiary companies charge maintenance and repairs to income; renewals and betterments are capitalized. Upon the sale or retirement of property, the accumulated depreciation or depletion allowances are adjusted accordingly; any profit or loss is credited or charged to income.

Note E: Depreciation—The estimated useful lives established by the Corporation and subsidiary companies with respect to the various asset classes of property, plant, and equipment and used in the computation of depreciation generally are as follows:

Land—Aggregate reserves	—See Note A regarding depletion.
Land improvements	—5 to 20 years
Buildings	—5 to 30 years
Machinery and equipment	—8 to 12 years
Office furniture and fixtures	—5 to 10 years
Mobile equipment and motor vehicles	—4 to 8 years

KENNECOTT COPPER CORPORATION (DEC)

Notes to Consolidated Financial Statements

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

Depreciation and Depletion—Depreciation is computed at rates appropriate for the respective properties, under the conditions existing at each, in order to write off plant and equipment over its estimated useful life on the straight-line method. Generally, such rates are computed on a basis of average useful life of items or grouped items. Such average useful lives vary from 3 to 45 years.

Depletion is provided in the accounts over the estimated useful lives of mining properties based on a unit of production sold method.

Note 5: Mining Land, Plants, Equipment and Other Properties:

	1974	1973
Nonferrous metals (excluding titanium)	$ 927,993,744	$ 857,259,086
Coal	990,217,306	879,405,217
Iron and titanium	129,841,007	119,834,916
Metal fabricating	72,996,237	72,069,825
Other	19,595,760	23,354,573
Total	2,140,644,054	1,951,923,617
Less, Accumulated depreciation (1974, $645,828,995; 1973, $583,441,516), depletion and amortization	733,238,248	657,230,227
	$1,407,405,806	$1,294,693,390
Charged to operations:		
Depreciation	$ 77,652,348	$ 66,643,126
Depletion and amortization	13,631,751	13,911,148
	$ 91,284,099	$ 80,554,274

LYKES-YOUNGSTOWN CORPORATION (DEC)

	1974	1973
Costs and Expenses		
Cost of products sold	$1,298,761,000	$960,906,000
Vessel operating expenses, net of operating-differential subsidy	161,269,000	106,689,000
Depreciation, depletion and amortization	68,957,000	62,651,000
Selling and administrative expenses	85,470,000	72,866,000
Interest	39,120,000	40,052,000
	$1,653,577,000	$1,243,164,000

Summary of Significant Accounting Policies

Properties (in part)—Depreciation of manufacturing and mining properties is provided for by applying the straight-line method, based on an estimated useful life of 18 years for principal components, to the amounts carried as the cost of the respective properties. Depreciation of vessels is provided for by the straight-line method based on the estimated useful life of each vessel (25 to 32 years), less estimated salvage value. Depreciation of other properties is provided for by various methods.

The amount charged to expense annually for depletion is determined by applying depletion rates to the quantities of minerals mined during the year. Depletion rates are based on the estimated recoverable quantities in the respective properties.

MASONITE CORPORATION (AUG)

Consolidated Statement of Changes in Financial Position

	1974	1973
Source of Funds:		
Net income	$20,262,000	$33,045,000
Expenses (income) not affecting working capital—		
Depreciation	15,883,000	13,728,000
Investment tax credits amortized	(860,000)	(655,000)
Depletion	684,000	690,000
Foreign equity (income) net of $247,000 in dividends in 1974, and $212,000 in 1973	(1,195,000)	(985,000)
Deferred federal income taxes	4,045,000	2,311,000
Working capital provided from operations	$48,819,000	$48,134,000

Statement of Accounting Policies

Depreciation and Depletion—Provisions for depreciation are taken on a straight-line basis on the estimated service lives of the various classes of property. Buildings are depreciated over a 10 to 50 year period and machinery and equipment are depreciated over a 3 to 20 year period.

Maintenance and repairs are charged to earnings as incurred except that the major replacements of parts or units of equipment, which prolong their useful lives, are capitalized and depreciated over the estimated remaining useful lives of the property.

Costs of property retired or otherwise disposed of are removed from the property accounts and the accumulated depreciation provisions on such property are removed from the related reserves; the net gain or loss of retirements is credited or charged to earnings.

Depletion of timberlands and roadways is computed on the cost of timberlands and roadways (less an allowance for land values) divided by the estimated recoverable timber to obtain overall average depletion rates.

Depreciation Rate

BROCKWAY GLASS COMPANY, INC. (DEC)

Consolidated Statement of Changes in Financial Position

	1974	1973
Working capital provided from		
Net income	$11,964,439	$10,158,427
Add charges against earnings not affecting working capital		
Depreciation and amortization	11,818,095	10,800,002
Interest on other deferred payment	1,800	898
Deferred income taxes	44,675	589,098
Working capital provided from operations	$23,829,009	$21,548,425

Notes to Financial Statements

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

Depreciation—The depreciation policy of the company provides for straight-line depreciation of each property unit and/or group. The estimated useful life of major classes of assets is as follows:

Buildings	10 to 40 years
Machinery and equipment	3 to 15 years
Permanent tanks	6 to 13-1/3 years
Replacement tanks	Expected fire life

No depreciation is provided on glass bottle molds. Glass bottle mold equipment is carried at an amount which represents the Company's estimate of the cost of fixed mold parts used on the bottle machines in operation. All other new glass bottle molds or mold replacements are charged to expense.

For income tax purposes depreciation is calculated at accelerated rates on certain items and deferred tax accounting is applied.

CARRIER CORPORATION (OCT)

	1974	1973
Costs and Expenses:		
Cost of sales (excluding depreciation)	$784,431,000	$644,157,000
Other operating expenses (excluding depreciation)	148,547,000	133,203,000
Depreciation	20,981,000	19,421,000
Interest on long-term debt	13,211,000	9,416,000
Other charges and (credits)—net	7,535,000	(2,831,000)
Total	$974,705,000	$803,366,000

Notes to Consolidated Financial Statements

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

Properties and Depreciation—Property, plant and equipment is carried at cost. Depreciation is provided over the estimated useful lives of the related assets, generally on a straight-line basis. The annual depreciation rates used are as follows:

Land improvements and buildings	2% to 10%
Machinery, appliances and equipment	4% to 20%
Jigs, dies, patterns, fixtures and tools	18% to 40%
Furniture and fixtures	5% to 20%
Transportation equipment	10% to 34%

Leasehold improvements are amortized over their respective lives or the terms of the applicable leases, whichever is shorter.

FALSTAFF BREWING CORPORATION (DEC)

Notes to Financial Statements

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

The Company, with minor exceptions, uses the straight-line method of computing depreciation for financial reporting purposes. Depreciation rates are based on the estimated useful lifes of assets. Assets that become fully depreciated during the year are retired from the asset and related reserve accounts. Leasehold improvements are amortized over the terms of the leases including renewal options periods, or the life of the asset, whichever is shorter.

Note 7: Depreciation—Provision for depreciation of property and amortization of leasehold improvements amounted to $5,978,670 for 1974 and $6,501,351 for 1973. The average composite rates of depreciation for financial reporting purposes are as follows:

	1974	1973
Buildings	3%	3%
Machinery and Equipment	7%	7%
Cooperage, Bottles and Pallets	19%	12%

The increase from 1973 to 1974 of the average rate of depreciation for Cooperage, Bottles and Pallets was caused by the retirement in 1973 of a significant quantity of fully depreciated assets which had a depreciation rate less than the average rate of other assets in this composite group.

FIRST NATIONAL STORES INC. (MAR)

Consolidated Statements of Changes in Financial Position

	1974	1973
Financial resources were provided by:		
Operations:		
Income (loss) before extraordinary items and cumulative effect of change in accounting	$(13,466,000)	$ 260,000
Expenses not requiring outlay of working capital in the current period:		
Depreciation and amortization (Note 2)	6,622,000	6,865,000
Deferred federal income taxes	—	360,000
Estimated costs related to store closings	7,062,000	—
Other	(18,000)	(562,000)
Working capital provided by operations	200,000	6,923,000

Note 2 (in part): Summary of Significant Accounting Policies:

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:

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

GENERAL MOTORS CORPORATION (DEC)

	1974	1973
Costs and Expenses		
Cost of sales and other operating charges, exclusive of items listed below	$26,918,749,752	$28,114,073,825
Selling, general and administrative expenses	1,363,921,772	1,328,085,680
Depreciation of real estate, plants and equipment	846,574,978	902,853,471
Amortization of special tools	858,369,689	1,081,020,914
Provision for the Incentive Program	5,851,240	112,823,495
United States, foreign and other income taxes	727,100,000	2,115,000,000
Total	$30,720,567,431	$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.

Depreciation is provided on groups of property using, with minor exceptions, an accelerated method which accumulates depreciation of approximately two-thirds of the depreciable cost during the first half of the estimated lives of the property. The annual group rates of depreciation are as follows:

Classification of Property	Annual Group Rates
Land improvements	5%
Buildings	3½%
Machinery and equipment	8⅓% (Average)
Furniture and office equipment	6% (Average)

In 1974, based on a periodic study of depreciation policies, the number of property groups was increased by establishing a separate group for each year's acquisitions within each classification of property. This modification has the effect of depreciating the cost of certain groups of property more nearly over the service lives of the assets and reduces depreciation expense in 1974 by $97 million.

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.

GRANITEVILLE COMPANY (DEC)

Consolidated Statement of Changes in Financial Position

	1974	1973
Source of funds:		
Working capital provided from operations:		
Net income	$13,675,627	$ 6,317,195
Charges against income which did not reduce working capital:		
Depreciation	4,347,540	4,096,728
Deferred income taxes	584,687	572,097
Reduction of investment in company 50% owned		137,173
Loss on disposal of company 50% owned, exclusive of applicable income tax credit of $552,000		445,716
Total derived from operations	$18,607,854	$11,568,909

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. Approximate useful lives by major classes of fixed assets as used for depreciation purposes are as follows: Buildings, 45 years; Machinery and Equipment, 12 to 14 years; Waste Treatment Equipment, 15 years; Furniture and Fixtures, 10 years; Automotive Equipment, 4 years; and, Paving, 20 years. Provision for depreciation and amortization for 1974 and 1973 was $4,347,540 and $4,096,728, respectively.

SAFEWAY STORES, INCORPORATED (DEC)

Statement of Changes in Conslidated Financial Position

	1974	1973
Funds Provided:		
Net Income	$ 79,205,000	$ 86,271,000
Add charges (credits) to income not requiring funds:		
Depreciation and amortization	80,150,000	69,991,000
(Decrease) increase in reserve for self-insurance	(1,391,000)	985,000
(Gain) loss on disposition of property	(88,000)	1,197,000
Increase in deferred income taxes	6,960,000	5,512,000
Funds provided from operations	164,836,000	163,956,000

Financial Review

Summary of Accounting Policies (in part):

Depreciation—Depreciation is computed for financial report purposes on the straight-line method, which means that approximately equal amounts of depreciation are charged against operations each year during the useful life of each item or category of buildings, improvements or equipment. For tax purposes accelerated methods are used for depreciation.

The following are the principal rates of depreciation used for financial purposes during the year:

Store, warehouse and other buildings	2½ to 5%
Building equipment	5 to 10%
Furniture, fixtures and equipment	5 to 20%
Automotive equipment	12½ to 16⅔%
Installation costs	6⅔ to 16⅔%

Leasehold improvements include buildings constructed on leased land and improvements to leased buildings. Such buildings and major improvements are amortized over the remaining period of the lease or the normal life of the buildings, whichever is less, and lesser improvements are amortized over the period of the lease or six years, whichever is shorter.

Tax Depreciation Differs From Depreciation Expense Shown in Financial Statements

GENERAL MILLS, INC. (MAY)

	1974	1973
	(in thousands)	
Costs and Expenses:		
Costs of sales, exclusive of items shown below	$1,284,203	$1,009,890
Depreciation expense (Note 1)	34,676	32,506
Amortization expense (Note 1)	1,673	2,255
Interest expense	28,541	18,299
Constributions to employees' retirement plans	8,598	7,539
Profit sharing distribution	3,959	4,278
Selling, general and administrative expenses	488,292	452,000
Total	$1,849,942	$1,526,767

Notes to Consolidated Financial Statements

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

Land, Buildings, Equipment and Depreciation—Land, buildings and equipment are stated substantially at cost.

A portion of the cost of buildings and equipment is charged against earnings each year as depreciation expense. This amount is computed primarily by the straight-line method, which means that equal amounts of depreciation expense are charged against operations each year during the useful life of an item. For tax purposes, accelerated methods of depreciation are used which provide more depreciation expense in the early years than in the later years of the life of the item. The related tax effect for accelerated depreciation is recorded in the "Deferred Federal Income Taxes" account.

The estimated useful lives for computing depreciation on the principal classes of buildings and equipment are:

Buildings	20-50 years
Machinery and equipment	3-33 years
Office furniture and equipment	5-10 years
Transportation equipment	3-12 years

General Mills' policy is to charge maintenance, repairs and minor renewals to income in the year incurred and to charge major improvements to buildings and equipment or to accumulated depreciation. Upon sale of property or retirement of major equipment items, the accounts are relieved of cost and the related accumulated depreciation. Gains and losses on assets sold or retired are included in results of operations. An exception to the foregoing is that losses applicable to discontinued operations are charged to the reserve for disposition losses.

Note 9 (in part): Taxes on Income—The provision for income taxes is made up of the following:

	Fiscal Year 1974	1973
	(in thousands)	
Federal taxes payable	$54,724	$48,301
Foreign taxes	12,666	10,380
State and local taxes	7,067	6,099
Deferred taxes	3,807	5,706
Investment tax credit	(2,303)	(1,536)
Total taxes on income	$75,961	$68,950

Deferred taxes result from timing differences in the recognition of revenue and expense for tax and financial statement purposes. The tax effect of these differences are as follows:

	1974	1973
	(in thousands)	
Excess of tax over book depreciation	$3,551	$ 914
Discontinued operations	2,306	4,881
Bad debt reserves	(480)	(338)
Other	(1,570)	249
Total deferred taxes	$3,807	$5,706

PALL CORPORATION (JUL)

Consolidated Statements of Changes in Financial Position

	1974	1973
Sources of Working Capital:		
Operations:		
Earnings	$2,080,644	$1,296,673
Depreciation and amortization	1,093,576	1,128,140
Deferred income taxes	99,000	49,000
Charge arising from diminution in value of intangibles	139,692	—
Working capital provided from operations	3,412,912	2,473,813
Increase in long-term debt	129,992	4,062,341
Disposals of fixed assets	474,165	30,587
Other changes	(55,289)	79,953
Working capital provided	$3,961,780	$6,646,694

Notes to Consolidated Financial Statements

Note 1 (in part): Accounting Policies:

Depreciation Methods—The amounts at which fixed assets are stated in the Consolidated Balance Sheet represent cost, after accumulated depreciation. Provisions for depreciation of property have been calculated approximately as follows: buildings—40 to 50 years, chiefly straight-line; machinery, equipment and furniture—8 to 10 years, chiefly straight-line; and transportation equipment—3 to 5 years, chiefly declining balance.

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, 1974 on which taxes would have to be paid in the event of the repatriation of such funds to the parent, subject to any available tax credits, was $956,000.

Deferred income taxes result from the use, for tax purposes only, of accelerated depreciation methods.

SOCIAL AWARENESS EXPENDITURES

Table 3-11 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.

ALLIED CHEMICAL CORPORATION (DEC)

Social Concerns (Page 10)

No large corporation operates in a vacuum, and no modern company led and staffed by people who want to lead socially useful lives will ignore its responsibilities to society as a whole and to the communities in which it operates.

Some of these obligations are financially demanding, like our work in environmental protection and our programs that guard the health and safety of employees and those living near our plants. Others take very much smaller portions of our expense budgets but are important, nevertheless, in helping us retain the good will and support we need if Allied Chemical is to continue to prosper. We devote a great deal of attention, for example, to seeing that jobs in our plants and offices, and promotional opportunities as well, are open to all—women and minority group members included—and that practice follows policy in this matter. Last summer, federal officials conducted a very rigorous audit of Equal Employment Opportunity practices at our Morris Township Center, site of corporate headquarters. Our Center was judged to be in full compliance with federal regulations governing the employment practices of federal contractors and subcontractors.

We are concerned that our neighbors have a good opinion of us. In some locations we are trying to eliminate eyesores by tearing down old unused facilities and sprucing up unsightly grounds. In all locations we try to encourage and support the development of strong community action programs by encouraging our talented employees to give their time and by providing financial support from Company funds or from the resources of the Allied Chemical Foundation.

Because educated people are vital to the success of a high-technology company, we give much of our financial support to education. In an unusual new program in Chesterfield County, Virginia, we and another company are subsidizing a graduate-level course to give primary and secondary school teachers a better understanding of how the American system of competitive enterprise operates. During 1974 our various corporate and Foundation aid-to-education grants, including scholarships, fellowships and departmental grants, as well as the Foundation's Matching Gifts Program, totaled $525,379. Grants from the Company and Foundation to charitable and community organizations, which include United Funds, hospitals and cultural and artistic organizations, amounted to $652,615. The total of $1,177,994 was less than one percent of net income.

TABLE 3-11: SOCIAL AWARENESS EXPENDITURES

	1974	1973	1972	1971
Expenditures for:				
Assistance to educational institutions	34	44	43	40
Grants to hospitals, health and other community related activities	19	44	38	29
Aid to minority groups or enterprises	7	24	24	23
Contributions to charitable foundations	19	15	22	21
Aid to unemployed and related programs	13	14	32	41
Assistance in urban development	3	7	9	6
Other	20	27	31	22
Total Disclosures	**115**	**175**	**199**	**182**
Number of Companies:				
Disclosing expenditures for above purposes	56	80	101	100
Not disclosing such expenditures	544	520	499	500
Total	**600**	**600**	**600**	**600**

ANHEUSER-BUSCH, INCORPORATED (DEC)

The Environment (Page 16)

The company's commitment to the environment pre-dates the existence of recently enacted environmental protection measures.

Years ago the company installed efficient electrostatic precipitators on its remaining coal-fired boilers. Many other initiatives have been undertaken to minimize the impact of manufacturing operations on the environment. This effort continues today, with improved equipment and operating procedures further reducing waste loads and salvaging virtually all spent grains for productive use as feed stocks.

The company's leadership in seeking positive solutions to litter and solid waste was strengthened in 1974.

Anheuser-Busch provided a grant of $100,000 to the National Center for Resource Recovery Foundation, $50,000 immediately and an equal amount later, depending on matching support from other firms. The National Center for Resource Recovery, Inc. (NCRR), is a non-profit organization established in 1970 by concerned industrial and labor organizations, including our company, to stimulate the development of systematic solutions for converting solid waste into a source of raw materials and energy.

The company continues to support the United States Brewers Association's "Pitch In!" campaign. Additionally, the research into the behavioral aspects of littering, sponsored by Anheuser-Bush and other concerned corporations, has shown that litter is a solvable problem. The "Action Research Model (ARM)" has identified the seven sources of litter and demonstrated systematic programs which enable a concerned community to permanently control the problem at each source. Significant litter reductions are occurring in three test cities, and the program is being expanded to several additional locations under the auspices of Keep America Beautiful, Inc.

ASHLAND OIL, INC. (SEP)

Environmental Activities (Page 27)

Ashland is moving at an accelerated pace to make and keep its plants and products environmentally acceptable; and similarly, the company gives strong emphasis to personnel safety and security.

In 1974 a total of $9.9 million was spent on treatment facilities to avert possible pollution, and $8.1 million was invested in equipment to produce, transport and market lead-free gasoline and low-sulfur fuel oils.

Environmental expenditures will be even larger in 1975. Total outlays of $34.8 million are planned; of this amount, about $17.2 million is allocated to improve or add air, water and solid waste control systems, and $17.6 million is earmarked for desulfurizing facilities and lead-free gasoline projects.

Ashland's policy has been to make every effort to comply with all state and federal environmental requirements well in advance of mandatory deadlines. This has required the extensive use of scientific, engineering and related talent. Similar efforts are being made to solve environmental problems associated with the development of alternate energy sources from coal and oil shale.

The company also has given much attention to working with industry organizations and government bodies to help resolve any conflicts between environmental concerns and energy requirements. Progress in this area has been made, and Ashland remains dedicated to achieving the best solutions when compromises are necessary.

CAMPBELL SOUP COMPANY

Social Involvement (Page 13)

Again in the 1974 fiscal year, Campbell pursued general and specific Company policies and programs aimed at fulfilling corporate responsibility in the area of civic and social betterment.

Aid-to-education programs received $352,000 in contributions during the year from the Company and from Campbell Soup Fund, a non-profit corporation receiving funds from the Company. Contributions to education in the past 20 years have totaled more than $8,500,000.

Hospitals and health care facilities, youth service organizations, and United Way and similar consolidated fund drives also serve as annual focal points for financial assistance in communities where Campbell employees work and live.

Contributions for general charitable purposes by the Company and the Fund during the year amounted to $593,000. Additionally, Company food products were donated to hundreds of organizations and institutions, at times to aid in meeting emergency food requirements following natural disasters.

Company personnel continuously lend advisory assistance for community urban affairs projects, and Campbell has traditionally made significant manpower contributions to a variety of social service activities in its headquarters city of Camden, New Jersey.

During the past year, the Company was instrumental along with other corporate sponsors in the successful completion of a public housing project which makes available townhouse and high-rise units for low-income and elderly residents of Camden. This project complements the nationally-recognized, non-profit housing rehabilitation program of Camden Housing Improvements Projects, or CHIP, which the Company has encouraged and assisted since its inception seven years ago, and which has resulted in the rehabilitation of more than 500 Camden homes.

In the fall of 1973, the Company sponsored a "Labels for Education" program under which some 50,000 units of audio-visual equipment valued at more than $1,000,000 was distributed to elementary schools throughout the United States, in return for collected labels of Campbell products. The program received widespread favorable comment, and is being repeated in 1974, with gymnasium and sports equipment included among the items offered.

The Campbell Museum, largely supported through contributions by the Company, continued to exhibit selections from its outstanding collection of antique tureens and serving objects at prominent museums in major cities. Among the museums which have hosted the collection in the past two years are the Victoria and Albert Museum, London; the Royal Ontario Museum, Toronto; and the Los Angeles County Museum of Art. Attendance at the traveling exhibits has numbered in the hundreds of thousands in the five years since the museum's first public display.

A new museum film, "Artistry in Tureens," premiered in August, 1973, is estimated to have been viewed by more than 3,500,000 persons in its first year of distribution to television stations and organizations.

CONTINENTAL OIL COMPANY (DEC)

Conoco People (Page 36)

Financial Aid To Education—Conoco pledged a total of $906,800 to 132 colleges, universities, and other educational institutions during the 1974-75 academic year. As part of this program, Conoco is supporting college programs intended to encourage qualified minority group members and women to study engineering, science, or business. Additional funds were allocated to predominately minority schools, and scholarships were made available to outstanding students employed by Conoco during the summer.

INTERNATIONAL MULTIFOODS CORPORATION (FEB)

Reviewing Our Posture as a Corporate Citizen (Page 40)

Our Communities—We recognize the need for federal and state standards for environmental protection. As these standards are established, Multifoods initiates capital spending programs to comply with them. Multifoods has spent $591,000 for environmental improvement in fiscal 1974. Further, all new construction and new installations are designed to minimize future problems.

We believe it is desirable to support local communities in the countries in which our employees work and live. In fiscal 1974 our corporate and foundation program provided $321,000 to programs in these communities—an increase from $228,000 the year before. Our percentage of pre-tax earnings contributed to social, civic and educational institutions rose to 1.3 percent in accordance with our long-term program of annual increases in our "percentage giving." We are currently above the recorded average for all U.S. industry and in particular for the food industry.

Since there is much written today about the bad image of North American companies operating outside of North America, I would like to single out our Mexican and South American operations for specific comment. In Venezuela, Ecuador and Mexico our businesses provide work for about 1,600 people. I am proud of the fact that better than 99 percent of the non-U.S. based work force is made up of people other than United States citizens. Further, our enterprise provides taxes to each of these countries as well as opportunities for the many businesses there that supply our needs, thus making us a part of the expanding economic growth of these countries.

Responsibility and corporate responses both will continue to change. Our efforts will continue to be directed toward improving our posture as a corporate citizen.

KIMBERLY-CLARK CORPORATION (DEC)

Profile (Page 48)

Corporate Giving—Kimberly-Clark's policy in the United States is to annually contribute up to ¾ of 1 percent of pretax income for civic and cultural purposes, medicine, social welfare, and education.

While contributions occasionally may be made directly by the company, funds are normally contributed to the Kimberly-Clark Foundation for ultimate disposition. A Contributions Committee, consisting of three officers appointed by the Public Interest Committee of the board, designates the recipients of the gifts from the Foundation. The Foundation also matches gifts made by employees to colleges and universities.

Amounts contributed by the company for the last five years:

	To the Kimberly-Clark Foundation	Direct	Total
1974	$727,472	$50,473	$777,945
1973	515,026	48,609	563,635
1972	501,724	86,045	587,769
1971	335,864	42,512	378,376
1970	112,500	40,196	152,696

The policy provides that contributions will be allocated in the following approximate proportions:

For social welfare, medicine and health	43 to 53%
For education	35 to 45%
For civic, cultural and miscellaneous	7 to 17%

KOPPERS COMPANY INC. (DEC)

Koppers in Society (Page 16)

The Koppers Company Foundation—A nonprofit charitable trust, the Foundation contributes to activities in communities where the Company has operations and in those sections of society where the Company has clear responsibilities and interests. In 1974, Foundation contributions totaling $725,000 benefited aid to education, community development, minority development, hospitals and health agencies, and United Way-Community Chest drives. Of the total, $271,000 (37 per cent) went to aid higher education. A significant amount was devoted to programs to increase the number of minority and women candidates in engineering, chemistry and forestry.

Community Volunteer Work—Koppers encourages its employees to participate actively in volunteer efforts, during the outside working hours. Typical activities include service on agency boards and at educational institutions, tutoring of blind children, counsel for minority businesses, vocational training for the handicpapped, and work with juvenile offenders.

Scholarships and Student Loans—Koppers pays the cost of job-related supplementary education for employees. Employees' children are eligible for National Merit and National Achievement scholarship programs. In addition, the Company has established low-interest student loan programs in a number of colleges and universities.

Koppers employees volunteer to counsel and train the handicapped at Pittsburgh's Vocational Rehabilitation Center. Employee and corporate contributions to the annual Allegheny County United Way campaign help operate the center, and a Koppers Company Foundation grant was made to a new building fund.

Social Opportunity Fund—Employee groups can make recommendations for grants from the Fund of up to $5,000 each for projects designed to develop solutions to community needs and problems. The Fund not only provides necessary capital, but stimulates employees toward civic involvement.

Career Exploring—Koppers sponsors 25 Career Exploring posts in plants and offices across the country. The posts work to involve high school students with Company activities that coincide with their vocational interests. They are active in forestry, conservation, chemistry, engineering and women-in-business.

STANDARD OIL COMPANY (INDIANA) (DEC)

Corporate Responsibilities (Page 22)

Minority economic development—The company's aggregate short-term deposits in minority-owned financial institutions increased to more than $50 million and the number of institutions to 30. More than 500 minority suppliers received orders totaling over $12 million, a 20-fold increase since 1970. We invested $305,000 in nine minority businesses in 1974, bringing our total investment in 21 such enterprises to over $1,100,000. During the year, these companies had gross sales totaling over $11 million and paid wages of more than $3.7 million to 682 employees. Our own dealer and jobber force included 929 minority group members at year-end, whose employees in turn numbered in the thousands.

Directly and through the Amoco Foundation, Inc., support was provided to numerous educational, community, and charitable organizations in 1974.

Cleaner air and water—Capital spending for such programs totaled $54 million, compared with $27 million in 1973. To minimize effluent volume we installed additional cooling towers, air coolers, controls for rainwater runoff, and other in-plant closed loop or reuse systems. We installed auxiliary equipment at Whiting and Yorktown to improve effluent quality. We expect to complete, early in 1975, a project to improve treatment of water for our refinery and chemical plants at Texas City.

To purify the air at numerous marketing and manufacturing locations, we installed smokeless flares, floating roofs on tanks, covers on oil-water separators, and vapor handling systems. We finished installing three electrostatic precipitators at Texas City. To reduce sulfur emissions, we upgraded recovery facilities at Whiting, began building a distillate fuels desulfurizer at Wood River, and started engineering on two recovery facilities for Texas City.

UNITED STATES STEEL CORPORATION (DEC)

1974 Highlights (Page 8)

Contributions to U.S. Steel Foundation—For many years, U.S. Steel has made contributions to the U.S. Steel Foundation, Inc., for support of educational and charitable organizations and worthwhile community projects.

Contributions to the Foundation, which totalled only $8 million in the five years 1968-1972, were $8 million in 1973 and $20 million in 1974. Over the 22-year span of the Foundation's existence, U.S. Steel's contributions to it have averaged $5.4 million per year.

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 acounts 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.

In addition to the aforementioned required disclosures, the Securities and 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.

Table 3-12 summarizes the descriptive captions used by the survey companies to identify income tax expense. Table 3-13 shows the nature of timing differences giving rise to deferred taxes. Examples of income tax expense presentations and disclosures follow. Examples of deferred tax presentations are presented in connection wtih Table 2-30.

ALLIED CHEMICAL CORPORATION (DEC)

	1974	1973
Income before taxes on income	$232,912,000	$148,789,000
Taxes on income	82,096,000	53,718,000
Net income	$150,816,000	$ 95,071,000

Statement of Accounting Policies

Income Tax effects resulting from temporary differences between the reporting of certain items for financial statement income and taxable income are deferred to future periods. Tax reductions arising from statutory depletion and deductions for intangible drilling and development costs relative to oil, gas and coal operations are included in net income currently. The investment tax credit is included in income over the lives of the related assets.

Other Financial Data
(Amounts in Thousands)

Income Taxes	1974	1973
Taxes on income		
United States		
Current	$37,809	$22,727
Deferred	19,877	12,682
Foreign income taxes		
Current	17,164	10,885
Deferred	(1,155)	1,285
State income taxes	8,401	6,139
	$82,096	$53,718

The principal items in the United States deferred tax provision are as follows:

Excess of tax over book depreciation	$14,312	$11,647
Investment tax credit		
Allowable investment tax credit deferred	9,477	6,470
Amortization of deferred investment tax credit	(5,275)	(5,641)
Tax benefit of pension expense not allowed in prior years	5,993	4,510
Excess of book amortization for undeveloped oil and gas leases over write-offs for tax purposes	(1,989)	(3,495)
Excess of book revenues from uranium ore processing over amounts recorded for tax purposes	3,807	—
All other items, none of which exceeded 15%of the deferred tax provision	(6,448)	(809)
	$19,877	$12,682

The principal items accounting for the difference in taxes on income computed at the U.S. statutory rate and as recorded are as follows:

Computed tax at 48% of income before income taxes	$111,798	$71,419
Provision for foreign income taxes	16,009	12,170
Foreign income not subject to United States tax	(20,023)	(12,845)
Percentage depletion	(11,610)	(5,854)
Intangible drilling and development costs	(6,289)	(3,892)
Amortization of deferred investment tax credit	(5,275)	(5,641)
Foreign tax deduction	(2,146)	(1,717)
All other items, none of which exceeded 5% of computed tax	(368)	78
	$ 82,096	$53,718

At December 31, 1974, $27,507,000 of deferred investment tax credit remained to be taken into income in future years.

AMERICAN CAN COMPANY (DEC)

	1974	1973
	($000)	
Income before income taxes and extraordinary charge	$185,537	$131,523
Provision for income taxes (Note 9)		
Currently payable		
Federal	54,062	29,002
State	8,785	4,500
Foreign	14,845	10,918
Deferred due to timing differences	7,708	20,680
	85,400	65,100
Income before extraordinary charge	$100,137	$ 66,423

Statement of Significant Accounting Policies

Income Taxes—Deferred income taxes relate to timing differences in the recognition of certain expenses for financial statement and income tax purposes, principally depreciation, employee benefits and costs related to the 1972 Plant Closing Program.

Deferred income taxes are provided on the unremitted earnings of foreign subsidiaries which are not considered to be permanently invested or restricted. Amounts permanently invested or restricted and the unprovided taxes thereon are considered to be immaterial.

The investment tax credit is accounted for as a reduction of Federal income tax expense on the flow-through method.

Notes to Financial Statements

Note 9: Provision for Income Taxes—A reconciliation between taxes computed at 48% (the Federal statutory rate) of income before income taxes and extraordinary loss and the provision for income taxes is as follows:

	1974	1973
	In Thousands of Dollars	
48% of income before income taxes and extraordinary loss	$89,058	$63,131
State income taxes, net of Federal tax benefit	4,568	2,340
Investment tax credit	(5,450)	(3,200)
Other, net	(2,776)	2,829
	$85,400	$65,100

The tax effect of items in excess of 15% of the "timing differences" shown in the statement of income is as follows:

	1974	1973
	In Thousands of Dollars	
Cost incurred under the 1972 Plant Closing Program recognized for tax purposes	$8,209	$12,076
Excess of tax over book depreciation	4,807	9,718
Employee benefit costs not yet recognized for tax purposes	(6,210)	(1,153)
Undistributed current earnings of International Subsidiaries and Affiliates	2,313	3,562
Other, net	(1,411)	(3,523)
Total deferred due to timing differences	$7,708	$20,680

Certain reclassifications in 1973 income taxes currently payable and deferred have been made to conform with the comparable 1974 presentation.

TABLE 3-12: FEDERAL INCOME TAX EXPENSE

	1974	1973	1972	1971
Descriptive Terms				
Income taxes	396	426	304	314
Federal income taxes	163	140	239	231
United States (U.S.) income taxes	36	33	51	45
	595	599	594	590
Other or no caption for expense	5	1	6	10
Total Companies	**600**	**600**	**600**	**600**

TABLE 3-13: TIMING DIFFERENCES

	1974	1973	1972	1971
Reasons				
Depreciation	477	459	439	381
Unremitted earnings	122	92	56	11
Deferred expenses	85	73	56	54
Deferred income	78	56	36	29
Installment sales	72	66	68	59
Other employee benefits	66	50	44	32
Pensions	62	43	30	27
Inventory pricing	56	35	15	9
Discontinued operations	35	24	30	12
Long-term contracts	35	22	16	15
Warranties and guaranties	26	20	12	10
Research and development	25	29	20	21
Pre operating expenses	15	11	11	13
Other	114	88	47	45
Total disclosures	**1,268**	**1,068**	**880**	**718**
Number of Companies				
Amount of tax effect disclosed in financial statements	510	514	501	488
Amount of tax effect not disclosed	48	41	52	42
No indication of timing differences	42	45	47	70
Total Companies	**600**	**600**	**600**	**600**

APCO OIL CORPORATION (DEC)

	1974	1973
Earnings (loss) before income taxes	$8,579,627	$(3,976,739)
Income taxes (note 8)..............	551,835	1,740,665
Net earnings (loss)	$8,027,792	$(5,717,404)

Notes to Consolidated Financial Statements

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

Income Taxes—The Company expenses intangible drilling costs for income tax purposes while such costs are capitalized for financial reporting purposes. The Company does not provide for deferred taxes in connection with intangible drilling costs. However, the Company does provide for deferred taxes on financial depreciation in excess of tax depreciation and on certain other timing differences.

The Company has elected to flow through to operations, in the year the assets are places in service, the reduction in Federal income taxes resulting from the investment tax credit (unless limited by the Company's earnings, then in the year realized).

Income Taxes—The Company has provided for income taxes as follows:

	1974	1973
Current:		
Federal (refund)..................	$ (11,423)	2,436,762
State	87,758	228,903
Foreign............................	524,041	273,469
	600,376	2,939,134
Deferred Federal.....................	(48,541)	(1,198,469)
	$ 551,835	1,740,665

Total income tax expense is different from the amount computed by applying the U.S. Federal income tax rate of 48% to earnings (loss) before income taxes. The reasons for this difference are as follows:

	1974	1973
Computed "expected" income taxes (refund) at 48% rate............	$4,118,221	(1,908,835)
Increases (reductions) in taxes resulting from:		
Intangible drilling and deferred lifting costs, net of amortization, expensed for income tax purposes	(2,643,036)	(598,375)
Reduction in carrying value of foreign properties previously expenses for income tax purposes	—	5,271,360
Statutory depletion in excess of cost depletion.........	(2,105,016)	(959,721)
Operating loss carryforward not utilized	845,951	—
Foreign income taxes..........	524,041	(147,230)
Dividend exclusion on earnings of investee companies	(477,604)	22,047
Minimum tax...................	271,435	—
Investment tax credit..........	19,881	(170,374)
Other increases	45,634	473,080
Other reductions	(47,672)	(241,287)
	$ 551,835	1,740,665

The tax effect on certain differences between financial earnings and taxable income on which deferred income taxes are provided is as follows:

	1974	1973
Financial depreciation in excess of tax depreciation	$(699,156)	(891,980)
Mining development costs deductible for tax purposes............	148,523	50,651
Provision for abandonments not deductible for tax purposes until surrendered	—	(380,978)
Difference between taxable income and financial earnings of 20% to 50% owned partnerships and joint ventures	—	(379,656)
Undistributed earnings of foreign subsidiaries not taxable until remitted	133,799	426,796
Financial accruals not deductible for tax purposes	(301,155)	(25,358)
Other.................................	63,869	2,056
	(654,120)	(1,198,469)
Limitation due to existence of operating loss carryforward	605,579	—
	$ (48,451)	(1,198,469)

Management estimates that the Company's cash outlay for income taxes will not exceed income tax expense by more than $1,000,000 in each of the years 1975, 1976 and 1977. The expected excess is the result of depreciation for financial reporting purposes being greater than depreciation for tax purposes.

During 1973, the Company utilized all of the investment tax credit carryforward which was available at December 31, 1972. The current tax savings ($173,158) resulting therefrom has been reported as an addition to deferred income taxes.

CHRYSLER CORPORATION (DEC)

	1974	1973
Costs, other than items below	$ 9,923,193,544	$10,225,819,381
Depreciation of plant and equipment	184,480,833	180,488,972
Amortization of special tools	139,511,088	191,932,486
Selling and administrative expenses	503,083,127	484,804,232
Pension and other retirement benefits	256,352,833	200,993,902
Provision for incentive compensation	—	17,588,083
Interest expense—net	107,293,127	32,170,925
Taxes on income (credit)	(86,400,000)	193,700,000
	$11,027,514,552	$11,527,497,981

Notes to Financial Statements

Summary of Significant Accounting Policies (in part):

Taxes on Income—Income tax expense is determined in a manner that recognizes the tax effect of all transactions included in the determination of pre-tax accounting income even though a transaction may affect taxable income in another period. Estimated U.S. taxes are provided on unremitted subsidiary profits that have not been permanently reinvested.

Reductions in taxes resulting from the investment credit provisions of the United States Internal Revenue Code are being taken into income over the estimated lives of the related assets.

Taxes On Income—Income tax expense (credit) as shown in the consolidated statement of net earnings includes the following:

	1974	1973
	(in million of dollars)	
United States Federal Income Taxes:		
Currently payable	$(148.9)	$ 26.4
Deferred investment tax credit	(5.4)	6.6
Other deferred taxes	62.2	66.0
Total	(92.1)	99.0
Other Income Taxes:		
Currently payable	21.8	90.3
Deferred	(16.1)	4.4
Total Taxes on Income	$ (86.4)	$193.7

The U.S. tax loss in 1974 has reduced the Corporation's potential loss carry-back income tax benefits in the U.S. to approximately $13 million.

United States deferred taxes result mainly from amortization of certain assets for tax purposes, under the Class Life Asset Depreciation Range System ("ADR"), being substantially higher than book amortization.

Investment tax credits taken into income were $5.7 million in 1974 and $7.2 million in 1973.

A reconciliation of income tax expense to the U.S. statutory rate of 48% follows:

	1974	1973
United States income tax rate	(48.0%)	48.0%
Effect of net earnings of unconsolidated subsidiaries which are net of tax expense	(12.2)	(1.5)
Investment tax credit	(4.2)	(1.6)
State income taxes	(2.8)	2.4
Foreign earnings subject to aggregate tax expense less than 48%	(1.0)	(3.3)
Permanent differences between financial statement and taxable income*	4.7	(1.2)
Apparent Tax Rate	(63.5%)	42.8%

*Primarily the net result of translating balance sheets of foreign subsidiaries.

U.S. tax has not been provided on permanently reinvested net earnings of approximately $550 million of subsidiaries outside the U.S.

Certain of the company's overseas subsidiaries have unused operating loss carry-forward benefits and other unused tax credits aggregating approximately $63 million as of December 31, 1974. Generally, these benefits have indefinite expiration dates. Upon realization, approximately $53 million of these benefits will be credited to deferred tax accounts and consequently will not reduce income tax expense. Operating loss carry-forward benefits realized in 1974, net of amounts credited to deferred tax accounts, did not have a material effect on net earnings.

CELANESE CORPORATION (DEC)

	1974	1973
	($ millions)	
Operating income	$165	$198
Interest expense	(32)	(35)
Equity in net income of affiliates	8	12
Other income and expense	19	3
Gain on sale of assets	38	—
Income before taxes	198	178
Provision for income taxes	$ 80	$ 75

Principles Reflected in Financial Statements

Investment tax credits—Investment tax credits are reflected in income as a reduction of the provision for income taxes over the estimated useful lives of the related assets. In 1974, the amortization of investment tax credits was conformed to the change in depreciation of U.S. machinery and equipment. The effect was to increase net income by $2 million, or 17 cents per share.

Income taxes—Certain income and expense items are calculated using alternative methods for income tax and financial statement purposes. The effect of these items and the tax on undistributed income of affiliates are provided for a deferred income taxes. The computation of depreciation at accelerated rates has been the most significant component of deferred taxes. In 1974, the sale of the HDPE operation, also contributed significantly to deferred taxes (note E).

Notes

Note E (in part): Income taxes ($ millions)

	1974	1973
Payable currently:		
U.S.	$49	$55
Non-U.S.	24	15
Total payable currently	73	70
Deferred:		
U.S.	12	1
Non-U.S.	(4)	4
Total deferred	8(a)	5(a)
Investment tax credit:		
Earned and deferred	8	6
Amortized	(9)	(6)
Investment tax credit effect	(1)	—
Total provision	$80	$75
Consolidated effective tax rate	40.4%	42.2%
Effect of taxes on non-U.S. income	(2.5)	3.1
Effective U.S. tax rate	37.9	45.3
Investment tax credits	7.4	5.1
Non-taxable interest income	—	—
Other book-tax differences	2.7	(2.4)
Statutory U.S. rate	48.0%	48.0%

	1974	1973
(a) Excess of book (over)/under tax depreciation	$(8)	$13
Allowance for doubtful accounts	(1)	(3)
Sale of HDPE operation (note D)	16	—
Expenses currently not deductible:		
Manufacturing	(1)	(1)
Selling and administration	(1)	(2)
Other	2	(1)
Inventory adjustment	1	(1)
Total deferred	$ 8	$ 5

The Corporation has not provided for taxes payable upon distribution of its equity in the undistributed income of subsidiaries, which at December 31, 1974, amounted to $111 million, because current financial plans indicate reinvestment for an indefinite period to meet the operating and capital requirements of these subsidiaries.

Based on current financial plans, the deferred income tax balance will be reduced during the years 1975-1977 by cash outlays for taxes in excess of the provisions for taxes in the approximately amounts of $7 million, $13 million and $9 million, respectively, principally as a result of the HDPE sale and because book depreciation will exceed tax depreciation.

CLUETT, PEABODY & CO., INC. (DEC)

	1974	1973
Income (loss) before income taxes	$(16,889,067)	$12,993,229
Provision (credit) for United States, state, and foreign income taxes	(7,483,000)	4,890,000
Net income (loss)	$ (9,406,067)	$ 8,103,229

Summary of Significant Accounting Policies

Income Taxes—Deferred income taxes represent the tax effects of items reported for tax purposes in periods different from those used for book purposes. Such items include income on retail installment sales, certain deferred charges and provisions for depreciation, accrued retirement and deferred compensation awards, doubtful accounts, inventory valuation, reserves, foreign operations, and the loss on disposal of Van Raalte. The Company follows the practice of treating the investment tax credit as a reduction of the provision for income taxes in the year in which the credit arises.

Notes to Financial Statements

Income Taxes—Provision (credit) for United States, state and foreign income taxes amounted to $(7,483,000) in 1974 compared with $4,890,000 in 1973. The components of the tax provision (credit) are as follows:

	1974	1973
Taxes currently payable:		
United States	$(1,806,000)	$ 892,000
State	1,051,000	1,417,000
Foreign	3,050,000	2,794,000
	2,295,000	5,103,000
Charge equivalent representing tax effect of pre-acquisition losses of an acquired company	922,000	
Taxes deferred:		
United States	(10,553,000)	(259,000)
State	(233,000)	(1,000)
Foreign	86,000	47,000
	(10,700,000)	(213,000)
Provision (credit) for United States, state and foreign income taxes	$(7,483,000)	$4,890,000

The charge equivalent is the tax effect of utilizing a pre-acquisition net operating loss carryforward of an acquired company. The operating loss carryforward had been applied as a reduction of the excess of investment in acquired companies over amounts ascribed to tangible assets in 1972.

The consolidated income tax provision (credit) for the years ended December 31, 1974 and 1973 resulted in a 44.3% effective tax rate with respect to the 1974 income tax benefit and a 37.6% effective tax rate with respect to the 1973 income tax expense. The reasons for the variance from the United States income tax rate of 48% are as follows:

	1974	1973
Additional taxes provided in connection with the plan to dispose of Van Raalte	9.9%	
State and foreign income taxes, net of United States income tax benefit	1.3	4.8%
Puerto Rican operations exempt from United State and Puerto Rican income taxes.............	(3.0)	(6.2)
Prior year operations of certain foreign companies liquidated in 1974 and 1973.................	(2.6)	(2.5)
Investment tax credit...............	(2.3)	(3.0)
Other (net)	0.4	(3.5)
Net decrease in 1974 tax benefit and in 1973 tax expense.......	3.7%	(10.4%)

At December 31, 1974 and 1973, net current deferred income taxes of $2,207,650 and $6,398, respectively, were included in other current assets and accrued taxes, respectively. At such dates, net non-current deferred income taxes, exclusive of deferred income taxes relating to the provision for loss on disposal of Van Raalte Company, amounted to $5,231,215 and $4,218,055, respectively.

GENERAL HOST CORPORATION (DEC)

	1974	1973
	($000)	
Income from continuing operations before income taxes............	$20,843	$6,467
Provision for income taxes (Note 8)	9,429	1,869
Income from continuing operations.	11,414	4,598
Discontinued operations, net of applicable income tax benefit (Note 8)	(575)	(758)
Income before extraordinary items	$10,839	$3,840

Note 8: Income Taxes—No federal income tax is payable with respect to results of operations for 1974 and 1973 because of (1) permanent differences between book and tax income of approximately $1,600,000 in 1974 and $3,000,000 in 1973, and (2) available net operating loss carryforwards. The permanent differences consist principally of amortization of additional original issue discount on the outstanding 7% debentures, excess tax over book depreciation on certain assets and a difference between book and tax basis on debentures repurchased.

A provision in lieu of federal income taxes, which is equivalent to the provision for such taxes that would be required in the absence of the net operating loss carryforward, has been included in the provision for income taxes, and the tax benefit arising from the loss on discontinued operations has been deducted from the related loss. The benefit arising from utilization of the carryforwards has been reflected as an extraordinary item in the income statement. The components of the Company's tax provisions are as follows:

	Year Ended Dec. 28, 1974	Dec. 29, 1973
	(In thousands)	
Continuing operations:		
Federal income taxes:		
Provision in lieu of federal income taxes (Note).......	$9,060	$1,475
State and other income taxes:		
Provision	479	394
Reversal of prior years' tax accruals..................	(110)	
	$9,429	$1,869
Discontinued operations:		
Federal income tax benefit	$ (528)	$ (700)
State income tax benefit.........	(55)	(40)
	$ (583)	$ (740)

Note—Includes provision of $8,029 in 1974 and benefit of $106 in 1973 resulting from gains on extinguishment of debt.

At December 28, 1974 the Company had a net operating loss carryforward of approximately $19,400,000 available for offset against future taxable income expiring $15,300,000 in 1975, $3,100,000 in 1976 and $1,000,000 in 1978. In addition, the Company has an investment tax credit carryforward of approximately $2,400,000 expiring in varying amounts during the next seven years, and a capital loss carryforward of approximately $47,300,000 expiring in 1975 available for offset against capital gains. At December 28, 1974 approximately $11,050,000 of the net operating loss carryforward resulted from timing differences between book and tax income and will require provision for deferred taxes to the extent that these carryforward losses are ultimately utilized.

THE GRAND UNION COMPANY (FEB)

	1974	1973
Income before income taxes and extraordinary items	$2,954,387	$15,676,554
Income taxes (notes 1 and 2)......	645,000	6,685,000
Income before extraordinary items	2,309,387	8,991,554
Extraordinary items (note 10)......	—	612,141
Net income	$2,309,387	$ 8,379,413

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

Income Taxes—Income taxes are provided on revenue and expense transactions included in the determination of financial statement income. Where such transactions are included in the determination of taxable income in a different year, such as the acceleration of depreciation, the resulting tax benefits are deferred. Current investment tax credits are being taken into income as the related assets are placed in service.

Note 2: Income Taxes—Income tax expense includes:

	1973	1972
Federal income taxes:		
Currently payable	$3,069,000	$5,644,000
Deferred	(3,147,000)	408,000
Amortization of deferred investment tax credit applicable to 1967 and prior years	(267,000)	(307,000)
State and local income taxes	990,000	940,000
	$ 645,000	$6,685,000

Federal income taxes include provision for taxes on income earned in Puerto Rico and the Virgin Islands, which income has been effected at 48%.

Deferred taxes result from the following timing differences:

	1973	1972
Excess of depreciation charges for tax purposes	$ 588,000	$768,000
Difference between liability provided and payments made for pension costs	(298,000)	(306,000)
Difference between liability provided and payments made for vacation salaries	(38,000)	(147,000)
Difference between liability provided for catalog costs and expenses claimed for tax purposes	71,000	(71,000)
Difference between liability provided for disposition of unprofitable stores and expenses claimed for tax purposes	(3,640,000)	—
Other, net	170,000	164,000
	$(3,147,000)	$408,000

Reconciliation of the provision for income taxes computed at the federal statutory rate to the reported provision for federal and other income taxes is:

	1973	1972
Provision computed at 48% of pretax income	$1,418,000	$7,525,000
Increases (decreases) in the provision resulting from:		
Current year's investment tax credit	(1,326,000)	(950,000)
Amortization of deferred investment tax credit	(267,000)	(307,000)
85% dividends received deduction	(285,000)	(62,000)
Capital gains or losses (net) taxes at a rate less than 48%	312,000	—
State and local taxes, net of federal benefit	515,000	489,000
Capital losses not currently deductible for taxes	284,000	—
Other, net	(6,000)	(10,000)
	$ 645,000	$6,685,000

KENNECOTT COPPER CORPORATION (DEC)

	1974	1973
Cost of goods sold	$1,235,570,669	$1,026,089,902
Depreciation, depletion and amortization	91,284,099	80,554,274
Selling and general administrative expenses	56,545,546	49,119,163
Shutdown expenses during strikes	12,769,364	420,309
Interest expense	22,324,308	23,662,870
Research, exploration and miscellaneous	22,834,002	21,218,480
Provision for U.S. and foreign taxes on income (Note 10)	67,700,000	58,600,000
	$1,509,027,988	$1,259,664,998

Notes to Consolidated Financial Statements

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

Income Taxes—The investment credit is accounted for as a reduction of U.S. taxes on income in the year in which the credit arises.

Provision for deferred income taxes arises principally as a result of deducting deferred mine development, depreciation and certain coal mining costs (see "Capitalized Mining Costs" above) for income tax purposes in excess of the amount charged to income in the financial statements.

Depletion is computed on a statutory basis.

No provision for U.S. income taxes has been made for the undistributed earnings of consolidated foreign subsidiaries inasmuch as a substantial portion of these earnings has been permanently reinvested and distribution of any remaining amount would be principally offset by foreign tax credits.

Note 10: U.S. and Foreign Taxes on Income:

	1974	1973
U.S.:		
Currently payable	$ 50,550,000	$ 5,800,000
Deferred	28,150,000	45,300,000
Investment credit	(8,100,000)	(5,000,000)
	70,600,000	46,100,000
Foreign:		
Currently payable	31,300,000	5,100,000
Deferred	4,850,000	7,400,000
	36,150,000	12,500,000
	$106,750,000	$58,600,000
Allocated to:		
Income before extraordinary credit	$ 67,700,000	$58,600,000
Extraordinary credit	39,050,000	—
	$106,750,000	$58,600,000

Deferred tax expense results from timing differences in the recognition of expenses for tax and financial statement purposes. The sources of these differences and the tax effect of each in 1974 and 1973 were as follows:

	1974	1973
Utilization of write-off of equity interest in El Teniente (Note 4)...	$ 4,550,000	$19,600,000
Deferred mine development costs..	2,450,000	3,700,000
Foreign exploration costs	(1,500,000)	4,300,000
Capitalized coal mining costs net of amortization (Notes 1 and 9)...	12,650,000	10,350,000
Excess of tax over book depreciation:		
U.S.	9,000,000	4,400,000
Foreign	4,850,000	7,400,000
Other	1,000,000	2,950,000
Changes in deferred U.S. and foreign taxes on income	$33,000,000	$52,700,000

Total tax expense is less than the amount which would be provided by applying the U.S. income tax rate of 48% to income before tax. The reasons for this difference (expressed as a percentage of pretax income) are as follows:

	1974	1973
Computed "expected" tax expense	48.0%	48.0%
Minimum tax........................	2.6	3.5
Effect of percentage depletion:		
Metals	(15.5)	(17.6)
Coal	(5.6)	(4.6)
Investment credit	(3.2)	(2.2)
Other	0.7	(1.0)
	27.0%	26.1%

At December 31, 1974, undistributed earnings of foreign consolidated subsidiaries on which no U.S. income taxes have been provided amounted to $63,500,000 (see Note 1, Summary of Accounting Policies—Income Taxes).

THE SIGNAL COMPANIES, INC. (DEC)

	1974	1973
Expenses:		
Cost of sales	$1,324,693,000	$1,139,101,000
Selling, general and administrative expenses	180,853,000	165,852,000
Depreciation and amortization...	24,555,000	21,167,000
Interest	35,974,000	44,020,000
Income taxes.....................	54,921,000	35,252,000
	$1,620,996,000	$1,405,392,000

Notes to Financial Statements

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

Income Taxes—Deferred income taxes are provided for timing differences between the accounting for financial statement purposes and the accounting for tax purposes. Investment tax credits are accounted for under the flow-through method as a reduction of the current provision for income taxes.

Note 10: Income taxes:

	1974	1973
The provision for income taxes is summarized as follows:		
Currently payable:		
United States (after investment tax credits of $1,267,000 and $2,705,000 in 1974 and 1973)..................	$ 93,921,000	$14,738,000
State	21,610,000	7,421,000
Foreign	12,693,000	10,198,000
	128,224,000	32,357,000
Deferred (tax effect of timing differences).....................	13,211,000	18,655,000
Total income taxes provided........	$141,435,000	$51,012,000
Allocated to:		
Income from consolidated companies	$ 54,921,000	$35,252,000
Equity in income of unconsolidated subsidiaries, etc.	10,869,000	7,395,000
Income from discontinued operations	77,110,000	9,821,000
Extraordinary income tax benefit on development costs written off for financial statement purposes in 1970	(1,465,000)	(1,456,000)
	$141,435,000	$51,012,000
The deferred provision for income taxes results from the following timing differences:		
Income from Domestic International Sales Corporations..............	$ 5,027,000	$ 2,762,000
Amortization of tax benefit relating to deferred development costs written off in prior years	3,387,000	3,388,000
Depreciation	2,297,000	4,270,000
Installment sales....................	1,565,000	2,375,000
California franchise taxes and other on the gain on the sale of Signal Oil and Gas Company	(4,119,000)	—
Loss on sale of Signal Chemical Company operations	—	3,814,000
Other	5,054,000	2,046,000
	$ 13,211,000	$18,655,000

A reconciliation between the provision for income taxes, computed by applying the United States Federal statutory rate to income before taxes and the actual provision for income tax follows:

Provision for income taxes at statutory rate	$152,401,000	$52,810,000
Provision for income taxes on sale of oil and gas operations:		
Gain on sale taxed at capital gains rate	(34,670,000)	—
Tax on difference between tax and accounting basis of investment	13,147,000	—
State income taxes after Federal income tax benefit	8,733,000	—
Goodwill write-off	4,384,000	—
Oil and gas depletion and intangible development expense	—	(4,669,000)
State and local income taxes after Federal income tax benefit	2,256,000	3,860,000
Investment tax credit	(1,267,000)	(2,705,000)
Other	(3,549,000)	1,716,000
	$141,435,000	$51,012,000
Effective income tax rate	45%	46%

Based upon anticipated expenditures and operations, the cash outlay for taxes is not expected to exceed tax expense during the next three years, except for possible settlements of prior year deficiencies which have been provided for.

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 stipulate that only the flow-through method or deferral method be used to account for the investment credit and specify 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.

Table 3-14 shows that the survey companies usually use the flow-through method to account for the investment credit. Examples of disclosures of the accounting for the investment credit follow.

TABLE 3-14: INVESTMENT TAX CREDIT

	1974	1973	1972	1971
Flow-through method:				
No prior years deferral	491	453	465	307
Prior years' deferral being amortized	13	43	24	22
Subtotal	**504**	**496**	**489**	**329**
Deferral method:				
Amortized over productive life	67	65	67	62
Amortized over shorter period	2	5	5	8
Amortization policy not indicated	3	8	5	12
Subtotal	**72**	**78**	**77**	**82**
No reference to investment credit	24	26	34	189
Total Companies	**600**	**600**	**600**	**600**

Flow-Through Method

ALUMINUM COMPANY OF AMERICA (DEC)

Summary of Significant Accounting Policies

Investment tax credits—Alcoa takes directly into income the Job Development Investment Credit under the 1971 Revenue Act. The investment credit under the 1962 Revenue Act is amortized to income over the estimated economic lives of the applicable properties.

Notes to Financial Statements (in thousands)

Note G (in part): Taxes—Investment credit included in income was $10,821 in 1974 and $10,172 in 1973. Unamortized investment credits amounted to $26,852 and $29,695 at December 31, 1974 and 1973, respectively.

CAMPBELL SOUP COMPANY (JUL)

Summary of Significant Accounting Policies

Investment Tax Credit—Investment tax credit is considered a reduction of federal income tax expense in the year the credit arises.

Notes to Consolidated Financial Statements

Note 8: Taxes On Income ($000)—The provision for income taxes includes $7,204 of deferred taxes in 1974 and $7,172 in 1973 resulting from the difference between book and income tax method of accounting for depreciation and other items (note 5). Also, the provision for income taxes is reduced as follows:

	1974	1973
Investment tax credit	$2,348	$3,187
Utilization of net operating loss carryovers by certain foreign subsidiaries	1,200	1,100

THE FLINTKOTE COMPANY (DEC)

Notes to Financial Statements

Summary of Significant Accounting Policies:

Income Taxes—Provisions for income taxes are based on the tax effects of transactions which are included in the determination of pretax accounting income, and appropriate provision is made for deferred income taxes. This latter item consists principally of amounts resulting from the use of accelerated depreciation methods for tax purposes and the straight-line method for book purposes and from the use for construction contracts of percentage-of-completion for book purposes and completed contract for tax purposes.

United States Investment Tax Credit applicable under the Revenue Act of 1971 is accounted for using the flow-through method. Investment Tax Credit applicable to previous regulations is being amortized ratably over ten-year periods.

The Company has consistently reinvested the earnings of its foreign subsidiaries in foreign facilities and businesses. In the foreseeable future, the Company expects that its foreign investment demands will require a continuation of this policy. Accordingly, the Company does not recognize the tax effects on the undistributed earnings of foreign subsidiaries. At December 31, 1974, there were approximately $28,269 of such undistributed earnings.

Income Taxes (000)—Income tax expense in 1974 and 1973 comprise the following elements (columns for U.S. Federal; Foreign; and State and Local omitted for presentation purposes)

	Total	
	1974	1973
Currently payable	$ 530	$9,523
Deferred	3,173	(394)
Amortization of investment tax credits	(406)	(734)
	$3,297	$8,395

The Company's effective tax rate is lower than the federal statutory rate due principally to investment tax credits and excess of percentage depletion over cost depletion. Investment tax credits utilize as a reduction of federal income taxes currently payable amounted to $3,425 and $2,375 for 1974 and 1973, respectively.

GAF CORPORATION (DEC)

Summary of Significant Accounting Policies

Investment Tax Credit—The company accounts for investment tax credits arising since January 1, 1971, as a reduction of the provision for United States income tax (the flow-through method). Investment tax credits which arose prior to that date have been deferred and are being amortized over the estimated service lives of the related assets.

Notes to Financial Statements

Note 7 (in part): Income Taxes—Provision has not been made for United States income taxes on unremitted earnings of foreign subsidiaries, since any withholding taxes and United States income taxes payable on dividends based on undistributed earnings would be substantially offset by foreign tax credits. United States income taxes have not been provided on the unremitted earnings of the Domestic International Sales Corporation subsidiary aggregating $4,922,000 through December 31, 1974, since the company intends to postpone indefinitely the remittance of such earnings.

The provision for income taxes consists of the following:

	1974	1973
State	$ 2,212,000	$ 2,559,000
United States—current	15,681,000	13,789,000
United States—deferred	1,742,000	3,786,000
United States investment tax credit	(1,448,000)	(1,399,000)
Amortization of deferred United States investment tax credit arising prior to 1971	(591,000)	(591,000)
Foreign	5,926,000	4,984,000
Total income taxes	$23,522,000	$23,128,000

KEYSTONE CONSOLIDATED INDUSTRIES, INC. (JUN)

Notes to Consolidated Financial Statements

Note A (in part): Accounting Policies

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. The Company provides appropriate income taxes on undistributed earnings from investments in companies accounted for under the equity method. No provision has been made for income taxes on approximately $1,265,000 of cumulative undistributed earnings of foreign subsidiaries since it is the Company's intention to permanently invest such earnings.

Note D (in part): Income Taxes—The income tax provision is comprised of the following:

	1974	1973
Provisions for income taxes:		
Federal—including $67,000 deferred in 1974 and $989,000 in 1973	$ 8,788,000	$2,650,000
Foreign—including $90,000 deferred in 1974	477,000	232,000
State—including $73,000 deferred in 1973	872,000	224,000
	10,137,000	3,106,000
Investment tax credits, including amortization of amounts deferred of $126,000 in 1974 and $132,000 in 1973	(606,000)	(614,000)
	$ 9,531,000	$2,492,000

PPG INDUSTRIES, INC. (DEC)

Summary of Accounting Policies

Income Taxes (in part)—PPG provides income taxes based on earnings reported in the financial statements rather than on taxable income. Accordingly, the provision for income taxes includes charges or credits for future income taxes, resulting primarily from the differences between depreciation deducted for income tax purposes and for financial statement purposes.

PPG 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, PPG followed the policy of deferring the investment credit allowance and amortizing the credit over the estimated useful lives of the related assets.

Notes to Financial Statements

Note 10: Income Taxes—Provisions for domestic and foreign income taxes in 1974 and 1973 amounted to:

	1974	1973
Current—federal	$23,278,000	$39,350,000
Current—foreign	17,742,000	2,685,000
Current—city and state	5,914,000	4,673,000
Deferred investment credit amortized	(1,867,000)	(1,979,000)
Future income taxes	3,133,000	9,271,000
Total	$48,200,000	$54,000,000

The effective income tax rate on pre-tax earnings for 1974 was 33.7 percent, compared to 36 percent in 1973. The following table details the major factors reducing the U.S. Federal income tax rate of 48% for 1974 and 1973:

	% of Pre-Tax Earnings	
	1974	1973
Federal income tax rate	48.0%	48.0%
Reductions in tax rate resulting from:		
Investments in facilities and subsidiaries outside continental United States	(6.6)	(7.7)
Investment tax credit	(7.1)	(4.0)
Miscellaneous—net	(.6)	(.3)
Effective tax rate	33.7%	36.0%

Major timing differences in future income taxes include $3,512,000 for 1974 and $8,511,000 for 1973 applicable to depreciation and $650,000 for sales and use tax in 1974. The current provisions for Federal income taxes for 1974 and 1973 have been reduced by $8,317,000 and $4,071,000, respectively, for investment credits taken directly into earnings in those years. The unamortized investment credit of $6,201,000 at December 31, 1974, deferred from years prior to 1969, will be added to earnings over the next four years.

Federal income tax returns for the years 1970 and 1971 currently are being examined by the Internal Revenue Service. In the opinion of management, adequate provision has been made for all tax liabilities.

Deferral Method

ALBERTSON'S, INC. (JAN)

Summary of Significant Accounting Policies

Taxes on Income—The Company provides for deferred income taxes resulting from timing differences in reporting certain income and expense items for income tax and financial purposes. The resulting reduction in the current tax liability does not affect earnings since taxes on income include an equivalent amount of deferred income taxes. The major timing differences and their net effect are shown in the Notes to Consolidated Financial Statements under Taxes on Income.

The investment credit is amortized over the useful life of the related asset.

Notes to Consolidated Financial Statements

Taxes on Income (in part)—Taxes on income consist of the following:

	1974	1973
Current:		
Federal	$ 8,666,291	$7,435,076
State	967,331	797,451
	9,633,622	8,232,527
Deferred:		
Federal	999,129	(298,942)
State	112,871	(22,058)
	1,112,000	(321,000)
Deferred Investment Credit:		
Additions	1,015,735	837,724
Amortization	(359,211)	(313,932)
	656,524	523,792
	$11,402,146	$8,435,319

THE BENDIX CORPORATION (SEP)

Notes to Consolidated Financial Statements

Summary of Significant Accounting Policies:

United States and Foreign Taxes on Income—Deferred income taxes are provided for timing differences between financial and taxable income.

Investment credit is deferred and amortized over the estimated useful lives of the assets to which it applies.

U.S. taxes on income have been provided on the undistributed earnings of subsidiaries outside the U.S., except to the extent such earnings are considered permanently invested in the subsidiary operations. After utilization of available foreign income tax credits under current U.S. income tax regulations, additional U.S. income taxes payable upon the remission of these undistributed earnings would not be material.

United States and Foreign Taxes on Income (in part)—The provision for U.S. and foreign taxes on income and deferred investment credit included in deferred income taxes is summarized below:

	(in millions) 1974	1973
Provision:		
Current:		
United States	$42.0	$26.6
Foreign	21.0	25.2
Deferred:		
United States	(1.9)	(.6)
Foreign	4.0	4.8
Deferred investment credit	.5	.6
Total	$65.6	$56.6
Deferred investment credit:		
Balance at beginning of the year	$ 5.4	$ 4.8
Investment credit:		
Earned	1.6	1.6
Amortized	(1.1)	(1.0)
Total	.5	.6
Balance at end of the year	$ 5.9	$ 5.4

GENERAL ELECTRIC COMPANY (DEC)

1974 Financial Summary

Provision for income taxes amounted to $382.4 million in 1974. Details of this amount are shown below.

Provision for income taxes is based on the income and costs included in the Statement of Current and Retained Earnings on page 31.

Provision for income taxes	(in millions) 1974	1973
U.S. Federal income taxes:		
Estimated amount payable	$262.1	$321.2
Effect of timing differences	30.2	0.4
Investment credit deferred—net	11.1	13.0
	303.4	334.6
Foreign income taxes:		
Estimated amount payable	74.5	71.4
Effect of timing differences	(4.2)	(0.4)
	70.3	71.0
Other (principally state and local income taxes)	8.7	13.1
	$382.4	$418.7

The Company follows the practice of amortizing the investment credit to income over the life of the underlying facilities rather than in the year in which facilities are placed in service. Investment credit amounted to $23.9 million in 1974 compared with $23.6 million in the prior year. In 1974 $12.8 million was added to net earnings compared with $10.6 million in 1973. At the end of 1974, the amount still deferred and to be included in net earnings in future years was $83.9 million. If the Company had "flowed through" the investment credit, this amount would have been included in earnings during 1974 and prior years.

HARSCO CORPORATION (DEC)

Notes to Consolidated Financial Statements

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

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

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 5: U.S., Foreign and State Income Taxes—Provisions for income taxes in the consolidated statements of income consist of:

	1974	1973
Currently payable:		
U.S.	$14,645,000	$12,511,000
Foreign	7,726,000	6,293,000
State	1,460,000	1,430,000
	23,831,000	20,234,000
Deferred U.S.	(677,000)	(328,000)
Deferred foreign	(26,000)	637,000
Net deferred investment credits	472,000	397,000
	$23,600,000	$20,940,000

XEROX CORPORATION (DEC)

Notes to Consolidated Financial Statements

Summary of Significant Accounting Policies:

Deferred Investment Tax Credits—Investment tax credits are deferred and amortized to income over the periods during which they are earned.

Income Taxes—Income tax expense consists of the following:

(Dollars in thousands)	1974	1973
Federal income taxes		
Current	$125,049	$140,218
Deferred	(12,990)	(29,004)
Investment tax credits		
Received and deferred	21,502	13,532
Amortization of deferred investment tax credits	(10,738)	(7,502)
Foreign income taxes		
Current	172,793	143,360
Deferred	30,168	24,109
State income taxes		
Current	28,601	28,810
Deferred	(1,385)	(5,623)
Total income taxes	$353,000	$308,900

MARSHALL FIELD & COMPANY (JAN)

Notes to Financial Statements

Note 1e: Investment Tax Credit—Investment tax credits of $353,000 and $684,000 for 1974 and 1973, respectively, have been deferred and are being amortized as a reduction of the income tax provisions over the depreciable lives of the related equipment. Such amortization was $244,000 and $198,000 for 1974 and 1973, respectively.

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 Opionion 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 appraised 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."

Table 3-15 shows the extent to which the survey companies accrued taxes on undistributed earnings and summarizes the reasons disclosed by the survey companies for not accruing taxes on undistributed earnings. In addition to the information presented in Table 3-15, 196 companies disclosed the cumulative amount of undistributed earnings. Examples of disclosures concerning the accrual or nonaccrual of taxes on undistributed earnings follow.

TABLE 3-15: TAXES ON UNDISTRIBUTED EARNINGS

	1974	1973	1972	1971
Taxes accrued on all undistributed earnings.........	35	41	35	33
Taxes accrued on a portion of undistributed earnings	140	142	98	77
Taxes not accrued on undistributed earnings.........	223	189	175	
No mention of undistributed earnings	202	228	292	490
Total Companies	**600**	**600**	**600**	**600**

Reasons Cited for Non Accrual of Taxes-1974

	Subsidiary or Joint Venture	Other Investees	Total
Earnings to be reinvested...	318	15	333
Earnings will be remitted in a tax free distribution.....	9	—	9
Other reasons................	25	2	27
No reason given	7	1	8
Total Disclosures	**359**	**18**	**377**

Accrual For Taxes

BAKER OIL TOOLS, INC. (SEP)

	1974	1973
	(in thousands of dollars)	
Income before income taxes........	$33,345	$19,684
Income Taxes (Note 4):		
United States......................	10,270	4,806
Foreign.............................	5,755	3,249
Total	16,025	8,055
Net Income	$17,320	$11,629

Summary of Significant Accounting Policies

Income Taxes—Deferred income taxes arise primarily from timing differences between financial and United States tax reporting. United States investment tax credits are accounted for on the flow-through method. The Company accrues United States income taxes on foreign earnings expected to be repatriated in the foreseeable future.

Notes to Financial Statements

Note 4: Taxes Based on Income—The expected provision for income taxes, computed by applying the United States statutory income tax rate to income before income taxes is reconciled to the provision for income taxes as follows:

	1974 Amount	1974 % of Income before Taxes	1973 Amount	1973 % of Income before Taxes
Computed "expected" provision for income taxes	$16,006,000	48.0	$9,448,000	48.0
State taxes based on income—net of United States income tax benefit	254,000	.8	204,000	1.0
United States taxes not provided on foreign earnings	(647,000)	(1.9)	(913,000)	(4.6)
United States investment tax credits	(469,000)	(1.4)	(356,000)	(1.8)
United States tax benefits from Western Hemisphere Trading Corporation subsidiaries	(458,000)	(1.4)	(211,000)	(1.1)
Differences from United States tax provision on earnings of Domestic International Sales Corporation (DISC) subsidiaries (see below)	426,000	1.3	(306,000)	(1.6)
Provision for tax assessments	645,000	1.9	287,000	1.5
Other	268,000	.8	(98,000)	(.5)
Actual provision for income taxes	$16,025,000	48.1	$8,055,000	40.9

Inasmuch as the Company presently believes that DISC earnings may become fully taxed within the foreseeable future, it has adopted, during 1974, the practice of fully providing for United States income taxes on all DISC evenings (the 1974 provision includes an amount to fully provide for DISC earnings prior to 1974).

The sources of deferred income taxes for 1974 and 1973, and the tax effect of each were as follows:

	1974	1973
Depreciation expense	$ 644,000	$ 492,000
United States income tax on:		
Foreign earnings	1,071,000	526,000
DISC earnings	1,116,000	545,000
Provision for inventory obsolescence	(503,000)	(21,000)
Other—net	11,000	465,000
Total deferred tax provision	$2,339,000	$2,007,000

The amount shown in "Future income tax benefits" arises principally from provisions for inventory obsolescence charged against income for financial reporting but not yet taken for tax purposes, offset of the deferred liability for future United States information taxes on DISC earnings.

Full repatriation of all foreign earnings, excluding DISC earnings, accumulated at September 30, 1974 and 1973 would have resulted in tax liabilities of $5,830,000 and $4,112,000, respectively, of which the Company had provided deferred tax liabilities of $3,006,000 and $1,935,000, respectively.

THE DOW CHEMICAL COMPANY (DEC)

Accounting Principles

Taxes on Income and Investment Credits—The companies compute and record income and taxes currently payable based upon their determination of taxable income which may be different from pretax accounting income. These differences may arise from recording in pretax accounting income transactions which enter into the determination of taxable income in another period. The tax effect of these timing differences is recognized by adjustment currently to the position for taxes.

Provision is made for income taxes on unremitted earnings of subsidiary and 50%-owned companies to the extent that such earnings are determined not to be permanently invested, except that for certain subsidiaries additional taxes are required under United States income tax laws. Income taxes are provided on the undistributed income of 20%-49% owned companies at the time of the Company records its equity in such earnings.

Laws governing the determination of United States and certain foreign income taxes provide for investment credits which are allowable generally upon completion of qualified facilities. Such credits are reflected as a reduction of income tax expense on the flow-through basis in the year in which they are earned.

In addition to tax credits, certain foreign countries provide investment incentives in the form of tax-free grants which offset development and startup expenses of new facilities to which they relate. The excess, if any, of grants earned over expenses included are amortized over the life of the facilities.

Notes to Financial Statements

Note J: Taxes on Income—The provision for taxes on income consist of:

	(In millions) 1974			1973
	Current	Deferred	Total	Total
United States:				
Federal	$273.2	$48.7	$321.9	$ 98.2
State and local	19.8		19.8	6.4
Foreign	179.5	7.3	186.8	98.0
	$472.5	$56.0	$528.5	$202.6

The current tax provision was reduced by investment credits of $14.1 million in 1974 and $20.0 million in 1973.

Principal events giving rise to defered tax provisions were:

	1974	1973
	(In millions)	
Excess of depreciation claimed for tax purposes over book depreciation — principally foreign	$ 2.3	$29.0
Provision for doubtful accounts and other losses in excess of those allowed for tax	(6.9)	(8.0)
Tax on undistributed earnings of foreign subsidiaries deemed not to be permanently invested	14.6	5.6
Cumulative tax provision on income of export companies deferred under U.S. income tax laws	61.0	
Unrealized exchange gains and losses	(8.4)	
Tax on intercompany profit eliminated in consolidation	(13.3)	
Application of LIFO method to inventories in certain countries where LIFO is not allowed for tax	(19.7)	
Oil and gas exploration and development costs	21.2	
Other	5.2	.3
	$56.0	$26.9

Effective consolidated tax rates for 1974 and 1973 were 47.2% and 41.9% respectively. Major differences between these rates and the United States statutory rate were:

	Percent 1974	1973
Statutory rate	48.0	48.0
U.S. investment credits	(1.3)	(3.5)
Taxes on income from foreign sales at rates different from U.S. statutory rate—1974 includes additional provision of $61 million on earnings of export companies which in prior years were deferred	3.9	.2
Untaxed equity in income of companies whose accounts are not consolidated	(2.8)	(4.3)
State and local income tax (net of federal tax)	.9	.7
Other	(1.5)	.8
Effective rate	47.2	41.9

Unremitted earnings of subsidiary companies and 50%-owned companies which are deemed to be permanently invested amounted to approximately $460 million and $400 million at December 31, 1974 and 1973, respectively.

Prior to 1974, tax on a substantial part of the earnings of the principal export companies had not been provided. In 1974, management deemed it prudent to provide deferred taxes on $61 million and to reclassify $68.0 million from current to non-current liabilities.

Income tax returns for all years through 1971 have been examined by the Internal Revenue Service. Resolution of unresolved issues is not expected to have a material effect on income.

No Accrual For Taxes

BORG-WARNER CORPORATION (DEC)

Notes to Financial Statements

Income Taxes—Provisions for taxes on income consist of:

(millions of dollars)	1974	1973
Current:		
Federal	$24.4	$53.5
State	3.0	4.8
Deferred	(4.3)	4.0
	23.1	62.3
Investment tax credits	1.2	.7
Total	$21.9	$61.6

Non-U.S. taxes included in the provisions are $9.2 million in 1974 and $10.5 million in 1973.

Prior to 1974, the company followed the policy of providing deferred income taxes on undistributed earnings of its Domestic International Sales Corporation (DISC).

As a result of its continuing experience with this export subsidiary, the company determined in 1974 that all undistributed DISC earnings will be permanently reinvested and accordingly will not be available for taxable distribution to the company in the foreseeable future. The company believes that the recognition of DISC earnings, without provision for deferred taxes, more accurately reflects the operations of its exporting activities. As a result of not providing deferred income taxes on the DISC earnings, 1974 earnings are increased by $7.4 million or $.39 per share, of which $4.4 million, or $.23 per share was attributable to years prior to 1974.

The analysis of the variance from the U.S. statutory income tax rate for manufacturing operations follows:

	1974	1973
U.S. statutory rate	48.0%	48.0%
Increases (decreases) resulting from:		
Income (net) from non-U.S. sources	(3.7)	(1.1)
DISC	(11.4)	—0—
Investment tax credit	(1.9)	(.6)
Other, net	2.8	2.5
Effective income tax rate	33.8%	48.8%

The analysis of the deferred income tax provision representing the tax effects of timing differences between book and tax income follows:

(millions of dollars)	1974	1973
Excess of tax over book depreciation	$ 2.9	$ 3.6
Undistributed DISC earnings	(4.4)	2.6
Provision for dispositions	(5.1)	1.2
Other	2.3	(3.4)
	$(4.3)	$ 4.0

The net amount of future tax benefits and deferred tax liabilities related to current assets and liabilities is included in other current assets while the net amount related to non-current assets and liabilities is shown as a non-current liability.

Undistributed earnings of the company's DISC amounted to $15 million at December 31, 1974.

BUCYRUS-ERIE COMPANY (DEC)

Notes to Financial Statements

Income taxes—Income tax expense consists of the following:

	1974	1973
Currently payable:		
Federal	$12,393,000	$11,852,000
State	2,255,000	1,746,000
	14,648,000	13,598,000
Deferred	1,390,000	101,000
	$16,038,000	$13,699,000

Deferred taxes relate primarily to the effect of using the completed contract method of revenue recognition and higher depreciation expenses allowable for income tax purposes less the effect of provisions for warranty, pension and other similar expenses which, although provided for in the financial statements, are not deductible for tax purposes until paid.

Income tax expense has been reduced by $1,095,000 in 1974 and $769,000 in 1973 (12c and 9c per share of common stock respectively) as a result of non-taxable earnings of Bucyrus-DISC, Inc., which are considered to be permently reinvested.

The Company does not provide for income taxes which would become payable upon remission of earnings from outside the United States because management considers such amounts to be permanently invested. Such undistributed earnings at December 31, 1974, amounted to approximately $22,000,000. If these undistributed earnings were remitted, an additional provision for income taxes of approximately $2,500,000 would be necessary.

THE NARDA MICROWAVE CORPORATION (JUN)

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of Accounting Policies and Practices:

Income Taxes—Provision has not been made for income taxes on the undistributed earnings of subsidiaries as it is the intention of management to either permanently reinvest such undistributed earnings or to merge subsidiaries on a tax-free basis. Investment tax credits are accounted for on the flow-through method, whereby they are applied as a reduction of the provision for income taxes in the year in which the assets which give rise to the credit are placed in service.

Note 3: Income Taxes—The provision for income taxes consists of the following:

	1974	1973
Current Tax Expense:		
Federal	$480,000	$393,000
States	115,500	70,000
	$595,500	$463,000

The undistributed earnings of the Company's "Domestic International Sales Corporation" (DISC) subsidiary on which federal income tax has not been provided and which have been or are intended to be permanently reinvested amounted to $342,060 at June 30, 1974.

The Company's effective total income tax provision differs from the federal statutory rate of 48%. The reasons for this difference are as follows:

	1974		1973	
	Amount	Percent	Amount	Percent
Federal statutory rate	$639,984	48.0%	$533,001	48.0%
Increases (reductions) due to:				
State income taxes, net of federal income tax benefits	60,060	4.5	36,400	3.3
Income taxes deferred indefinitely on profits of DISC subsidiary	(79,352)	(6.0)	(64,725)	(5.8)
Investment tax credits	(18,904)	(1.4)	(16,098)	(1.5)
Other	(6,288)	(0.4)	(25,578)	(2.3)
Actual Provision	$595,500	44.7%	$463,000	41.7%

ST. JOE MINERALS CORPORATION (DEC)

Notes to Financial Statements

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

Income Taxes—Deferred Federal and Canadian income taxes are provided for the tax effects of items reported in different periods for financial and income tax reporting purposes relating principally to accelerated depreciation, write-off for tax purposes of mineral and oil and gas exploration and development expenditures as incurred, and a portion of the income of a Domestic International Sales Corporation ("DISC") considered distributable for income tax purposes.

Deferred Federal income taxes on the accumulated earnings of the DISC which are not required to be distributed ($4,399,000 at December 31, 1974) are not provided since the Corporation intends to postpone indefinitely the remittance of such earnings.

Deferred Federal income taxes on the accumulated undistributed earnings ($7,340,000 at December 31, 1974) of consolidated foreign subsidiaries are not provided because it is expected that such earnings will be reinvested by such subsidiaries.

Investment tax credits are applied as reductions of Federal income tax provisions in the years in which they arise.

STANDARD OIL COMPANY OF CALIFORNIA (DEC)

Summary of Significant Accounting Policies

Taxes—The provision for taxes on income in the consolidated statement of income includes current and deferred income taxes. Investment tax credits are applied as a reduction of Federal income taxes using the flow-through method. Income taxes are accrued for earnings of subsidiaries and corporate joint ventures which are intended to be remitted to the parent company in the near future. Income taxes are not accrued for unremitted earnings of subsidiaries and corporate joint ventures which have been, or are intended to be, indefinitely reinvested.

Notes to Financial Statements

Note 4: Taxes (Thousands of Dollars):

	1974	1973
Taxes Other Than Taxes on Income:		
Property, production, import duties and other taxes	$ 788,149	$ 740,982
Exercise taxes on petroleum products and merchandise ..	733,171	718,143
Total Other Taxes	$1,521,320	$1,459,125
Taxes on Income:		
U.S. Federal & State	$ 136,700	$ 92,000
Foreign............................	648,200	393,400
Total Income Taxes*........	$ 784,900	$ 485,400

*Excludes the Company's share of income taxes paid by affiliates which amounted in 1974 to $3,227 million, based on unaudited statements, and in 1974 to $1,177 million.

Income tax expense includes provision for deferred taxes and the amounts of deferred income tax for both 1974 and 1973 were not material in relation to taxes on income.

The Company's effective income tax rate varies from the statutory Federal income tax rate as a result of the following factors:

	1974	1973
Statutory Federal income tax rate .	48.0%	48.0%
Indefinitely reinvested income of foreign subsidiaries for which the Company has not provided Federal income tax	1.5	(2.4)
Excess of foreign income taxes over Federal income taxes at the statutory rate on income of U.S. subsidiaries operating in foreign countries.........................	19.3	10.8
Equity in net income of affiliated companies recorded on an after tax basis thus excluding income taxes paid by these affiliates...	(25.0)	(20.8)
State taxes on income, net of Federal income tax	3.5	2.0
The use of percentage depletion allowance for tax purposes.......	(2.4)	(2.0)
Intangible development costs deducted currently for tax purposes..........................	(1.6)	(1.9)
Other items, less than 2.4% each.	1.4	2.8
	44.7%	36.5%

Indefinitely reinvested earnings of subsidiaries and corporate joint ventures for which no provision has been made for income taxes aggregated approximately $1,120 million at December 31, 1974, exclusive of those amounts which if remitted would result in no tax by utilization of available foreign tax credits. These reinvested earnings represent an on-going portion of the Company's business, and the Company cannot presently visualize circumstances under which such earnings would be repatriated. While the amount of any income taxes on these indefinitely reinvested earnings, if distributed in the future, is not presently determinable, it would be minimized by utilization of tax credits and deductions.

TRW INC. (DEC)

Notes to Financial Statements

Income Taxes—Deferred income taxes arise principally from the use of accelerated depreciation for income tax purposes and straight-line depreciation for financial reporting purposes. Deferred income taxes have not been provided on undistributed earnings of certain subsidiaries which are considered to be indefinitely reinvested in fixed assets and working capital. Such undistributed earnings aggregated approximately $42 million and $29 million at December 31, 1974 and 1973, respectively, after considering the effect of available tax credits and deductions.

EXCISE TAXES

Thirty-five of the survey companies referred to excise taxes in their 1974 annual reports. Examples of excise tax presentations follow.

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 $1,360,074,000 in 1974 and $1,231,431,000 in 1973.

ATLANTIC RICHFIELD COMPANY (DEC)

	1974	1973
Revenues:		
Sales and other operating revenues (including excise taxes)	$7,166,933,000	$4,489,142,000
Earnings of affiliated companies accounted for on the equity method	35,890,000	7,585,000
Interest and other revenues	101,910,000	65,059,000
	7,304,733,000	4,561,786,000
Expenses:		
Costs and operating expenses	4,994,909,000	2,810,439,000
Selling, delivery, general and administrative expenses	325,711,000	338,907,000
Taxes other than income taxes	577,479,000	624,236,000
Depreciation, depletion, amortization and retirements	358,437,000	256,330,000
Interest	73,533,000	65,181,000
	6,330,069,000	4,095,093,000
Income before income taxes	$ 974,664,000	$ 466,693,000

Notes to Consolidated Financial Statements 1974

Notes 14 (in part): Taxes—Taxes Other Than Income Taxes (thousands of dollars)

	1974	1973
Excise	$427,251	$506,557
Property	59,106	53,407
Production	54,536	30,155
Miscellaneous	36,586	34,117
Total	$577,479	$624,236

FALSTAFF BREWING CORPORATION (DEC)

	1974	1973
Sales	$254,858,267	$242,950,024
Less Federal and State Excise Taxes	66,478,023	69,229,179
Net Sales	$188,380,244	$173,720,845

SUN OIL COMPANY (DEC)

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 distribution 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:

	1974	1973
	(Thousands of Dollars)	
Capital stock and franchise	$ 2,755	$ 3,366
Payroll	18,195	14,945
Crude oil and natural gas production	146,417	63,820
Ad valorem	37,596	32,650
Import, excise, sales and other	47,113	8,933
	252,076	123,714
Income Tax Expense Components:		
Income taxes currently payable:		
U.S. Federal	97,404	34,860
Foreign and other	255,196	76,974
Deferred taxes:		
U.S. Federal	14,240	27,701
Foreign and other	5,980	11,040
	372,820	150,575
Taxes Collected and Paid for Others:		
Excise taxes collected from customers	497,106	503,466
Taxes collected from employees	85,811	72,483
	582,917	575,949
	$1,207,813	$850,238

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*, present 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 3-16 summarizes the translation methods used by the survey companies to translate foreign currency accounts. Table 3-17 shows the accounting treatment of translation adjustments by those survey companies disclosing the amount of the translation adjustment. Table 3-17 excludes those companies (207 in 1974, 246 in 1973, 184 in 1972, and 52 in 1971) which referred to foreign operations but did not disclose the amount of a translation adjustment. Examples of translation disclosures follow.

TABLE 3-16: TRANSLATION OF FOREIGN CURRENCY ACCOUNTS

	1974	1973
Balance Sheet Accounts		
Current-Noncurrent method	175	158
Monetary-Nonmonetary method		
Inventory at historical	45	51
Inventory at current	39	35
All accounts except fixed assets at current	85	96
"Appropriate" rates	7	34
Other methods	43	17
Method not disclosed	37	46
No reference to foreign operations	169	163
Total Companies	**600**	**600**
Income Statement Accounts		
All accounts except depreciation at average rates	280	242
All accounts at average rates	38	30
Other methods	30	26
Method not disclosed	83	139
No reference to foreign operations	169	163
Total Companies	**600**	**600**

Statement of Translation Policy

AMERICAN CYANAMID COMPANY (DEC)

Notes to Consolidated Financial Statements of 1974 and 1973
(Thousands of dollars)

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

Currency translation—Assets, other than plants, equipment and facilities, and liabilities of foreign subsidiaries are included in the consolidated balance sheets at official or prevailing rates of exchange at year-end; foreign plants, equipment and facilities are included at the exchange rates in effect at the time of acquisition. Statement of earnings accounts are translated at the average rates of exchange in effect during the year except for depreciation and amortization which are translated at historical exchange rates. Gains on forward exchange contracts are recognized as contracts are settled. Anticipated losses are recognized currently. Exchange adjustments ($7,200 loss in 1974, $1,800 gain in 1973) are included in earnings of the respective years.

CUMMINS ENGINE COMPANY, INC. (DEC)

	1974	1973
Other (expense) or income:		
Interest expense	$(19,333,502)	$(11,883,284)
Interest income	3,006,456	3,260,159
Equity in net earnings (losses) of unconsolidated companies	(178,790)	280,000
Gain from translation of financial statements of foreign operations (Note 6)	50,756	1,172,850
Royalties, gains on sales of distributorship facilities and other income	2,664,099	2,907,567
	$(13,790,981)	$ (4,262,708)

Summary of Accounting Policies (in part):

Translation of the Accounts of Foreign Operations—The accounts of foreign operations are translated at U.S. dollar equivalents at market rates of exchange as follows: cash and marketable securities, accounts receivable, receivables due beyond one year, current liabilities, and long-term debt at year-end exchange rates; income and expense accounts at average exchange rates, except for depreciation and amortization; and all other accounts at historical rates. Realized and unrealized gains and losses on translation are included in earnings except for the unrealized deferred gain on the Convertible Unsecured Loan Stock.

Note 6 (in part): Foreign Operations—Net assets of consolidated subsidiaries and branches located outside of the United States at December 31, 1974 and 1973 consisted of (1973 columns omitted for presentation purposes):

(millions)	Net Current assets 1974	Non-Current assets 1974	Deferred income taxes 1974	Long-term debt 1974	Net assets 1974
United Kingdom	$16.3	$47.5	$ 7.3	$10.6	$45.9
Latin America	6.0	17.3	—	13.9	9.4
Other	6.0	2.5	—	—	8.5
	$28.3	$67.3	$ 7.3	$24.5	$63.8

Investments in unconsolidated companies located outside the United States (Note 2) $21.8

TABLE 3-17: TRANSLATION ADJUSTMENTS

	1974	1973	1972	1971
Accounting Treatment				
Ordinary charge or credit...	147	97	33	44
Deferred......................	59	63	19	47
Charged to reserve..........	24	22	28	15
Extraordinary charge or credit to income	—	4	14	35
Total Adjustments...............	**230**	**186**	**94**	**141**
Number of Companies				
Disclosing foreign exchange adjustment................	207	143	80	124
Not disclosing................	393	457	520	476
Total..................................	**600**	**600**	**600**	**600**

Gains from the translation of the financial statements of foreign operations of $50,756 and $1,172,850 are included in the 1974 and 1973 earnings, respectively, as are realized exchange gains (losses) of $198,841 and $(53,410). Unrealized translation gains of $226,330 and $477,590 relating to the Cummins Engine Company, Ltd., convertible loan stock is deferred at December 31, 1974 and 1973, respectively, and is included in accrued expenses in the Consolidated Statements of Financial Condition.

E. I. DU PONT DE NEMOURS & COMPANY (DEC)

Summary of Significant Accounting Policies
(Dollars in millions)

Translation of Foreign Currencies—The financial statements of foreign companies which are consolidated or which are carried at equity in net assets are translated into dollars generally on the following bases: (1) current assets, current liabilities, and long-term borrowings at current exchange rates; (2) plants and properties, related accumulated depreciation and obsolescence, and other assets at exchange rates prevailing at dates of acquisition; and (3) income and expense transactions at month-end exchange rates, except for depreciation which is based on the dollar-equivalent carrying value of the related assets. In 1974, net exchange losses, including net losses on unmatured forward exchange contracts, totaled $12.3. These losses, net of cumulative exchange gains of $1.5 at December 31, 1973, are being deferred and amortized over the life of the related debt giving rise to the losses. $1.0 was charged to expense in 1974, leaving a deferred loss of $9.8 at December 31, 1974, which is included under "Other Assets and Investments."

INTERNATIONAL MINERALS & CHEMICAL CORPORATION (JUN)

Financial Review

Subsidiaries and Affiliates (in part)—The accounts of foreign subsidiaries have been translated generally at (1) current rates for current assets and liabilities, (2) historical rates as of the dates of the transactions for long-term assets and liabilities and capital accounts and (3) average rates during the year for revenues and expenses, other than depreciation and depletion. Resultant gains or losses on translation together with realized gains or losses on foreign currency transactions generally have been included in earnings in the year incurred. Gains or losses on forward exchange contracts related to commercial transactions are included in earnings at the time the commercial transaction is so included. Provision for loss is made on other forward exchange contracts as incurred and related gains are included in earnings at settlement date. Included in other income were net gains of $1,448,000 in 1974 and net losses of $772,000 in 1973. If long-term receivables and payables at June 30, 1974 and 1973, were translated at current rates there would be no material effect upon the consolidated balance sheet at such dates.

Exchange Adjustment Included in Income

AMP INCORPORATED AND PAMCOR, INC. (DEC)

	1974	1972
Income from operations (after deducting depreciation of $16,805,000 and $13,128,000)	$99,286,000	$91,004,000
Exchange and Translation Gains....	368,000	1,453,000
Interest Expense.....................	(12,004,000)	(3,171,000)
Other Income, net..................	2,994,000	1,554,000
Income before income taxes.....	$90,644,000	$90,840,000

Notes to Combined Financial Statements

Note 1 (in part): Summary of Accounting Principles:

Translation of International Operations—The accounts of international operations are translated to U.S. dollars as follows: assets (except fixed assets), liabilities, and income and expense items (except depreciation), at current exchange rates; other accounts, at historical exchange rates.

Losses (cost vs. market) on forward exchange contracts are recognized currently. Gains are recognized when realized at maturity or sale.

Gains resulting from changes in rates used to translate assets and liabilities, net of any subsequent losses in translation, are deferred until deemed realized. Deferred gains are deemed realized when retained earnings of international subsidiaries which include translation gains are remitted as dividends. Exchange gains and losses are recognized currently.

Note 3: International Operations—As a result of including the accounts of international operations, the combined financial statements as of December 31, 1974 include assets of $156,593,000 ($120,467,000 current) and liabilities of $104,093,000 ($86,622,000 current), or net assets of $52,500,000. The additional net income, as a result of including these international operations, amounted to $23,687,000 in 1974 and $26,019,000 in 1973.

Exchange and translation gains, net of losses, for the two years ended December 31, 1974 were:

	1974	1973
Deferred, beginning of year	$600,000	$ —
Originating during the year	568,000	2,053,000
Included in income:		
Originating in current year	(178,000)	(1,453,000)
Originating in prior year	(190,000)	—
Deferred, end of year	$800,000	$600,000

Deferred gains are included in the balance sheet caption—Deferred Income.

Availability of remittances to the parent company is subject to exchange controls and other restrictions of the various countries.

THE GOODYEAR TIRE & RUBBER COMPANY (DEC)

Accounting Policies

Translation of Foreign Currency—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 into 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.

Notes to Financial Statements

Foreign Operations—Earnings from foreign operations included in consolidated net income for 1974 amounted to $57,711,000 ($64,498,000 in 1973). Devaluation and operating losses in German subsidiaries, reflecting a severely depressed tire industry, were the principal reasons for the decline in earnings. After deducting $36,137,000 in 1974 for minority shareholders' equity, net foreign assets were $831,207,000 at December 31, 1974 ($719,809,000 at December 31, 1973).

Foreign currency exchange adjustments were as follows:

(in Thousands)	1974	1973
Total exchange adjustments	$44,607	$12,582
Applicable to long term debt deferred to future	(22,369)	(10,296)
	22,238	2,286
Amortization of previous deferrals	3,860	1,615
Charged to income	$26,098	$ 3,901

The unamortized balance of deferred exchange adjustments included in deferred charges at December 31, 1974 was $33,591,000 ($15,082,000 at December 31, 1973), representing future charges to income of $17,232,000 after taxes where applicable ($5,283,000 at December 31, 1973).

PHILIP A. HUNT CHEMICAL CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Major Accounting Policies:

International—Current assets and current liabilities of non-U.S. subsidiaries are translated at the rates of exchange in effect at the close of the period. Non-current assets are translated at historical exchange rates. The Company has no long-term foreign receivables or payables. All foreign exchange adjustments are charged or credited to income. Revenue and expense accounts for each month are translated at the average rates of exchange in effect during the month, except for depreciation and amortization, which are translated at historical exchange rates. Unrealized gains and losses from currency translations are included in income.

Note 7: Foreign Operations—The following summarizes the combined financial data of foreign subsidiaries included in consolidation (after elimination of intercompany transactions):

	1974	1973
Net current assets	$ 6,909,754	$ 5,644,625
Net assets	7,278,367	6,033,921
Net sales	11,206,779	8,925,776
Foreign currency translation gains (included in Other income)	832,563	128,341
Net income	2,134,475	2,040,869

MOTOROLA, INC. (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Accounting Policies:

International—The accounts of the company's operations outside the United States have been translated as follows: plant and equipment at currency rates prevailing when acquired; other assets and liabilities at yearend rates; and operating accounts at rates prevailing during the year except depreciation charges which are translated at the historic rates of the related assets. The net currency translation gain for the year was $339,000 ($2,443,000 in 1973) of which $89,000 ($1,661,000 in 1973) has been credited to earnings for the year and $250,000 ($782,000 in 1973) has been credited to deferred translation gains. At December 31, 1974, the total translation gain deferred and included in Accrued Expenses and Other is $1,250,000 ($1,000,000 in 1973).

The company's equity in undistributed earnings of non-U.S. subsidiaries and affiliates included in consolidated retained earnings at December 31, 1974 amounted to $39,400,000 ($26,904,000 in 1973). Certain of these earnings may be taxable in the United States upon distribution; however, it is intended that these earnings be permanently invested in operations outside the United States and accordingly, no provision has been made for United States taxes.

THE SINGER COMPANY (DEC)

	1974	1973
	(Amounts in Millions)	
Operating Income	$122.4	$203.8
Other Income (Expense):		
Interest	(85.0)	(54.8)
Foreign exchange adjustments	(23.1)	6.9
Other	15.7	12.1
	(92.4)	(35.8)
Income from continuing operations before income taxes	30.0	168.0
Provision for income taxes	1.0	65.8
Income from Continuing Operations	$ 29.0	$102.2

Summary of Accounting Policies

Foreign Operations—Current assets and liabilities of branches and subsidiaries located outside of the United States are translated into U.S. dollars at the rates of exchange in effect at the balance sheet dates. Non-current assets and liabilities are translated at historical rates. Revenue and expense accounts are translated at the rate of exchange in effect during each month except for depreciation and amortization which are translated at the rates of exchange in effect when the assets were acquired.

Exchange adjustments, including forward exchange contracts and hedging costs related to foreign borrowing, are charged or credited to income when a significant change in currency valuation occurs or when incurred.

Foreign exchange adjustments, previously combined with other income and expense captions, have been retroactively reclassified in the 1973 Statement of Income to conform to new Financial Accounting Standards Board disclosure policies.

Exchange Adjustment Deferred

THE DOW CHEMICAL COMPANY (DEC)

Accounting Principles

Translation of Foreign Currencies—Property in foreign countries is translated into United States dollars at the exchange rates which prevailed at the dates the assets were acquired. All other assets and liabilities are translated generally at current rates of exchange. Revenues and expenses are translated at the average exchange rates for the year, except that depreciation reflects the historical rate. Unrealized losses on forward exchange contracts are recognized currently while gains are recorded at maturity. All exchange gains or losses in developing countries (principally Latin America) are credited or charged to income currently. In developed countries, net gains or losses on translation of long-term debt, net of losses or gains arising from forward contracts and from the translation of assets and other liabilities, are deferred and amortized over the life of the debt.

Notes to Financial Statements

Note 1: Foreign Exchange—Deferred exchange losses (gains) realized in developed countries and related amortization are shown below (thousands of dollars):

	1974	1973
Exchange losses deferred at beginning of year	$ 1,495	$2,298
Deferred during the year	31,997	(73)
Total	33,492	2,225
Amortization	8,976	730
Exchange losses deferred at end of year	$24,516	$1,495

In addition to the above amortization, operations in 1974 and 1973 were charged with $15,317,000 and $9,575,000, respectively, for net losses on translation of financial statements stated in currencies of developing countries.

There were no unrecorded gains on forward contracts at December 31, 1974. At December 31, 1973, gains on forward contracts of $3,516,000 were not recorded.

FMC CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Principal Accounting Policies:

Foreign currency translation—Balance sheet accounts of foreign subsidiaries are translated at approximate rates of exchange in effect at the end of the year, except that investments, property, plant and equipment and intangibles are translated at approximate rates of exchange in effect at the dates the assets were acquired. Income statement accounts are translated at the approximate rates of exchange in effect during the year, except for depreciation which is at historical rates. Exchange adjustments other than those described in the following paragraph are charged or credited directly to income.

Unrealized gains or losses on translation of foreign currency bonds issued by FMC are being amortized to interest expense over the remaining term of the bonds (see Note 13).

Note 13: Foreign operations—Net assets, sales and net income of consolidated foreign subsidiaries (including investments in and equity in earnings of foreign affiliates) were as follows:

	1974	1973
Net assets at year end	$ 95,789,000	$ 78,984,000
Sales	174,377,000	130,292,000
Net income	13,322,000	13,989,000

Dividends of $1,898,000 in 1974 and $1,485,000 in 1973 were received from such foreign operations.

Foreign currency exchange adjustments are summarized as follows:

	1974	1973
Gain (loss) originating in the period	$(6,816,000)	$3,054,000
Deduct unrealized (gain) loss deferred	6,832,000	(1,860,000)
Amortization of deferred gain	37,000	—
Gain included in income	$ 53,000	$1,194,000
Deferral of unrealized loss (gain) at end of year (deferred charge and current liability, respectively)	$5,009,000	$(1,860,000)

HARSCO CORPORATION (DEC)

Notes to Consolidated Financial Statements

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

Foreign Currency Translation—The general policy followed in the translation of foreign currency items is to state assets (except net property, plant and equipment) and liabilities at appropriate year-end rates of exchange. Net property, plant and equipment is translated at the rates in effect at dates of acquisition. Income, costs and expenses (other than depreciation) are translated at rates prevailing during the year. Effective January 1, 1973, the Company adopted the policy of deferring unrealized translation gains reduced by unrealized losses, and including these amounts in income when subsequently realized. Previously all translation gains and losses were included in income. The cumulative effect of this change on prior years was not significant.

Note 2: International Operations—Amounts included in the consolidated financial statements relating to foreign branches, foreign subsidiaries and an associated foreign company accounted for on an equity basis are as follows:

	Dec 31, 1974	Dec 31, 1973
Net assets	$32,648,000	$29,110,000
Net sales	60,451,000	53,383,000
Net income	9,767,000	7,436,000

A major part of the net foreign income for 1974 and 1973 has been remitted to the United States. Foreign investment grants included in the consolidated statements of income amounted to $252,000 in 1974 and $329,000 in 1973.

An analysis of foreign translation adjustments is as follows:

	1974	1973
Deferred translation gain, beginning of year	$700,000	—
Translation (loss) gain originating during the year	(108,000)	$1,280,000
Realized gain included in income	(592,000)	(580,000)
Deferred translation gain, end of year	—	$ 700,000

KAISER ALUMINUM & CHEMICAL CORPORATION (DEC)

Notes to Financial Statements (thousands of dollars)

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

Financial Currency Translation—Assets and liabilities in foreign currencies are translated to United States dollars by application of the monetary/nonmonetary approach under which cash, receivables, and payables are translated at current or forward exchange contract rates of exchange and other assets and liabilities are translated at historical rates. The net exchange adjustment is deferred to the extent that it does not exceed the adjustment attributable to unhedged long-term obligations and amortized over the remaining useful lives of the appropriate nonmonetary assets. Revenues and expenses are translated at average exchange rates in effect during the year, except for charges relating to balance sheet items translated at historical rates. Gains and losses on forward exchange contracts are included in income currently.

Note 5: Foreign Operations—The consolidated financial statements for 1974 and 1973 include foreign assets of $561,000 and $534,000; and liabilities of $191,000 and $204,000. Investments and advances included in the foreign assets were $310,000 and $298,000 at the same dates. Equity in earnings and companies not consolidated included earnings of foreign companies of $11,500 and $15,400 in 1974 and 1973. The Corporation is dependent to a large extent on foreign sources of raw materials.

Late in 1974 a wholly-owned subsidiary, Kaiser Bauxite Company (KBC), the Corporation's major supplier of bauxite, entered into an agreement in principle with the Government of Jamaica for the sale to the Government, at book value, of KBC's bauxite lands and a 51% undivided interest in KBC's mining assets. The consolidated balance sheet at December 31, 1974 included $12,000 of land and $16,000 of mining assets which are subject to the agreement.

Exchange adjustments attributable to unhedged long-term debt (principally of companies accounted for by the equity method) are included in investments and advances and other assets as follows:

	1974	1973
Deferred exchange adjustments, January 1	$33,600	$15,200
Exchange adjustments originating during the year	(11,600)	21,200
Amortization of deferred exchange adjustments originating in:		
Current year		(1,300)
Prior years	(2,700)	(1,500)
Deferred exchange adjustments, December 31	$19,300	$33,600

Net exchange losses in 1974 and 1973 of $800 and $1,500 representing exchange adjustments not attributable to long-term debt have been included in income.

PARKER-HANNIFIN CORPORATION (JUN)

Notes to Financial Statements

Note 1 (in part): Accounting Policies:

Foreign Exchange—Assets and liabilities of foreign subsidiaries have been translated to U.S. dollars at exchange rates in effect at the end of the period except that net plant and equipment and long-term debt have been translated at rates prevailing at dates of acquisition or issuance. Translated at year end exchange rates, long-term debt would increase by $1,084,000. Sales and expenses are translated at the average exchange rates for the year. Realized exchange adjustments are included in the consolidated results of operations. Unrealized exchange adjustments are charged or credited to a deferred exchange gain account in the year of occurrence.

During the year ended June 30, 1974 net foreign exchange gains of $995,000 were realized and included in other income. Of this amount, $921,000 was previously included in the deferred exchange gain account, and the balance occurred during the current year. Also during 1974, $299,000 of unrealized exchange adjustments were credited to the deferred gain account. The $910,000 balance in this account at June 30, 1974 is carried in the current liability section of the balance sheet as a reserve for future currency fluctuations and revaluations.

WARNER-LAMBERT COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Significant Accounting Policies:

Translation of Financial Statements in Foreign Currencies—Fixed assets and related depreciation and other non-current assets of foreign entities are translated at approximate rates of exchange in effect at dates of acquisition. Other assets and liabilities are translated at year-end rates. Results of operations, other than charges for depreciation and amortization of non-current assets, are translated at average rates of exchange in effect during the year. Foreign currency exchange gains and losses are reflected in net income in the year they arise, except that unrealized exchange gains are deferred to the extent not offset by unrealized exchange losses.

Note 2: International Operations—Warner-Lambert's international business accounts for approximately 43 per cent of Warner-Lambert's total sales. At December 31, 1974 and 1973 consolidated foreign subsidiaries and branches had net current assets of $271,540,000 and $210,514,000 and total net assets of $428,871,000 and $338,588,000, respectively. Gains, net of losses, on foreign exchange transactions in 1973 totaled $6,463,000 of which $5,364,000 was deferred at December 31, 1973. In 1974 losses, net of gains on foreign exchange transactions totaled $3,691,000 of which $2,988,000 has been charged against the deferral. At December 31, 1974, net cumulative deferred gains on foreign exchange transactions were $2,376,000.

Effect of Translating Long Term Receivables and Payables at Current Rates

AIRCO, INC. (DEC)

Statement of Accounting Policies

Translation of Foreign Currencies—Current assets and current liabilities are translated into U.S. dollars at the exchange rates in effect at the reporting dates. Long-term assets and liabilities and stockholders' equity accounts (other than retained earnings) are translated at the rates of exchange in effect when acquired, incurred or issued. Revenues, costs and expenses for each month are translated at the exchange rate in effect at the end of the month, except for depreciation and amortization which are translated at the rates of exchange in effect when the respective assets were acquired. Net unrealized gains from foreign currency translation are deferred. Net unrealized losses from foreign currency translation are charged to income to the extent that they exceed gains previously deferred. All other exchange adjustments are charged or credited to income.

Notes to Financial Statements

Foreign Operations—At December 31 and for each year then ended, the net assets, sales and income of consolidated foreign subsidiaries were:

	1974	1973
Net assets	$39,701,000	$30,371,000
Net sales	$59,994,000	$50,142,000
Net income	$ 6,671,000	$ 2,551,000

Net unrealized gains from foreign currency translation amounted to $1,828,000 in 1974 and $924,000 in 1973. In both years such amounts were deferred and included in other liabilities—miscellaneous. The balance of net unrealized gains from foreign currency translation amounted to $3,097,000 at December 31, 1974, and $1,269,000 at December 31, 1973. Realized exchange gains included in income amounted to $6,000 in 1974 and $129,000 in 1973. Long-term debt repayable in foreign currency would increase by $733,000 if translated at rates prevailing at December 31, 1974.

BORG-WARNER CORPORATION (DEC)

Summary of Accounting Policies

Translation of Currencies—Current assets and liabilities of non-U.S. operations have been translated into U.S. dollar equivalents at rates prevailing at the end of each period. Non-current assets and liabilities have been translated generally at rates prevailing at the date assets were acquired or liabilities incurred.

Additional amounts that would be payable upon maturity of long-term debt translated at year-end exchange rates are reflected in interest expense over the life of the debt by use of the interest method. Net unrealized gains from translation of current accounts are being deferred in the balance sheet because of the continuing worldwide realignments of currencies in relation to the U.S. dollar.

The statements of earnings of non-U.S. operations have been translated at weighted average exchange rates prevailing during each period, except that depreciation has been translated at exchange rates prevailing at the time the related assets were acquired.

Notes to Financial Statements

Operations outside the United States—Borg-Warner's equity in earnings of consolidated subsidiaries located outside the U.S. was $12.8 million in 1974 and $11.7 million in 1973.

Borg-Warner's equity in the net assets of these companies at December 31, is summarized as follows:

(millions of dollars)	1974	1973
Current assets	248.1	$200.4
Non-current assets	152.1	146.3
Total assets	400.2	346.7
Current liabilities	105.7	120.6
Non-current liabilities	95.5	95.9
Net assets before minority interests	199.0	130.2
Minority interests	11.7	9.7
Borg-Warner's equity in net assets	$187.3	$120.5

At December 31, 1974, the net unrealized gain resulting from translation of current accounts of non-U.S. consolidated subsidiaries amounted to $6.8 million after reflecting increases of $.1 million in 1974 and $3.8 million in 1973.

The additional dollars that would be payable if long-term debt of these subsidiaries were translated at year-end exchange rates amounted to $9.5 million in 1974 and $7.6 million in 1973. Long-term debt was increased $2.1 million in 1974 and $1.4 million in 1973 to recognize that year's portion of the change in translation rates. After reflecting these charges to earnings, the additional dollars payable on long-term debt increased by $1.9 million in 1974 and $5.2 million in 1973.

Borg-Warner's equity in underlying net assets of its South American subsidiaries at December 31, translated at exchange rates in effect at each year-end, exceeded the carrying value of these companies by $12.5 million for 1974 and $11.6 million for 1973. Dividends from these companies, which are included in earnings, amounted to $149 thousand in 1974 and $1.1 million in 1973.

CONTROL DATA CORPORATION (DEC)

Accounting Policies

Translation of international accounts—The accounts of wholly-owned international subsidiaries and branches have been adjusted to conform to U.S. accounting principles and practices and have been translated to appropriate U.S. dollar equivalents. Property, plant and equipment (and related depreciation), inventory purchased from the U.S., long-term contracts receivable, customer advances, and long-term debt, are translated at exchange rates in effect at time of acquisition. Other assets and liabilities are translated at year-end exchange rates. Revenues and expenses, other than depreciation and costs of inventory used, are translated at exchange rates in effect during the year. Exchange adjustments are charged or credited to income currently.

Notes to Consolidated Financial Statements

Note B: International Operations—Net assets of wholly-owned international subsidiaries and branches included in the balance sheets at December 31, 1974 and 1973 are as follows:

	1974	1973
Current assets	$235,556,000	$198,482,000
Less current liabilities	189,617,000	186,718,000
Net current assets	45,939,000	11,764,000
Property, plant and equipment, net	121,012,000	106,372,000
Net other assets (liabilities)	(17,397,000)	16,228,000
Parent's equity and advances (including advances of a finance subsidiary)	$149,554,000	$134,364,000

Currency exchange adjustments resulted in a net charge against income of $7,317,000 before taxes in 1974 and a credit to income of $2,191,000 before taxes in 1973. If translated at rates of exchange in effect at December 31, 1974, instead of at historical rates, the long-term contract receivables would increase by $4,954,000 and the long-term debt and customer advances would increase by $4,852,000.

STERNDENT CORPORATION (DEC)

Notes to Financial Statements

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

Translation of Foreign Currencies—Current assets and liabilities of foreign subsidiaries are translated at the rates prevailing at the end of the period; other assets and liabilities are translated at approximate rates prevailing at acquisition dates. Operating results are translated at weighted average rates for the year, except for depreciation, which is translated at the same rates as applied to property, plant and equipment. All exchange adjustments are included in earnings. In 1974 there were net exchange gains of $347,000 (compared to net losses of $163,000 in 1973). Such gains were partially offset by lower margins realized on sales by foreign subsidiaries to foreign customers which were paid for in a weaker currency.

If long-term receivables and payables had been translated at current rates, the former would decrease $2,000 at the year end, the latter would increase $47,000.

Forward Exchange Contracts

AMAX INC. (DEC)

Notes to Financial Statements
(Dollars in thousands)

Note 1 (in part): 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. Unrealized gains from foreign currency translation are deferred and are 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 gains of $6,450 and losses of $5,180 were included in 1974 and 1973 earnings. Losses on open forward exchange contracts of $860 at December 31, 1974 were charged against earnings and profits on open forward exchange contracts of $4,360 at December 31, 1973 were deferred. Unrealized foreign exchange gains of $2,700 and $7,750 arising from currency translations are deferred in Reserves and other liabilities at December 31, 1974 and 1973. Translated at rates of exchange in effect on December 31, 1974 and 1973 long-term debt would increase by $710 and $480.

AMPCO-PITTSBURGH CORPORATION (DEC)

Notes to Consolidated Financial Statements

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

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, 1974 and 1973, the net gain on exchange adjustments reflected in the determination of income amounted to $95,861 and $81,671, respectively. At December 31, 1974 and 1973, the unrecognized gain (loss) on unperformed forward exchange contracts amounted to $(43,478) and $58,785, respectively.

THE CARBORUNDUM COMPANY (DEC)

1974 Financial Review

Summary of Significant Accounting Policies (in part):

The Company applies the current-non-current method for translation of accounts of foreign subsidiaries. Under this method all non-current assets, principally, property, plant and equipment, and related depreciation accounts are translated based upon rates of exchange which were in effect when these accounts were acquired. Other asset and liability accounts are translated at the exchange rate prevailing at the end of the year. Income and expenses other than depreciation, are translated at exchange rates prevailing during the year at each month-end. Foreign exchange translation credit adjustments attributable to unstable currency exchange conditions are deferred in a reserve for foreign currency exchange. Such deferred credits are utilized to offset foreign exchange losses.

Working Capital (in part)—Foreign exchange adjustments originating in 1973 attributable to unstable currency exchange conditions resulted in a net credit of $1.8 million which was deferred in a reserve for foreign currency exchange at December 31, 1973. Net exchange adjustment losses of $.2 million were charged to the reserve in 1974. The balance of $1.6 million at December 31, 1974 is included in the caption, interest, taxes and other liabilities in the consolidated balance sheet. Exchange adjustment gains of $.4 million in 1974 and losses of $.6 million in 1973 resulting from the settlement of foreign currency exchange contracts and transactions denominated in different currencies were reflected in operations.

At December 31, 1974, the Company held foreign currency exchange contracts aggregating $33.7 million which mature during 1975. Based on exchange rates at December 31, 1974, the Company has unrealized losses on these contracts of $1.6 million net of tax. It is the Company's intention to offset any loss realized at the maturity of these contracts against the foreign currency exchange reserve.

NABISCO, INC. (DEC)

Statement of Accounting Policies

Translation of Foreign Currencies—Nabisco translates the accounts of subsidiaries which are stated in foreign currencies into U.S. dollars in the following manner: property, plant and equipment, accumulated depreciation and excess of investment in consolidated subsidiaries over net assets at historical rates; the remaining assets and liabilities at current rates of exchange. Revenue and expense items other than depreciation are translated at average rates of exchange in effect during the period the transactions occurred.

Generally, unrealized gains and losses from the foreign currency translation method as described above, as well as realized gains and losses from forward exchange contracts, are reflected in results of operations.

Notes to Financial Statements

Foreign Exchange Adjustments—Foreign currency translation gains of $151,000 and $3,192,000 are included in net income in 1974 and 1973, respectively. In addition, Nabisco realized forward exchange contract gains, net of income taxes, amounting to $1,908,000 in 1974 and $577,000 in 1973.

Foreign exchange adjustments are included in "Miscellaneous income, net" in the Statement of Income and Retained Earnings.

LONG-TERM CONTRACTS

ARB No. 45 discusses the percentage of completion method and completed contract method which are the two accounting methods usually followed in accounting for long term construction-type contracts. Chapter 11 of *ARB No. 43* presents a detailed discussion of accounting procedures appropriate for United States Government contracts. *Accounting Series Release No. 164,* issued in November 1974 by the Securities and Exchange Commission to amend *Regulation S-X,* specifies expanded disclosures for such aspects of long-term contract activity as "the nature of costs accumulated in inventories, the effect of cost accumulation policies on cost of sales, and the effect of revenue recognition practices on receivables and inventories." The expanded disclosure requirements of *ASR No. 164* apply to financial statements for periods ending on or after December 20, 1974 which are included in SEC filings.

Table 3-18 summarizes accounting methods used by the survey companies for long-term contracts. Examples of disclosures regarding long-term contracts follow.

TABLE 3-18: METHOD OF ACCOUNTING FOR LONG-TERM CONTRACTS

	1974	1973	1972	1971
Percentage-of-completion	50	66	62	36
Completed contract	11	10	12	8
Not determinable	10	10	6	20
Referring to long-term contracts	**71**	**86**	**80**	**64**
Not referring to such contracts	529	514	520	536
Total Companies	**600**	**600**	**600**	**600**

Percentage Of Completion Method

ALPHA PORTLAND INDUSTRIES, INC. (DEC)

	1974	1973
Revenues:		
Construction contracts	$116,013	$115,445
Cement and aggregates	56,347	55,058
Interest and other	2,134	1,775
Total revenues	174,494	172,278
Costs and Expenses:		
Construction contracts	103,378	105,744
Cement and aggregates	35,723	30,235
Freight on cement shipments	8,397	9,637
Selling and administrative	10,789	9,423
Depreciation	4,543	4,430
Interest	2,492	2,442
Total costs and expenses	165,322	161,911
Income Before Income Taxes	$ 9,172	$ 10,367

Additional Financial Information, December 31, 1974 and 1973 (Dollars in Thousands)

	1974	1973
Accounts Receivable:		
Construction contracts:		
Billed and billable (excluding retainage)	$12,706	$14,434
Retainage, due upon completion of contracts	4,066	4,912
Trade—cement and aggregates	5,336	5,045
Total	$22,108	$24,391
Retainage Due To Subcontractors (amounts in accounts payable due upon completion of contracts)	$ 2,912	$ 4,129
Construction Joint Ventures:		
Joint venture assets	$53,586	$47,446
Joint venture liabilities	23,578	23,040
Net assets of joint ventures	30,008	24,406
Less equity of other participants	14,696	14,537
Company's equity in net assets	$15,312	$ 9,869
Company's share of operations:		
Revenues	$49,285	$ 48,754
Costs and expenses	43,929	44,234
Equity in earnings	5,356	4,520
Capital contributions, net of withdrawals	2,353	285
Cash distributions of earnings	(2,266)	(596)
Net increase in equity in net assets	$ 5,443	$ 4,209

Summary of Significant Accounting Policies

Construction Accounts—Earnings on long-term construction contracts are recorded on each contract reaching a stage of twenty per cent completion 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. Claims for additional contract revenues are not recognized in the accounts until claims have been allowed.

Balances billed but not paid pursuant to retainage provisions under construction contracts generally become due upon completion of the contracts and acceptance by the owner. Construction contracts are normally completed within two to four years.

Costs and estimated earnings in excess of billings on uncompleted contracts comprise principally revenues recognized on contracts for which billings have not been presented to the contract owners at the balance sheet date. Such revenues are expected to be billed and collected generally within one year.

Revenues and costs and expenses relating to construction contracts include the companies' proportionate share of such items applicable to joint ventures. The investment in construction 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 construction joint ventures has been classified as current.

THE AMERICAN SHIP BUILDING COMPANY (SEP)

Notes to Consolidated Financial Statements

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

Contract Revenue Accounting—Revenues and costs applicable to long-term construction contracts are included in the statements of income as work progresses on the percentage-of-completion accounting method. The performance of such contracts may extend our several years, and revisions in the contract estimates during performance and upon final contract settlements have the effect of including in subsequent accounting periods adjustments necessary to reflect the results of these revised estimates and final contract settlements.

Profits, after allocation of certain overhead expenses, on the construction and sale of vessels which in turn were leased back to the Company or its subsidiaries, have been deferred and are being amortized net of any warranty costs over the lease term.

Note 2: Major Vessel Construction Contract—The Company's principal ship building contract in progress at September 29, 1974, is a cost-plus contract for two vessels with construction extending through 1977 with a maximum sales price of $72,500,000. The Company has negotiated a tentative agreement with the purchaser which provides, among other things, for reimbursement to the Company of costs incurred in excess of the original contract amount, up to a maximum of $2,500,000, and prohibits any subsequent adjustment to the contract price. Final agreement is dependent upon certain conditions and approval of the Board of Directors of both companies; the Company expects such agreement in January, 1975. Construction costs incurred through September 29, 1974, represent 6% of the estimated total costs of the contract. In the opinion of management, no loss will be incurred on this contract if the revision in contract price is obtained. This contract provides, among other things, that in the event of default by the Company, the purchaser may take possession of the shipyard solely to assure completion of these vessels.

THE BABCOCK & WILCOX COMPANY (DEC)

	1974	1973
Sales (on percentage of completion method for long-term contracts)	$1,277,167,907	$1,063,741,075
Costs and expenses:		
Costs and operating expenses	1,091,439,417	919,517,356
Research and development expenses	21,840,132	21,028,084
Selling, general and administrative expenses	63,814,609	58,478,220
Depreciation of plant and equipment	24,849,701	21,640,224
	1,201,943,859	1,020,663,884
Income from operations	$ 75,224,048	$ 43,077,191

Summary of Significant Accounting Policies

Long-term contracts—A significant part of the company's business is done under contracts requiring long periods to perform, in many cases several years. For financing accounting purposes, the company records sales and cost of sales by the percentage of completion method related principally to shipments or, in the case of nuclear contracts, to incurred direct labor. Sales so recorded are carried in unbilled sales until invoiced to customers under terms of the contracts.

The costs recorded on uncompleted individual long-term contracts within each fiscal period are based upon estimates to complete. Under certain contracts, sales price are subject to adjustments, primarily related to escalation. Contract price and cost estimates are reviewed periodically as the work progresses and adjustments proportionate to the percentage of completion are reflected in the period when such estimates are revised.

Under the foregoing accounting for long-term contracts, inventories are stated at accumulated production costs less estimated cost of sales. Production costs include raw materials, direct labor, manufacturing overhead and contract engineering. The amount at which such inventories are carried does not exceed realizable value. In conformance with industry practice, inventories include amounts realizable after one year. Progress payments applicable to inventories are deducted for balance sheet presentation.

Notes to Consolidated Financial Statements

Note 1: The consolidated inventories at December 31 are summarized below:

	1974	1973
Raw materials and supplies	$117,183,000	$ 78,891,000
Work in process	247,590,000	161,504,000
Finished products	24,480,000	13,497,000
	389,253,000	253,892,000
Less: Progress payments	81,338,000	32,305,000
	$307,915,000	$221,587,000
Inventories relating to long-term contracts included in the above	$147,577,000	$108,365,000

Note 2: Included in consolidated accounts receivables are amounts representing billed retainages on long-term contracts which are collectible upon acceptance by the customer, as follows:

	1974	1973
Retainages	$13,517,000	$ 9,718,000
Retainages expected to be collected after one year	$ 2,720,000	$ 2,959,000

Unbilled sales include amounts expected to be collected after one year—$18,089,000 as at December 31, 1974 and $27,091,000 as at December 31, 1973.

BATH INDUSTRIES, INC. (DEC)

Summary of Significant Accounting Policies

Long-Term Contract Accounting Procedures—Shipbuilding contracts in process currently include two firm fixed price contracts, one cost plus incentive fee contract, one cost plus fixed fee contract and one cost type contract which includes both incentive fee and fixed fee features. The performance on these contracts normally extends over several years. Profit or loss on these contracts is estimated monthly based on current estimates as to total price and costs at completion. These estimates may include estimates as to price changes and increased costs because of change orders and claims.

Profits on fixed price contracts are accrued on the percentage of completion used for billing purposes. This percentage reflects progress for both labor and material. Profits on cost plus contracts are accrued based on total costs incurred to date. Losses on a contract are recorded during the period the loss in first indicated. Further adjustments of the loss may occur in subsequent periods when new estimates are made. Profits or losses accrued include the cumulative effect of changes in prior period's price and cost estimates.

The Company records as a current asset inventoried costs on long-term contracts plus accrued profits less write-downs to realizable value, less progress billings. As of December 31, 1974, there were no material inventoried costs associated with "learning curves" on multiship contracts.

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 subsequent years.

Notes to Consolidated Financial Statements

Receivables

	1974	1973
Trade and Other Receivables	$38,724,000	$44,478,000
Less—Allowances for Discounts and Uncollectible Accounts	3,728,000	6,258,000
	$34,996,000	$38,220,000
Long-Term Contracts		
Shipbuilding Billings	6,368,000	6,722,000
Shipbuilding Retainages	816,000	1,438,000
Other	1,338,000	1,832,000
	8,522,000	9,992,000
Total Receivables	$43,518,000	$48,212,000

Unreimbursed Costs and Accrued Profits To Be Billed

	1974	1973
Inventoried Costs plus Accrued Profits less Amounts in Excess of Realizable Value	$178,025,000	$138,154,000
Less Progress Billings	177,805,000	125,920,000
Total	$ 220,000	$ 12,234,000

On one contract, Amounts in Excess of Realizable Value and Progress Billings as of December 31, 1974 exceeded Inventoried Costs by $2,200,000.

Inventoried Costs and Accrued Profits amounts on December 31, 1974 and 1973 do not include any material amounts for change orders and claims.

General and administrative costs included in overheads charged to recoverable costs during 1974 and 1973 were $5,079,000 and $5,009,000, respectively. The amounts remaining in inventoried costs at December 31, 1974 and 1973 were immaterial.

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 and engineering 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 generally 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 that require such revisions become known.

COMBUSTION ENGINEERING, INC. (DEC)

Notes to Financial Statements

Note 1d: Long-term Contracts—Costs associated with long-term contracts are accumulated in work in process inventory and include both direct and indirect costs. Direct costs include, among other things, direct labor, field labor, drafting, subcontracting and direct materials. Indirect costs consist primarily of manufacturing overhead. General and administrative expenses are not inventoried. Inventoried costs relating to long-term contracts, less amounts attributed to earned billings (sales), aggregated $131,433,000 at December 31, 1974, and $92,805,000 at December 31, 1973, (Note 1e).

Profits on long-term contracts for financial reporting purposes are recorded principally on the basis of the estimated stage of completion. However, no profits are recorded on contracts for equipment manufactured in the Company's plants prior to billing the customer and, in most cases, prior to shipment of the equipment. These contracts extend over a period of several months to four or more years. Revisions in cost estimates during the progress of work under long-term contracts have the effect of including in subsequent accounting periods adjustments necessary to reflect the results indicated by the revised estimates of final cost. Projected or realized losses under long-term contracts, if any, are provided for in the period when first determined.

At December 31, 1974 and 1973, accounts receivable included (a) balances billed but not paid by customers under retainage provisions in long-term contracts and (b) receivables under long-term contracts which were not billable (primarily retainages which will be billed upon completion and acceptance of the equipment). The approximate amounts involved in these categories are shown below:

December 31,	1974	1973
Billed but unpaid retainage	$27,202,000	$24,999,000
Unbilled receivables (primarily retainage)	69,780,000	62,484,000
	$96,982,000	$87,483,000
Less amounts included in unearned billings	(67,462,000)	(60,249,000)
	$29,520,000	$27,234,000

Approximately $25,083,000 of the $29,520,000 shown above at December 31, 1974, is expected to be collected during 1975.

HOFFMAN ELECTRONICS CORPORATION (DEC)

Notes to Consolidated Financial Statements

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

Revenue Recognition on Long-Term Contracts—Revenue is recorded under long-term contracts on the basis of delivery to the customer. Unit costs of quantities delivered are determined by dividing the total estimated project cost by the contract quantity. When management's estimate indicates a loss project, the full amount of the loss is provided by a charge to income.

Note 2: Government Contract Inventories and Receivables—Following is a summary of government contract inventories and inventoried costs applicable to continuing operations:

December 31	1974	1973
Inventoried costs relating to long-term contracts and projects, net of amounts applicable to revenues recognized to date	$16,020,215	$12,110,232
Miscellaneous small orders in process	672,779	402,799
Common parts and supplies	796,019	620,720
	17,489,013	13,133,751
Less—Progress payments related to long-term contracts	10,076,631	10,819,264
	$ 7,412,382	$ 2,314,487

The following tabulation shows the cost elements included in inventoried costs relating to long-term contracts and projects:

December 31	1974	1973
Production costs of goods currently in process	$15,336,139	$11,391,427
Excess of production cost of delivered units over the estimated average cost of all units expected to be produced	410,240	387,217
Costs under contracts subject to future negotiation	273,836	331,588
	$16,020,215	$12,110,232

The excess of production cost of delivered units over the estimated average cost of all units expected to be produced under these projects is based on the total number of units ordered under firm contracts and the assumption that production costs (principally labor) will decrease as efficiencies associated with increased volume, improved production techniques and the performance of repetitive tasks (the learning curve concept) are realized. The excess of costs incurred over estimated average costs for the equivalent finished units in process at December 31, 1974 is $1,650,000.

Based on management's estimates of final project costs, all inventoried production costs which exceed estimated average costs are recoverable through the sales prices of existing firm orders.

Costs under contracts subject to future negotiation relate principally to contracts for repair and field engineering services which are negotiated based on actual cost incurred. The December 31, 1973 balance also included $199,000 in costs applicable to two production contracts which were settled in 1974.

Accounts receivable include $6,920,000 and $5,681,000 relating to long-term contracts and projects at December 31, 1974 and 1973, respectively. At December 31, 1974 there were no significant amounts of unbilled or retention receivables and substantially all receivables are expected to be collected in less than one year.

TENNECO INC. (DEC)

Notes to Financial Statements

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

Long-Term Contracts—Newport News Shipbuilding and Dry Dock Company, a subsidiary, reports profits on its long-term shipbuilding contracts, including those with the United States Navy, on the percentage-of-completion method of accounting, determined on the basis of costs incurred to date to estimated final costs. Newport reports losses on such contracts when first estimated. The performance of such contracts may extend over several years, and therefore, periodic reviews of estimated final revenues and costs are necessary during the term of the contracts. Final contract settlements and periodic reviews may result in revisions to estimated final contract profits or losses which have the effect of including cumulative adjustments to income reported to date in subsequent accounting periods.

In the accompanying balance sheets, "Accounts receivable" includes progress billings made to both the United States Navy and commercial customers. "Costs incurred and estimated profits or losses recorded on shipbuilding contracts in progress" includes principally revenues recognized on the percentage-of-completion basis for which billings have not yet been made and is composed of the following:

	1974	1973
	(Thousands)	
Revenues recognized to date on contracts in progress excluding amounts represented by retainage and claims	$1,988,636	$2,032,947
Retainage	64,066	61,066
Claims for equitable adjustment (net of provisional payments of $24,950,000 in 1973)	98,320	32,942
	$2,151,022	$2,126,955
Less billings to date	2,051,863	1,984,863
	$ 99,159	$ 142,092

The retainage shown above represents amounts not billable to the customer until acceptance at the end of a specific guaranty period. A substantial portion of these amounts will not be billable within one year.

Newport is in the process of preparing and/or has filed claims for equitable adjustment for additional work and delays incurred on Navy ship construction. Such amounts are subject to future negotiations and, accordingly, Newport has included its evaluation of the minimum amount estimated to be recoverable in "Costs incurred and estimated profits or losses recorded on shipbuilding contracts in progress." Newport does not expect that the claims for equitable adjustment will be settled within one year.

TRW INC. (DEC)

Notes to Financial Statements

Summary of Significant Accounting Policies (in part): Sales under long-term contracts for commercial products are recognized as deliveries of the product are made. The percentage of completion method of accounting is used to estimate sales value of performance under Government fixed-price and fixed-price incentive contracts. Sales under cost-reimbursement contracts are recorded as costs are incurred and include estimated earned fees in the proportion that costs incurred to date bear to total estimated costs. Fees based on cost or other incentives under certain Government contracts are included in sales at the time such amounts can be determined reasonably.

Long-Term Contracts and Programs—Following are the details of accounts receivable from long-term contracts and programs at December 31, 1974 (In thousands):

	U.S. Government	Commercial	Total
Billed	$25,616	$ 6,995	$32,611
Unbilled costs, fees, and claims:			
Recoverable	16,208	11,854	28,062
Subject to negotiation	1,202	48	1,250
Retainage	5,546	2,085	7,631
Totals	$48,572	$20,982	$69,554

Unbilled costs, fees and claims represent revenue earned but not billable at December 31, 1974 under terms of the related contracts. Substantially all of such amounts will be billed during 1975 as units are delivered and accepted by the customers.

Retainage receivables are billable upon completion of the related contracts and acceptance by the customers. These amounts are expected to be collected during 1975.

Inventories at December 31, 1974 include amounts applicable to long-term contracts and programs aggregating $8.4 million after deduction of progress payments of $2.2 million.

Completed Contract Method

CHICAGO BRIDGE & IRON COMPANY (DEC)

	1974	1973
Income:		
Contracts closed	$465,879,000	$364,824,000
Costs of contracts closed	377,513,000	282,431,000

Notes to Consolidated Financial Statements

Note 1 (in part): Accounting Policies:

Long-term contracts—The Company and its subsidiaries follow the completed contract method of accounting for income from long-term contracts. 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.

Retainage provisions of certain long-term contracts provide for amounts to be withheld from payment by the customer until completion of the work. It is the Company's policy to bill such amounts and include them in accounts receivable after work has been completed and the amounts withheld are due.

Costs charged to contracts include materials, direct engineering, fabrication and construction labor and applicable engineering, fabrication and construction overheads. Selling and administrative expenses are reflected in the income statements as period costs and are not allocated to contracts in progress.

FMC CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Principal accounting policies:

Revenue recognition for long-term contracts—Sales are recorded under fixed-price and fixed-price incentive contracts as deliveries are made. Sales under cost reimbursement contracts are recorded as costs are incurred and include estimated earned fees in the proportion that costs to date bear to total estimated costs. The fees under certain Government contracts may be increased or decreased in accordance with cost or performance incentive provisions which measure actual performance against established targets or other criteria. Such incentive fee rewards or penalties are included in sales at the time the amounts can be reasonably determined.

Note 4: Tanker construction program—FMC is constructing six 35,000 ton oil tankers under contracts with owner-banks which also provide for the chartering of the vessels, upon delivery, by the owner-banks to Standard Oil Company of California (SOCAL). In the opinion of management, substantial changes in the plans, specifications and drawings for these vessels were directed, requested or agreed to by SOCAL which have had an adverse impact on the cost of the vessels and the length of time required to construct them. FMC believes that these cost increases and construction delays are primarily attributable to the design changes and related matters for which SOCAL is responsible. SOCAL has questioned and may dispute this view. The total costs charged or to be charged to the project under this tanker construction program are estimated to exceed by approximately $50,000,000 the sum of (i) the original aggregate contract price of approximately $97,000,000, (ii) estimated future costs which, if incurred, are believed to be reimbursable pursuant to price escalation provisions of the contracts and (iii) amounts previously agreed upon as due to FMC for certain design changes. An allowance of $25,200,000, of which $17,823,000 is credited to inventory and $7,377,000 is included in accrued liabilities, has been provided through December 31, 1974 for possible excess costs which may not be reimbursed, resulting in after-tax charges to income of $1,200,000 ($0.04 per share) in 1973 and $11,900,000 ($0.37 per share) in 1974.

Aggregate costs incurred in the construction program through December 31, 1974 amounted to $50,689,000. Progress payments of $38,258,000 had been received as of that date, of which $32,866,000 was deducted from inventories with the balance being included in accounts payable. The first vessel currently is being outfitted and two other vessels are in course of construction. The allowance for estimated unreimbursed excess costs have been predicated in part upon the learning curve concept which anticipates a predictable decrease in unit costs as the design stabilizes and as tasks and production techniques become more efficient through repetition and also upon a continuation of inflation.

The contracts also include provisions which, if delivery of the vessel is not timely, under certain circumstances would require FMC (a) to assume ownership of the vessles, (b) to reimburse those parties who provided interim financing for the vessels' construction and (c) to seek to recover its investment by charter, sale or use of the vessels.

There are uncertainties inherent in the estimation of future costs and their recoverability and in the maintenance and interpretation of existing financing arrangements for the tanker construction. However, in the opinion of management, the resolution of such uncertainties and resulting adjustments, if any, in the amount of the foregoing allowance for estimated unreimbursed excess costs will not materially affect FMC's financial position or results of operations.

UNIVERSAL OIL PRODUCTS COMPANY (DEC)

	1974	1973
	($000)	
Income		
Royalties	$ 33,673	$ 25,278
Products		
Sales	$492,247	$418,913
Cost of sales	383,327	327,081
Gross profit—products	$108,920	$ 91,832
Completed construction contracts		
Revenues	$278,114	$176,902
Cost of construction	273,473	169,911
Gross profit—construction	$ 4,641	$ 6,991
Engineering and operating services		
Sales	$21,059	$ 14,865
Cost of sales	15,645	11,820
Gross profit—services	$ 5,414	$ 3,045
Income before general expenses	$152,648	$127,146
General expenses		
Selling and administrative	$ 89,121	$ 75,542
Research and development	23,642	22,225
Total general expenses	$112,763	$ 97,767
Operating income	$ 39,885	$ 29,379

Notes to Consolidated Financial Statements

Note 1 (in part): Accounting Policies:

Long-Term Construction Contracts—Construction contracts may be either (i) fixed-price, (ii) cost-reimbursable, (iii) cost-reimbursable with a guaranteed maximum price or (iv) any combination of the above for various segments of the contracts. Revenues and costs applicable to cost-reimbursable contracts are included in income at specified contract rates which relate to incurred contract costs (as defined in the contracts). Revenues and costs applicable to all other contracts are deferred until completion of the contract at which time they are included in income.

Anticipated losses from construction contracts are charged against income as soon as such losses become evident. Claims for supplemental contract costs, increasing revenue, are not recorded as income until they are agreed to by the customer upon completion of the contract.

Construction Contracts—At December 31, 1974 and 1973, the status of construction contracts in progress was as follows:

	1974	1973
Contracts on which costs exceed billings		
Costs incurred	$ 8,874,000	$ 9,007,000
Billings	5,095,000	6,093,000
	$ 3,779,000	$ 2,914,000
Contracts on which billings exceed costs		
Billings	$67,292,000	$208,593,000
Costs incurred	56,168,000	186,789,000
	$11,124,000	$ 21,804,000

Inventoried contract costs at December 31, 1974, have been reduced by $6,800,000 for expected losses.

OTIS ELEVATOR COMPANY (DEC)

	1974	1973
Revenues:	($000)	
Contracts completed (1974, $1,076,221 and 1973, $961,902) and other revenue	$1,104,171	$985,494
Interest income	7,408	6,131
Total	1,111,579	991,625
Costs and Expenses:		
Cost of contracts completed	775,832	692,943
Selling, general and administrative expense	215,502	179,724
Interest expense	19,039	16,898
Foreign exchange	(799)	(455)
Miscellaneous—net	1,218	6,714
Total	1,010,792	895,834
Income before provision for income taxes and minority interests	$ 100,787	$ 95,791

Financial Review

Accounting Policies:

Revenue Accounting—Elevator and escalator installation and modernization contracts and diversified systems contracts are recorded in the consolidated statements of income on the completed contract method. Cost of contracts in progress includes standard cost of manufactured components, actual installation cost and apportioned administrative and sales overhead cost. Capitalized administration and sales overhead costs of the current year on contracts in progress are recorded as other revenue. Service contracts and orders are recorded in income as earned. Sales of industrial trucks, material handling equipment and personnel carriers are recorded in the consolidated statements of income as completed contracts on shipment to customers.

DISCONTINUED OPERATIONS

Paragraph 8 of *APB Opinion No. 30* states:

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.

TABLE 3-19: DISCONTINUED OPERATIONS

	1974	1973
Operating Results of Discontinued Operations		
Disclosed in income statement	34	25
Disclosed in notes	11	24
Not disclosed	26	25
Total Companies	**71**	**74**
Loss or Gain From Disposal of Assets		
Disclosed in income statement	37	24
Disclosed in notes	10	39
Not disclosed	24	11
Total Companies	**71**	**74**
Number of Companies		
Disclosing discontinued operations	71	74
Not disclosing discontinued operations	529	526
Total	**600**	**600**

HOFFMAN ELECTRONICS CORPORATION (DEC)

	1974	1973
Income From Continuing Operations	$ 720,190	$1,089,199
Discontinued Operations (Note 4):		
Loss from operations of discontinued business (less applicable income tax benefits of $446,400 in 1974 and $982,200 in 1973)	(483,549)	(826,399)
Loss on disposal of discontinued business (less applicable income tax benefits of $906,200)	(1,027,741)	—
	(1,511,290)	(826,399)
Net Income (loss)	$ (791,100)	$ 262,800

Note 4: Discontinued Operations—Effective August 16, 1974 the company made the decision to discontinue operations of its Metal Products Division. The results of operations of such business for periods prior to August 16, 1974, are included in the consolidated statements of income under the caption "Loss from operations of discontinued business." The following is a summary of the operations of this business for periods prior to August 16, 1974:

	1974	1973
Net sales	$5,811,667	$ 8,202,749
Costs and expenses	6,741,616	10,011,348
Income tax benefit	446,400	982,200
Net loss	$ 483,549	$ 826,399

"Loss on disposal of discontinued business," represents the estimated loss associated with the disposal of the assets of the business, together with a provision of $238,000 for estimated operating losses subsequent to August 16, 1974, including $220,000 to be incurred in 1975 during the phase-out period.

At December 31, 1974 assets associated with the Metal Products Division consisted primarily of trade receivables ($726,759) and machinery and equipment ($700,000). These assets are carried at estimated realizable value and are shown as "Assets of discontinued business" in the accompanying balance sheets.

The company's 1973 consolidated financial statements have been restated to conform with the current year's presentation.

THE AMERICAN SHIP BUILDING COMPANY (SEP)

	1974	1973
Income From Continuing Operations	$ 2,328,381	$2,016,413
Discontinued Operations (Note 3)		
Income (loss) from discontinued operations and gains on disposal of assets, net of income taxes	$ (41,084)	$ 313,586
Gain on vessel sales	1,726,924	—
Less—Provision for income taxes (Note 5)	(2,678,000)	—
Income (loss) from discontinued operations	$ (992,160)	$ 313,586
Net Income	$ 1,336,221	$2,329,999

Note 3: Discontinued Operations—In 1974, the Company adopted a plan to dispose of its shipping operation, Kinsman Marine Transit. Management anticipates that a gain will be realized when the remaining assets and operating rights are sold. In addition, during 1974, the Company sold its investment in Sunray Visual Systems and Electronic Technology Institute.

Discontinued operations in 1973 include Great Lakes Towing Company, the Company's Bridge Division and the restated amounts applicable to operations considered as discontinued in 1974.

The results of operations and the gain on disposal of assets (other than gains on sales of vessels) and the related income tax effect are summarized as follows:

	1974	1973
Income (loss) from operations—		
Shipping Division	$ (27,933)	$ 696,656
Towing Division	—	896,867
Sunray Films and ETI	(250,932)	(224,054)
	$(278,865)	$ 1,369,469
Related income tax effect at normal tax rates	$ 134,000	$ (651,000)
Less—Taxes not payable resulting from deposits to Capital Construction Fund (Note 5)	—	1,105,000
	$ 134,000	$ 454,000
	$(144,865)	$ 1,823,469
Gain (loss) on disposal of assets	$ 171,882	$(2,723,833)
Related income tax effect	68,101	1,213,950
	$ 103,781	$(1,509,883)
	$ (41,084)	$ 313,586

The gross revenues of all of the aforementioned operations ($23,000,000 in 1974 and $31,000,000 in 1973) have been appropriately excluded from the consolidated statements of income.

INSILCO CORPORATION (DEC)

	1974	1973
Earnings from continuing operations	$19,300,000	$14,989,000
Discontinued operations (Note 1):		
Loss from operations, net of taxes of $605,000 (1973-$326,000)	(710,000)	(281,000)
Gain (loss) on disposals, net of taxes of $3,088,000 in 1974	(3,573,000)	43,000
Net earnings for the year	$15,017,000	$14,751,000

Note 1: Divestitures—During 1974, the Company sold Peerless Wire Goods Co., Inc. and W.H. Hutchinson & Son, Inc. for an aggregate of $4,878,000 in cash and $7,850,000 in long-term notes receivable.

During 1973, the Company disposed of Eyelet Specialty Company, including its Canadian and Mexican operations, Kennikat Press, Inc. and Stanley Roberts, Inc. for an aggregate of $6,480,000 in cash, $9,862,000 in long-term notes receivable and $395,000 in short-term notes receivable.

In January, 1975, the Board of Directors approved a plan to divest International Graphics, Inc. and Interlox Punch & Die Corp. at an estimated aggregate loss of $3,000,000 after taxes. The divestitures of Eyelet and Hutchinson and that of Peerless Wire Goods, respectively, constitute discontinuance of the packaging components and the household appliance components segments of the Company's business. The planned divestitures of International Graphics and Interlox constitute discontinuance of the financial printing and punch and die segments of the Company's business. The net results of these operations prior to their discontinuance are set forth separately in the consolidated statement of earnings and include:

	1974	1973
	(Amounts in thousands)	
Net sales	$ 21,789	$ 39,856
Loss before income tax benefit	$(1,315)	$ (607)
Income tax benefit	605	326
Net loss from operations	$ (710)	$ (281)

It is expected that International Graphics and Interlox will be sold during 1975 and that their operating losses from December 31, 1974 until they are sold, will be insignificant. At December 31, 1974, the balance sheet includes $1,107,000 of accounts receivable, $931,000 of inventories, $1,922,000 of property and equipment (net of accumulated depreciation), $487,000 of other assets and $648,000 of liabilities relating to the financial printing and punch and die business being divested after write-down of such assets to estimated realizable values.

THE SINGER COMPANY (DEC)

	1974	1973
	(Amounts in Millions)	
Income from Continuing Operations	29.0	102.2
Discontinued operations:		
Loss from discontinued operations (net of income tax benefit of $7.5 million in 1974 and $5.9 million in 1973)..	(9.1)	(7.7)
Loss on disposal of discontinued operations (net of income tax benefit of $15 million)..	(30.0)	—
	(39.1)	(7.7)
Net Income (Loss)...................	$(10.1)	$ 94.5

Notes to Financial Statements

Discontinued Operations—In September 1974, the Company decided to terminate its electromechanical billing and accounting product line and certain other non-profitable operations over a period of approximately two years. A provision before income taxes of $45 million ($30 million after tax) has been made for the estimated expenses and write-offs, including the disposal of property, plant and equipment, estimated losses on the realization of inventories and receivables, future close-down costs, operating losses, and other costs relating to this decision.

The consolidated balance sheet at December 31, 1974 includes current assets of $67.4 million relating to discontinued operations consisting of $44.1 million of inventories, and $23.3 million of trade receivables and non-current assets of $18 million consisting primarily of property, plant and equipment. The loss from discontinued operations for 1974 and 1973 is classified separately in the statement of income and, after inter-company eliminations, includes sales of $74.7 million in 1974 and $80.5 million in 1973.

Operating losses of $3.7 million (net of income tax benefit of $3.9 million) have been charged against the provision. Although the ultimate costs of this disposition cannot be fully determined, the balance of the provision before income taxes of $37.4 million at December 31, 1974 is believed to sufficient to cover the remaining termination costs.

WESTINGHOUSE ELECTRIC CORPORATION (DEC)

	1974	1973
Income from continuing operations.	$138,937,000	$183,514,000
Discontinued operations:		
Loss from operations of discontinued business	(39,805,000)	(21,586,000)
Loss on disposal of discontinued business	(71,000,000)	—
Net income	$ 28,132,000	$161,928,000

Financial Review

Discontinued Operations—During 1974, decisions were reached to dispose of two major business segments, the major appliance business and the mail order and record club business. In addition to the two major segments, the phase out of other subsidiaries has been undertaken.

The Corporation has agreed to sell the major appliance business to White Consolidated Industries, Inc., in exchange for cash and securities. The transaction will become final upon the completion of a number of steps called for by the agreement, including satisfaction of U.S. antitrust requirements. The transaction includes the domestic manufacturing plants and marketing organization and, subject to the approval of the Canadian government, the household appliance business of Westinghouse Canada, Ltd. The agreement also gives WCI the option to buy later, as is their intent, the major appliance operations in three countries overseas after appropriate approvals are obtained from the governments of those nations. Provision of $55 million (net of income taxes of $30 million), was made for losses on disposal, including domestic and foreign pre-tax operating losses anticipated to the disposal date of $8 million.

The Corporation agreed to sell the member list and inventories of the Capital Record Club. The remaining portion of the mail order and record club business will be phased out during 1975. A provision of $16 million (net of taxes of $12 million) has been made for the costs of disposal. The provision includes $15 million of pre-tax losses from operations expected to be incurred until phase out is complete.

Sales and Operating Losses of Divested Segments (amounts in thousands of dollars)	Sales	Loss before Taxes	Tax Reduction	Net Loss
Major Appliance Business				
1974..................	$594,719	$40,497	$19,568	$20,929
1973..................	$544,062	$ 9,548	$ 5,454	$ 4,094
Mail Order & Record Club				
1974..................	$ 72,880	$32,582	$15,706	$18,876
1973..................	$ 75,123	$30,735	$13,243	$17,492

Decisions to sell or phase out three businesses that do not qualify as segments were also reached during the year. The operating losses and costs of disposal of Infilco, Dwight Building Company and Curtis & Clifton, Ltd. were not material.

Agreement for the sale of the French and Belgian elevator subsidiaries, pending appropriate government approvals was reached with Kone Oy, of Helsinki, Finland. The Corporation will receive notes and securities in exchange for these businesses.

TABLE 3-20: CHARGES OR CREDITS SHOWN AFTER INCOME TAX CAPTION

	1974	1973	1972	1971
Charge or Credit to Income				
Minority interest	64	75	66	57
Equity in earnings or losses of investees	57	56	55	52
Operating results of discontinued operations	*	*	44	27
Cumulative effect of Accounting Change	13	7	5	7
Other	10	9	6	8
Total Presentations	**144**	**147**	**176**	**151**
Number of Companies				
Showing charge or credit after income tax caption	122	122	152	128
Not showing charge or credit after income tax caption	478	478	448	472
Total	**600**	**600**	**600**	**600**

*No longer applicable because of APB Opinion No. 30.

CHARGES OR CREDITS SHOWN AFTER INCOME TAX CAPTION

Table 3-20 indicates the nature of charges or credits, other than extraordinary items, positioned on an income statement between the income tax caption and the caption denoting income from continuing operations. Examples of minority interest and equity in earnings or losses of investees are presented in connection with Table 2-31 and Table 2-16, respectively. Additional examples of charges or credits shown after the income tax caption follow.

LOEWS CORPORATION (AUG)

	1974	1973
Earnings Before Security Gains and Equity in Earnings of Associated Company	$35,879,000	$51,232,000
Security Gains:		
Realized gains	70,000	17,213,000
Less applicable income taxes	44,000	5,328,000
Security gains—net	26,000	11,885,000
Equity in Earnings of Associated Company	9,379,000	
Net Earnings	$45,284,000	$63,117,000

Notes to Consolidated Financial Statements

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

Investments in securities (in part)—Investments in other securities are carried at cost. The cost of securities sold is determined on the identified certificate or first-in, first-out method. The Company has invested in securities in order to secure a return on funds it is holding for development and expansion opportunities. The Company regularly and actively seeks development and expansion opportunities which may require application of all or a portion of such funds. In view of the uncertainty as to when such opportunities may arise, the investment in securities has been classified as a noncurrent asset.

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

	1974	1973
	(In thousands of dollars)	
Earnings before cumulative effect on prior years (to December 31, 1973) of change to full absorption inventory valuation methods (per share: 1974—$1.81; 1973—$2.44)	$7,019	$9,452
Cumulative effect on prior years (to December 31, 1973) of change to full absorption inventory valuation methods (per share: 1974—$.32) (note 2)	1,225	—
Net earnings (per share: 1974—$2.13; 1973—$2.44)	$8,244	$9,452

Note 2: Changes in Inventory Valuation Methods—During 1974, the Company changed its accounting methods relating to two aspects of inventory valuation.

Effective January 1, 1974 the Company changed its inventory valuation methods to more fully absorb certain variances and manufacturing overhead costs in inventory values. This change more clearly reflects earnings since these costs were previously treated as period costs and it complies with new regulations issued by the Internal Revenue Service. The effect of this change was to increase net earnings for 1974 by $432,000 ($.11 per share). The adjustment of $1,225,000 (after reduction for taxes on income of $179,000) to reflect the retroactive application of this method to prior years (to December 31, 1973) has been presented separately in the accompanying consolidated statements of earnings. Pro forma amounts for 1974 and 1973 to reflect the retroactive application of the full absorption inventory valuation methods to 1973 are not presented since earnings per share before the cumulative effect adjustment as presented would not change.

During the fourth quarter of 1974, the Company changed its method of valuing inventories in its domestic operations from the first-in, first-out method previously used to the last-in, first-out method effective for the year 1974. This change was made to more properly charge current operations with current costs and not defer substantial inflation-induced cost increases to subsequent periods. The effect of this change was to reduce net earnings for 1974 by $3,687,000 ($.95 per share). It is impractical to determine the pro forma effects of retroactive application of the last-in, first-out method of inventory valuation, and there is no cumulative effect on retained earnings at the beginning of the year. Had the first-in, first-out method been used during 1974, inventories would have been $7,654,000 higher than reported at December 31, 1974.

J. RAY MCDERMOTT & CO., INC. (MAR)

	1974	1973
Net income before extraordinary items and cumulative effect of accounting change	$34,789,065	$16,905,338
Extraordinary items (net of taxes on income)	—	269,430
Cumulative effect on fiscal years prior to fiscal year ended March 31, 1974 of accounting change for dry-docking costs (net of taxes on income)	(3,023,000)	—
Net income	$31,766,065	$17,174,768

Notes to Consolidated Financial Statements

Note B (in part): Change in Accounting Method—During the current fiscal year, the Company and its subsidiaries changed its method of accounting for costs incurred for dry-docking its marine fleet effective April 1, 1973. Costs of this nature were previously charged to expense as incurred. Under the new method, estimated costs are accrued and charged to operations currently. When expenditures are made for these costs, the reserve for dry-docking is charged with the amounts paid. As a result of the large increase in the size of the Company's marine fleet, the newly adopted accounting method is more conservative and preferable in that it provides a systematic accrual of the dry-docking costs for matching costs and revenues. This accounting change decreased earnings before extraordinary items by $587,000 ($.08 per share primary earnings and $.07 per share fully diluted earnings) for the fiscal year ended March 31, 1974. The cumulative effect of the accounting change on fiscal years prior to the fiscal year ended March 31, 1974, amounted to $ (3,023,000) ($ (.44) per share primary earnings and $ (.38) per share fully diluted earnings) after, deducting the related deferred income tax effect of $1,620,000. The pro-forma effects on individual prior years are not determinable.

EXTRAORDINARY ITEMS

APB Opinion No. 30, effective for events and transactions occurring after September 30, 1973, defines extraordinary items as "events and transactions that are distinguished by their unusual nature and by the infrequency of their occurrence," and states 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." Opinion No. 30, along with its *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,* illustrate events and transactions which should and should not be classified as extraordinary items. Effective for transactions agreed to or occurring on or after April 1, 1975, *Statement of Financial Accounting Standards No. 4–Reporting Gains and Losses from Extinguishment of Debt* specifies that material debt extinguishment gains and losses be classified as extraordinary items.

TABLE 3-21: EXTRAORDINARY ITEMS

	Debit	Credit	1974 Total
Nature			
Operating loss carryforwards and other tax adjustments	—	55	55
Sale or disposal of assets	4	6	10
Adjustment of prior period extraordinary item	2	5	7
Major casualty	3	—	3
Expropriation settlement	—	3	3
Other	1	3	4
Total Presentations	**10**	**72**	**82**

	1974	1973	1972	1971
Number of Companies				
Presenting extraordinary items	75	137	204	204
Not presenting extraordinary items	525	463	396	396
Total	**600**	**600**	**600**	**600**

Table 3-21 and Table 3-22 show, respectively, the nature of items classified as extraordinary by the survey companies and the materiality of such extraordinary items. Examples of extraordinary items follow.

Tax Loss Carryovers

PHOENIX STEEL CORPORATION (DEC)

	1974	1973
Income (loss) before taxes on income and extraordinary item	$21,273,000	$ (3,176,000)
Provision for taxes on income (Note 8):		
Currently payable—state	616,000	
Charge equivalent to benefit of loss carryforward:		
State	648,000	
Federal	9,641,000	
	10,905,000	
Income (loss) before extraordinary item	10,368,000	(3,176,000)
Extraordinary item:		
Tax benefit resulting from utilization of loss carryforward (Note 8)	10,289,000	
Net income (loss)	$20,657,000	$ (3,176,000)

Note 8: Taxes on Income—At December 31, 1974 loss carryforwards of approximately $10.2 million were available to offset future taxable income for financial reporting purposes. Such carryforwards for income tax purposes are approximately $9.3 million and expire $3.8 million in 1976, $2.6 million in 1977 and $2.9 million in 1978. Investment tax credits of approximately $4.1 million are available through 1981 to

reduce future federal income taxes to the extent permitted under the Internal Revenue Code with the largest portion ($3.2 million) expiring in 1978. The difference between the loss carryforwards for financial reporting and income tax purposes results from pension and other expenses which are accrued for financial reporting purposes but are not deductible for tax purposes until paid and from differences in the timing of depreciation deductions.

The federal income taxes provided on the income for 1974 have been eliminated through the utilization of available loss carryforwards. The tax benefit from the utilization of loss carryforwards is reported as an extraordinary item.

TWENTIETH CENTURY-FOX FILM CORPORATION (DEC)

	1974	1973
	($000)	
Earnings before extraordinary items	$ 7,869	$ 7,678
Extraordinary items (note 17)......	3,083	3,071
Net earnings	$10,952	$10,749

Note 17: Extraordinary Items—A summary of extraordinary items follows:

	Gross	Applicable Income Taxes (in thousands)	Net
1974:			
Federal income tax benefit from operating loss carryforward....	$ —	$3,083	$3,083
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

In conformity with the treatment required by Accounting Principles Board Opinion No. 30, 1974 gains on the sale of real estate have been treated as ordinary income (note 11). The 1973 gains from real estate transactions were treated as extraordinary items and in accordance with Opinion No. 30 have not been reclassified.

In February, 1975, the Financial Accounting Standards Board issued an exposure draft, "Reporting Gains and Losses From Extinguishment of Debt—an amendment of APB Opinion No. 30," which would require companies to classify any material gain or loss on the extinguishment of debt as an extraordinary item in the income statement and would establish guidelines regarding financial statement disclosures. This measure, if adopted, would be retroactive and, thus, would require a restatement of the income statement for the year ended December 28, 1974. Gains on the purchase of convertible debentures of $1,779,000 (on which no taxes are payable) or 23 cents per share have been treated as ordinary income in 1974.

TABLE 3-22: EXTRAORDINARY ITEMS-MATERIALITY-1974

	* Percentage of Materiality 0-5%	6-10%	11-20%	21+%	Total Items
Debits					
Sale or disposal of assets	1	1	—	2	4
Adjustment of prior period extraordinary item..................	2	—	—	—	2
Major casualty...........	1	1	1	—	3
Other......................	—	—	—	1	1
Total Debits	**4**	**2**	**1**	**3**	**10**
Credits					
Operating loss carryforwards and other tax adjustments	16	7	7	25	55
Sale or disposal of assets	2	1	2	1	6
Adjustment of prior period extraordinary item..................	2	1	1	1	5
Expropriation settlement	—	—	1	2	3
Other......................	—	—	2	1	3
Total Credits	**20**	**9**	**13**	**30**	**72**

*Ratio of item to income or loss before extraordinary item.

WARD FOODS, INC. (DEC)

	1974	1973
Earnings From Continuing Operations Before Income Taxes and Extraordinary Item..............	$1,507,699	$ 29,773
Income Taxes		
State, local and foreign	300,581	728,805
Provision in lieu of Federal income tax	608,272	—
	908,853	728,805
Earnings (Loss) From Continuing Operations Before Extraordinary Item..............................	598,846	(699,032)
Loss from Discontinued Operations.	—	(8,975,695)
Earnings (Loss) Before Extraordinary Item........................	598,846	(9,674,727)
Realization of Tax Credit Equal to Provision in lieu of Federal Income Tax.........................	608,272	—
Net Earnings (Loss).................	$1,207,118	$ (9,674,727)

Financial Information

Income Taxes and Extraordinary Credit (in part)—The components of income taxes are:

	1974	1973
State and local—current	$194,000	$504,782
Foreign—current	106,581	224,023
	$300,581	$728,805
Federal—provision in lieu of such taxes	$608,272	$ —

The 1974 provision in lieu of federal income taxes represents income tax expense which, due to the existence of net operating loss carryforwards, is not required to be paid. As required by Accounting Principles Board Opinion No. 11, such resulting income tax benefit is presented as an extraordinary credit in the statement of operations.

The 1974 provision in lieu of federal income taxes is less than the amount which would be computed by applying the U.S. Federal income tax rate of 48% to income before income taxes. The reasons for this difference are:

	Amount	Percent
Expense computed at the U.S. statutory rate	$723,695	48.0%
Increase (reduction) in tax resulting from:		
State, local and foreign income taxes	(144,279)	(9.5)
Recovery of losses which generated no prior tax benefit	(294,117)	(19.5)
Foreign losses not deductible for U.S. tax purposes—net	298,703	19.8
Other—net	24,270	1.5
Income tax expense	$608,272	40.3%

At December 28, 1974 on the basis of returns filed (or estimated for the 1974 return), the Company had tax carryforwards as reflected below:

Expires at close of fiscal year	Net Operating Losses	Investment Tax Credits	Foreign Tax Credits
1976	$ —	$ 210,530	$ —
1977	5,974,165	—	82,248
1978	—	203,990	2,224,908
1979	7,000,000	287,522	95,000
1980	—	189,294	—
1981	—	445,000	—
	$12,974,165	$1,336,336	$2,402,156

Adjustment Of Prior Period Extraordinary Item

AMERICAN CAN COMPANY (DEC)

	1974	1973
	(In Thousands of Dollars)	
Income before extraordinary charge	$100,137	$66,423
Extraordinary charge, net of applicable income tax effect of $5,429 (Note 1)	5,073	—
Net income	$ 95,064	$66,423

Note 1: 1972 Plant Closing Program—On July 15, 1974, the Company adjusted the provision for the Plant Closing Program established in 1972 by $10,502,000 in recognition of higher pension and other employee costs resulting from the settlement of the 1974 labor contracts. This adjustment, net of applicable income tax credits of $5,429,000, has been reported as an extraordinary item in 1974 because it represents an adjustment of a previously reported extraordinary item.

In 1973, two pulp and paper facilities were sold and in each of the years 1974 and 1973 several canmaking plants were closed.

During 1974 and 1973, payments and losses of approximately $16-million and $35-million, respectively, relating to the plant closings and sales have been charged against the reserves established for this purpose and the related current tax benefit has reduced Federal and other income taxes currently payable.

H.J. HEINZ COMPANY (APR)

	1974	1973
Income before extraordinary items	$55,520,000	$46,552,000
Extraordinary items, less estimated income taxes	8,800,000	(25,000,000)
Net income	$64,320,000	$21,552,000

Notes to Consolidated Financial Statements

Note 8: Extraordinary Items—The extraordinary credit in 1974 of $8,800,000 resulted from the completion of the phase-out of the company's Mexican operations on a more favorable basis than was originally anticipated and payments received and expected as final compensation for a wholly-owned subsidiary which was expropriated by the Peruvian Government in May, 1973. This credit is after estimated Federal income taxes of $7,700,000, which takes into account the reversal of a $5,000,000 tax benefit established in 1973 in connection with an extraordinary charge.

In 1973, the extraordinary charge of $25,000,000 (after estimated income tax benefits of $6,500,000) reflected management's best estimate of costs and potential losses on the phase-out of the Mexican operations, expropriation of a Peruvian subsidiary, withdrawal of direct farming operations of Ore-Ida Foods, Inc. and disposal of certain assets of a United Kingdom subsidiary.

NEPTUNE INTERNATIONAL CORPORATION (DEC)

	1974	1973
Income before extraordinary item	$4,033,416	$2,441,669
Additional provision for relocation cost, net of applicable income taxes (note 3)	(1,013,519)	—
Net income	$3,019,897	$2,441,669

Note 3: Provision for Relocation Costs—During 1971 the Corporation provided for all then anticipated costs in connection with relocating its principal manufacturing facilities, executive offices and the offices of its subsidiary, Nichols Engineering & Research Corporation. The then anticipated costs, including provisions for losses on the sale or abandonment of buildings, machinery, equipment and other as-

sets, amounted to $11,097,000 which were charged to income as an extraordinary item in 1971, after giving effect to related income tax benefits of approximately $5,300,000. Of the gross amount, $282,000, $8,219,000 and $2,052,000 was used in 1971, 1972 and 1973, respectively. At December 31, 1973, the reserve for relocation costs and the reserve for loss on sale or abandonment of property, plant and equipment aggregated approximately $544,000.

During 1974, additional relocation costs were incurred or anticipated which could not previously be determined and which exceeded the original provision for relocation. Therefore, an additional $2,036,000 has been provided in 1974 as an extraordinary charge, after giving effect to related income tax benefits of approximately $1,022,500. After utilizing $1,260,000 of the reserves during 1974, the combined gross balances remaining at December 31, 1974 totalled $1,320,000.

The additional charge has been reported as an extraordinary item in 1974, in accordance with APB Opinion No. 30, since it represents an adjustment of the estimated relocation charge reported in 1971 as an extraordinary item.

STOKELY-VAN CAMP, INC. (MAY)

	1974	1973
Earnings before extraordinary credit	$ 9,615,070	$8,219,769
Extraordinary credit	750,000	—
Net earnings	$10,365,070	$8,219,769

Notes to Financial Statements

Extraordinary Credit—In February of 1972, the Board of Directors authorized the discontinuance of the Company's Hawaiian pineapple processing operations. A provision for anticipated losses was charged against fiscal 1972 earnings. During fiscal 1974, the final pineapple crop was harvested and processed, the operating properties were sold, and most of the remaining pineapple product inventory was marketed. Because the actual loss incurred in liquidating the Hawaiian operations was less than the estimated loss, an extraordinary credit of $750,000, net of the applicable taxes of $582,000, was recorded during fiscal 1974 to reduce the previously established loss provision.

Major Casualty

KEYSTONE CONSOLIDATED INDUSTRIES, INC. (JUN)

	1974	1973
Earnings before extraordinary charge	$11,638,000	$4,813,000
Extraordinary charge—flood loss (Note E)..........................	1,267,000	
Net earnings	$10,371,000	$4,813,000

Note E: Extraordinary Charge—The Keystone Steel & Wire Division's steel works experienced a flash flood on June 22, 1974. The extraordinary charge represents the estimated cost, net of related income taxes of $1,279,000, to restore the steel works to full operation.

MILTON ROY COMPANY (DEC)

	1974	1973
Income before extraordinary item..	$2,095,171	$2,252,129
Fire loss less applicable income taxes of $199,958.............	(177,750)	—
Net income	$1,917,421	$2,252,129

Notes to Consolidated Financial Statements

Note 10: Extraordinary item—fire loss—On April 19, 1974, a fire at the Hartell Division destroyed substantially all buildings, equipment and inventory at that location. The carrying value of these assets exceeded insurance proceeds by $377,708 which amount net of applicable income taxes of $199,958 is included as an extraordinary item in the consolidated statement of income.

Expropriation Settlement

THE ANACONDA COMPANY (DEC)

	1974	1973
	(Thousands of dollars)	
Income before Extraordinary Income	$106,757	$69,047
Extraordinary income................	140,371	17,739
Net Income	$247,128	$86,786

Financial Review

Settlement of Chilean Expropriation Loss and Status of OPIC Claims—The company's efforts to obtain compensation from Chile for its investments expropriated by the Chilean government in 1971 was concluded on July 24, 1974. Under the terms of the settlement with the Government of Chile, Anaconda subsidiaries which formerly operated the Chuquicamata and El Salvador mining properties received approximately U.S. $253 million, of which $65 million was received in cash and $188 million in interest-bearing promissory notes of Corporacion del Cobre (Codelco), a Chilean public corporation. The notes are dated August 1, 1974, bear interest at 10% per annum, which is subject to Chilean income tax at the rate of 40%, and are payable in 19 equal semi-annual installments. The notes are payable in U.S. dollars and have been guaranteed by the Central Bank of Chile.

As a result of the settlement, all prior claims and controversies between the parties, both in Chile and in the United States, have been resolved. This includes disposal of all claims and legal actions in Chile and in the United States, including claims with respect to the notes previously issued to these subsidiaries at the end of 1969.

The settlement left Anaconda free to continue the arbitration of claims against Overseas Private Investment Corporation (OPIC) under certain insurance contracts. Since the expropriation, the company's Consolidated Balance Sheet has reflected claims relating to the expropriated investments in the Chuquicamata and El Salvador mining properties in the aggregate amount of $159 million. OPIC formally rejected these claims in 1972, but the company, which believes it is entitled to payment, submitted the claims to binding arbitration, which is provided for in the insurance contracts. Proceedings before an arbitration panel are in progress, and a decision is expected in 1975.

In the event of recovery by Anaconda against OPIC, OPIC would succeed to a percentage of the proceeds of the Chilean settlement. Such percentage, the dollar value of which would be less than the dollar value of Anaconda's recovery from OPIC, is not now determinable but will depend on the results of the arbitration. Accordingly, at December 31, 1974, the company has valued its Chilean investment at no less than $188 million, the amount of the notes receivable from Codelco, together with accrued interest less Chilean income taxes of $4.7 million. The $94 million excess of the amount received from the Government of Chile over the aggregate amount of claims pending against OPIC, less related tax effects, is included in the accompanying Statement of Consolidated Income as extraordinary income.

Extraordinary Income (amounts in thousands)—Extraordinary income included in the Statement of Consolidated Income comprises the following:

	1974	1973
Settlement of 1971 expropriation loss with Government of Chile, less $44,930 related tax effect	$ 48,675	
Income tax benefit from utilization of loss carryforwards including those relating to the Chilean settlement	91,696	$17,739
	$140,371	$17,739

KENNECOTT COPPER CORPORATION (DEC)

	1974	1973
Income before extraordinary credit	$168,597,393	$159,406,895
Extraordinary credit—Chilean expropriation recovery, net of income tax effect of $39,051,368 (Note 4)	42,305,648	—
Net income	$210,903,041	$159,406,895

Note 4: Chilean Expropriation Recovery—On October 24, 1974, Kennecott and the Chilean Government reached an agreement pertaining to the 1971 expropriation of Sociedad Minera El Teniente, S.A. The aggregate compensation agreed upon, consisting of equity, dividends and interest, was $81,357,016 less Chilean taxes of $13,357,016. The net amount of $68,000,000 is represented by:

Cash		$ 6,500,000
Notes:		
State of Chile, Series A	$53,957,828	
Sociedad Minera El Teniente, Series D	7,542,172	61,500,000
		$68,000,000

The notes, all guaranteed by the Banco Central de Chile, are payable in nineteen semiannual installments of $3,236,842 with the first installments coming due in April, 1975. The notes earn interest from October 1, 1974 at the rate of 6% after Chilean withholding taxes.

U.S. taxes, net of foreign tax credits, amount to $25,694,352 leaving a new recovery of $42,305,648 reported as an extraordinary credit. Kennecott's equity interest in El Teniente was previously written off as an extraordinary charge in 1972 in the net amount of $26,189,274.

Subordination agreements existing between Kennecott and other lenders, if enforceable, may affect retention by Kennecott of amounts previously received on other notes issued by El Teniente. At December 31, 1974 the amount subject to subordination was approximately $21,000,000.

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.

TABLE 3-23: EARNINGS PER SHARE—1974

	Additional shares issuable for				
	Debt	Preferred Stock	Options	Warrants	Other
Effect of Additional Shares					
Included in primary per share calculation	18	43	107	22	10
Included in fully diluted per share calculation	122	83	61	10	5
No dilution	52	33	183	25	12
Not disclosed	30	12	177	15	17
No additional shares issuable	378	429	72	528	556
Total Companies	**600**	**600**	**600**	**600**	**600**

	1974	**1973**	**1972**	**1971**	**1970**
Computation Basis:					
Average shares outstanding	545	526	515	491	465
Not determinable	47	57	61	77	104
Year end shares outstanding-change less than 3%	8	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**	**600**

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 3-23 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 1974 annual reports follow.

Primary Earnings Per Share Only

ADAMS-MILLIS CORPORATION (DEC)

	1974	1973
Earnings per common share—Note G		
Primary:		
Earnings from continuing operations	$ .40	$ .97
Loss from discontinued operations	(2.97)	(.38)
Net (loss) earnings	$(2.57)	$ .59
Fully diluted:		
Earnings from continuing operations	$ .40	$ .92
Loss from discontinued operations	(2.97)	(.34)
Net (loss) earnings	$(2.57)	$ .58

Note G: Earnings Per Common Share—Earnings per common share are based on the average number of shares outstanding during the periods. Stock options outstanding have no material effect. The conversion of $2,380,000 of the 9¾% Senior Notes payable into 225,000 shares of Common Stock, giving effect to interest, net of profit-sharing and applicable income taxes, would have an anti-dilutive effect in 1974 and has not been considered in computing fully diluted earnings per share. Such conversion was assumed in the 1973 computation since it has a material dilutive effect on earnings per share from continuing operations.

AMERICAN BAKERIES COMPANY (DEC)

	1974	1973
	(In Thousands except per share data)	
Net loss for the year	$(1,698)	$(2,019)
Dividends declared on preferred stock	(506)	(535)
Loss applicable to common stock	$(2,204)	$(2,554)
Loss per common share (Note 1)	$ (1.12)	$ (1.28)
Weighted average common shares outstanding	1,967	2,001

Notes to Consolidated Financial Statements

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

Earnings Per Share—Net loss per share applicable to common stock is based on the weighted average number of common shares outstanding during each year, after recognition of dividend requirements on preferred stock. The effect on loss per share would be anti-dilutive had common stock options and warrants been exercised or if preferred stock were converted into common.

AMERICAN HOSPITAL SUPPLY CORPORATION (DEC)

	1974	1973
	($ and shares in thousands)	
Net earnings	$46,327	$40,810
Net earnings per share	$1.28	$1.13
Average shares and equivalents	36,337	36,134

Notes to Financial Statements

Note A (in part): Statement of Accounting Policies:

Earnings Per Share—Earnings per share are calculated based on the average daily number of shares outstanding in the period, adjusted for shares issued for acquisitions to the extent earnings of the acquired companies have been included in such period, plus the weighted average effect of the equivalent shares represented by the 5¾% convertible subordinated debentures issued in 1974 and stock options. Net earnings for this computation have been increased by the after tax effect of convertible debenture interest expense.

AMERICAN STANDARD INC. (DEC)

	1974	1973
	(Dollars in thousands)	
Net income applicable to common and common share equivalents	$ 41,614	$ 39,356
Average outstanding common and common share equivalents	17,337,071	18,211,464
Net income per share of common and common share equivalents*	$2.40	$2.16

*Net income per share is presented in 1974 and 1973 as though all the $4.75 Convertible Preference Stock had been converted into common stock and all relevent outstanding stock options had been exercised. The Company paid Preference dividends of $9,874 in 1974 and in 1973.

BATH INDUSTRIES, INC. (DEC)

	1974	1973
	($000)	
Net Income	$ 528	$ 22,189
Per share of Common and Common Stock Equivalents		
Income from Continuing Operations	$ .25	$ 2.92
Loss from Discontinued Operations	(.18)	(.09)
Net Income	$ .07	$ 2.83
Average Number of Common and Common Stock Equivalents Outstanding	7,683,317	7,839,309

Summary of Significant Accounting Policies

Common and Common Stock Equivalents—Common and common equivalent shares for 1974 include the number of shares of common stock issued and outstanding at the beginning of the year (7,833,899) plus the weighted average number of common shares issued or issuable upon exercise of stock options (175,562), less the weighted average number of common shares held in treasury (163,532), less the common shares that could have been repurchased (162,612) with the weighted proceeds available from the assumed exercise of outstanding options.

THE BENDIX CORPORATION (SEP)

	1974	1973
Earnings Per Common and Common Equivalent Share:		
Income before extraordinary items	$4.65	$4.19
Extraordinary items, net of income taxes and other effects on income		(.03)
Net income	$4.65	$4.16

Notes to Consolidated Financial Statements

Earnings Per Common and Common Equivalent Share—Earnings per common and common equivalent share have been computed based upon the average number of common and common equivalent shares outstanding of 16,310,933 shares and 16,548,391 shares for 1974 and 1973, respectively. The Corporation's Series A $3 Cumulative Convertible Preferred Stock and options on Common Stock are classified as common stock equivalents and are therefore included in the average number of common and common equivalent shares outstanding.

CLUETT, PEABODY & CO., INC. (DEC)

	1974	1973
Net income (loss)	$(9,406,067)	$8,103,229
Net income (loss) per common share:		
On average shares outstanding	$(1.24)	$.76
On fully diluted basis	$(1.24)	$.75

Notes to Financial Statements

Earnings Per Share—The number of shares used in computing net income (loss) per common share on a fully diluted basis for 1974 and 1973 was 8,768,121 and 8,915,058, respectively. The average common shares outstanding for the years ended December 31, 1974 and 1973 were 8,768,121 and 8,765,923, respectively. Conversion of the 4¼% convertible subordinated debentures was not assumed for 1974 because of the antidilutive effect. Such conversion was assumed for 1973, and the interest requirement (net of taxes) was adjusted accordingly. Conversion of the $1 cumulative convertible preferred stock and the exercise of outstanding stock options were not assumed because of the antidilutive effect in both years; accordingly, net loss was increased and net income was reduced by the dividend requirements of such preferred stock.

GENERAL MILLS, INC. (MAY)

	1974	1973
	(in thousands)	
Net Earnings	$75,137	$66,143
Earnings Per Common Share and Common Share Equivalent	$ 3.18	$ 2.81
Average number of common shares and common share equivalents (Note 1)	23,651	23,537

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

Earnings Per Share—The average number of common shares outstanding (23,010,806 in 1974 and 21,220,006 in 1973) plus common share equivalents is included in determining "earnings per common share and common share equivalent." Common share equivalents represent potentially dilutive common shares (weighted average) as follows: (1) shares of common stock for issuance upon exercise of outstanding stock options or upon exercise of options which may be granted under the terms of the existing option plan (118,610 in 1974 and 179,617 in 1973); (2) Treasury shares purchased and reserved for issuance under a profit sharing plan (34,966 in 1974 and 36,242 in 1973); (3) shares for stockholders of certain acquired companies earned through profit performance contracts (1,874 in 1974 and 68,541 in 1973); and (4) shares applicable to preference stock conversion rights (484,621 in 1974 and 2,032,450 in 1973).

LEAR SIEGLER, INC. (JUN)

	1974	1973
Net Earnings	$20,055,002	$17,033,071
Earnings per common share and common equivalent share (note G)	$1.17	$.91

Note G: Earnings Per Share—Earnings per common share and common equivalent share are computed after preferred dividend requirements and are based upon weighted average number of shares of common stock outstanding during the year. No common equivalent shares are included in the computation as all outstanding common stock options were anti-dilutive at June 30, 1974.

Earnings per common share assuming full dilution (after giving effect to conversion of all preferred stock) is not applicable since the result is anti-dilutive.

For fiscal 1974, the shares used in the computation of earnings per share are as follows:

Weighted average common shares outstanding during the year	12,561,375
Common stock options	—
Common shares and common equivalent shares	12,561,375
Conversion of convertible preferred stock	4,486,673
Common shares assuming full dilution	17,048,048

PENNWALT CORPORATION

	1974	1973
Net earnings	$26,983,000	$20,113,000
Net earnings per common and common equivalent share	$2.81	$2.13

Notes to Consolidated Financial Statements

Earnings Per Share—Earnings per common and common equivalent share have been computed using the weighted average shares of common stock and dilutive common stock equivalents outstanding (9,604,000 in 1974 and 7,891,000 in 1973). Stock options and both series of preference stock are common stock equivalents. In 1974, earnings per share have been computed assuming conversion of both series of preference stock; however, in 1973, earnings per share have been computed after providing for annual dividends of $3,308,000 on the second series preference stock, since assumed conversion would increase earnings per share. Fully diluted earnings per share are the same as the earnings per share indicated.

THE SIGNAL COMPANIES, INC. (DEC)

	1974	1973
Earnings per share:		
Income from continuing operations	$2.89	$1.85
Income from discontinued operations	4.94	.56
Income before extraordinary income	7.83	2.41
Extraordinary income	.06	.06
Net income	$7.89	$2.47

Notes to Financial Statements

Note 12: Earnings per share—Earnings per share in 1974 and 1973 are based on the weighted average number of shares of common stock and common stock equivalents (outstanding convertible preferred stocks, stock options and awards) outstanding during the years after giving effect to the 3% common stock dividends declared and issued in those years. The number of shares upon which per share computations were based amounted to 22,317,000 shares in 1974 and 23,859,000 shares in 1973. The decrease in the number of shares in 1974 resulted from purchases of treasury stock.

Fully Diluted Earnings Per Share

BORDEN, INC. (DEC)

	1974	1973
Net Income	$83,844,852	$72,961,820
Average number of common shares and equivalents outstanding during the year	30,826,916	30,810,296
Net Income Per Share		
Primary	$ 2.72	$ 2.37
Fully diluted	2.61	2.28

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 at the beginning of the period and after giving effect to the elimination of interest expense, less income tax effect, applicable to the Convertible Debentures.

Note 7: 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:

	1974	1973
Common shares	30,128,122	29,856,533
Convertible Preferred:		
Series A	302,035	459,618
Series B	361,595	466,986
Stock options and incentive compensation	35,164	27,159
Total for primary calculation	30,826,916	30,810,296
Convertible Debentures:		
6¾%	1,043,479	1,043,479
5%	952,380	952,380
Total for fully diluted calculation	32,822,775	32,806,155

EVANS PRODUCTS COMPANY (DEC)

	1974	1973
	($000)	
Net Earnings (Loss)	$ (44,414)	$31,053
Per Common Share		
Primary	$ (2.69)	$ 1.81
Assuming full dilution	$ (2.69)	$ 1.66

Notes

Earnings (Loss) Per Share for the two years are determined as follows (amounts in thousands except per share data):

	1974	1973
Primary		
Average shares outstanding	16,617	16,962
Net earnings (loss) applicable to common shareholders	$ (44,724)	$30,718
Earnings (loss) per share	$ (2.69)	$ 1.81
Assuming Full Dilution		
Average shares outstanding	16,617	19,482
Net earnings (loss) applicable to common shareholders	$ (44,724)	$32,343
Earnings (loss) per share	$ (2.69)	$ 1.66

Fully diluted shares for 1973 include shares issuable upon conversion of the Convertible Subordinated Debentures, and net earnings have been increased by the elimination of the related net of tax interest expense. For 1974 fully diluted losses per share are the same as primary because shares arising from such assumptions are not dilutive.

W. R. GRACE & CO. (DEC)

	1974	1973
Earnings per common and common equivalent share:		
Income before extraordinary items	$4.12	$2.90
Extraordinary items	—	(.09)
Net income	$4.12	$2.81
Earnings per common share assuming full dilution:		
Income before extraordinary items	$3.74	$.261
Extraordinary items	—	(.08)
Net income	$3.74	$2.53

Summary of Significant Accounting and Financial Reporting Policies

Earnings Per Share—Earnings per common and common equivalent share are computed on the basis of the weighted average number of common shares outstanding during the respective years after giving retroactive effect to shares issued and expected to be issued for business combinations, assuming stock options outstanding were exercised at the beginning of the year (with applicable proceeds used to purchase treasury stock) and after deducting dividends paid on preferred stocks. Earnings per common share assuming full dilution are computed based on the further assumptions that convertible debt obligations were converted at the beginning of the year (with applicable reduction in interest expense, net of tax) and additional contingent shares were issued for business combinations.

Note 6 (in part): Capital Stock—The average number of shares of common stock used to compute earnings per common and common equivalent share was 32,003,000 (1973—30,126,000 shares) including 1,767,000 common equivalent shares (1973—218,000 shares). The average number of shares of common stock used to compute earnings per common share assuming full dilution was 36,684,000 (1973—36,254,000 shares).

ILLINOIS CENTRAL INDUSTRIES, INC. (DEC)

	1974	1973
Income per share of common stock:		
Primary	$3.56	$3.42
Fully diluted	$3.00	$2.90
Number of shares used in computation (thousands):		
Primary	12,672	12,631
Fully diluted	20,044	20,129

Accounting Policies

Earnings per share—Net income per share of common stock is based on the weighted average number of common and common equivalent shares outstanding during each year after deducting dividends of $14,931,000 in 1974 and $15,084,000 in 1973 paid on the outstanding preferred shares. Fully diluted net income per share gives further effect to the common shares that would have been outstanding had the First and Second Preferred Stocks and 5½ percent subordinated debentures been converted at the beginning of each year.

INTERNATIONAL MINERALS & CHEMICAL CORPORATION (JUN)

	1974	1973
Earnings per common and common equivalent share:		
Primary—		
Earnings before extraordinary items	$4.78	$2.10
Net earnings	5.92	2.17
Fully diluted—		
Earnings before extraordinary items	$4.25	$1.94
Net earnings	5.20	2.00

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, shares awarded under performance share plans in 1974, and shares contingently issuable based on specified earnings of acquired businesses to date of issue. The per share computations reflect preferred dividends including dividends on the Series C preferred stock at $5 per share for 1974 and $1 for 1973. If an annual dividend rate of $5 per share on the Series C stock had been in effect for 1973, primary earnings per share would have been $2.03 and $2.09, respectively, for earnings before extraordinary items and net earnings.

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 conversion of the 4% convertible subordinated debentures, the Series B and Series C preferred stock and, in 1974, conversion of the Series A preferred stock. For purposes of these computations, interest on the debentures, after appropriate income tax effect (1974—$799,000; 1973—$1,272,000), and dividends on the Series B and Series C preferred stock and, in 1974, on the Series A preferred stock, have been added to earnings applicable to common shares. Shares issuable on the exercise of other conversion, option and contract rights, including the Series A preferred stock in 1973, 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:

	1974	1973
Primary earnings per share:		
Weighted average common shares—		
Outstanding	11,291,633	11,097,184
For stock options	109,343	41,748
For performance share plan	32,826	
Issuable for acquisitions		9,438
	11,433,802	11,148,370
Fully diluted earnings per share:		
Common and common equivalent shares, per above	11,433,802	11,148,370
Additional shares for conversions—4% debentures	754,763	823,377
Preferred stock:		
Series A	585,860	
Series B	77,505	108,108
Series C	740,104	787,932
Additional shares for stock options	24,694	47,558
	13,616,728	12,915,345

MOLYCORP, INC. (DEC)

	1974	1973
Primary Earnings per Share (Note 8)	$4.34	$2.46
Fully Diluted Earnings per Share (Note 8)	$4.13	$2.31

Note 8: Capital Stock: Preferred stock. Each share of preferred stock is convertible into 1.16 shares of common stock at the option of the holder, and may be redeemed at the option of the Company at any time, in whole or in part, subject to long-term debt restrictions, at $61 per share on or prior to July 31, 1975, reducing at the rate of $1 per annum thereafter to a minimum redemption price of $50 per share for the fiscal year ending July 31, 1986 and thereafter.

Common stock. The balance sheet presentation of the Stockholders' Equity reflects the elimination of the cost of 102,784 treasury shares in the amount of $1,068,669 as of December 31, 1974, including $634,750 cost of 42,900 shares purchased in 1974 under a plan to acquire up to 200,000 shares of the Company's common stock for general purposes. Certain long-term debt carries convertibility options and the Company is restricted in amounts of cash dividends that may be paid on its common shares (see Note 5).

Warrants. At December 31, 1974, there were outstanding, 749,536 warrants exercisable at $15.00 per warrant through April 7, 1977 for 749,536 shares of common stock.

Stock options. The 1973 Employees' Qualified Stock Option Plan permits the issuance of options to purchase a total of 200,000 shares of common stock at prices not less than market value, with a limitation of 30,000 shares in any twelve month period after May 30, 1974. As of December 31, 1974, options to purchase a total of 73,100 shares (50,000 issued in 1973 and 23,100 issued in 1974) are outstanding at an aggregate option price of $1,171,620.

Capital in excess of par value. Capital in excess of par value was reduced by $520,377, allocable to 42,900 shares of treasury stock acquired during 1974, and $34,258 costs of S.E.C. registrations, net of proceeds of exercise of options for 395 common shares.

Earnings per share. Primary earnings per share were based upon weighted average common shares outstanding plus weighted average common stock equivalents for stock options and warrants outstanding during each year where applicable, after provision was made for dividends on preferred shares. The number of shares used to compute primary earnings per share was 3,138,860 and 2,934,288 in 1974 and 1973, respectively.

Fully diluted earnings per share were based upon the weighted average number of common shares and common stock equivalents outstanding during each year and the assumed conversion into common shares of the $2.50 preferred shares and the 6½% subordinated convertible note. The number of shares used to compute fully-diluted earnings per share was 3,448,264 and 3,340,559 in 1974 and 1973, respectively.

MONSANTO COMPANY (DEC)

	1974	1973
Earnings per Common Share:		
Primary	$9.25	$6.90
Fully diluted	8.73	6.54

Notes to Financial Statements

(Dollars in millions, except per share)

Earnings per Common Share—Income and the number of shares used in the computation of earnings per common share were determined as follows:

	1974		1973	
	Primary	Fully Diluted	Primary	Fully Diluted
Income				
Net income	$323.2	$323.2	$238.3	$238.3
Preferred dividends	(6.3)		(6.4)	
Interest (less tax) on:				
Loan stock of Monsanto Limited	0.5	0.5	0.7	0.7
Debentures of Monsanto International Finance Company		0.6		0.6
	$317.4	$324.3	$232.6	$239.6
Number of Shares (In thousands)				
Weighted average shares:				
Outstanding	33,905	33,905	33,169	33,169
Incremental shares for outstanding stock options	51	53	81	106
Shares issuable upon conversion of:				
Loan stock of Monsanto Limited	366	366	459	459
Debentures of Monsanto International Finance Company		283		281
$2.75 Preferred Stock		2,552		2,606
	34,322	37,159	33,709	36,621

THE RUCKER COMPANY (DEC)

	1974	1973
Income (Loss) Per Share of Common Stock and Common Stock Equivalents (Note 1)		
Continuing operations	$2.15	$0.60
Discontinued operations	(0.04)	0.02
Extraordinary items	1.43	0.42
Net Income	$3.54	$1.05
Income (Loss) Per Share of Common Stock Assuming Full Dilution (Note 1)		
Continuing operations	$1.82	$0.58
Discontinued operations	(0.03)	0.03
Extraordinary items	1.16	0.42
Net Income	$2.95	$1.03

Notes to Financial Statements

Note 1 (in part): Accounting Policies

Net Income Per Share—The computation of net income per share of common stock and common stock equivalents is based on the weighted average number of shares of common stock and common stock equivalents outstanding during each year. Common stock equivalents consist of optioned shares.

Fully diluted net income per share of common stock assumes that the weighted average number of shares outstanding was increased by the conversion of the convertible subordinated notes into common stock with an applicable reduction in interest expense, net of tax. In 1973, conversion of the 5% convertible subordinated notes would be antidilutive.

Election Adopted for Securities Outstanding May 31, 1969

THE LTV CORPORATION (DEC)

	1974	1973
Per share data:		
Primary—		
Income from continuing operations	$ 8.02	$4.08
Income before extraordinary item	8.02	3.50
Net income	10.32	5.16
Assuming full dilution—		
Income from continuing operations	4.76	2.91
Income before extraordinary item	4.76	2.69
Net income	5.70	3.32

Financial Comments

Income Per Share—On the basis of the average number of common and common equivalent shares outstanding, 1974 income before extraordinary items was $8.02, compared with $3.50 for 1973. Net income was $10.32 compared with $5.16 a year ago. On a fully diluted basis 1974 income before extraordinary items was $4.76 and net income was $5.70. For

1973 fully diluted income per share was $2.69 before extraordinary items and $3.32 on a net income basis.

Primary income per share amounts for 1974 are based upon a total of 11,319,218 shares (10,472,933 shares in 1973) representing the average number of common and common equivalent shares outstanding during each year. The common equivalent shares include shares issuable upon the assumed exercise of stock options and of warrants issued after May 31, 1969, less shares assumed purchased with a portion of the proceeds available from the assumed exercise of the options and warrants. For this computation the reported net income has been reduced by $2.5 million ($2.6 million in 1973) for preferred stock dividend requirements and increased by $7.7 million ($6.7 million in 1973) for the reduction in interest expense, less applicable income taxes, on the debt assumed to have been repurchased with the remaining proceeds from the assumed exercise of options and warrants. Common equivalent shares for 1974 also include for the entire year the 936,507 shares issuable as of December 31, 1973 in conversion of the 4¾% Convertible Debentures of Omega-Alpha, Inc. ("O-A"). As explained below under "Shareholders' Equity," 686,110 shares were issued during 1974 upon such conversion. The effect of the actual and assumed conversions of the O-A debentures on net income in 1974 was a reduction of 80c in primary net income per share.

Fully diluted income per share amounts are based on 27,562,426 shares (27,662,733 shares in 1973) and 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. The computations also reflect the assumed exercise of all stock options and warrants, the conversion of certain convertible securities and related additions to income of $45.4 million (1973—$42 million) for the interest expense, less applicable income taxes, on the debt assumed to have been converted or repurchased with the proceeds available from the assumed exercise of options and warrants.

OCCIDENTAL PETROLEUM CORPORATION (DEC)

	1974	1973
Earnings Per Common and Common Equivalent Share (Note 14):		
Continuing operations	$5.50	$1.82
Discontinued operations	(.76)	(.87)
Net income	$4.74	$ .95
Fully Diluted Earnings Per Share (Note 14):		
Continuing operations	$4.32	*
Discontinued operations	(.55)	
Net income	$3.77	

*Not shown, since the result is antidilutive.

Note 14: Earnings per share—Earnings per common share for 1974 and 1973 are based upon earnings applicable to average common shares outstanding during the years and an insignificant number of stock options granted after June 1, 1969, which are common share equivalents.

Fully diluted earnings per share give effect to the reduction in earnings per share which would result from the conversion of all convertible preferred stocks and debentures and exercise of stock options granted up to June 1, 1969, and included in the fully diluted computation under the provisions of a pronouncement of the American Institute of Certified Public Accountants in effect prior to that date. In computing the per share effect of assumed conversions (a) dividends on convertible preferred stock have been added to earnings, (b) it has been assumed that the convertible debentures have been converted and the interest expense for the year has been added to earnings, and (c) the related additional issuable common shares have been added to average outstanding common shares.

Supplementary Earnings Per Share Data

GENERAL AMERICAN TRANSPORTATION CORPORATION (DEC)

	1974	1973
	($000)	
Net Income	$57,441	$51,700
Per share of Common Stock and common stock equivalent:		
Income before extraordinary charge	$4.54	$4.51
Net income	4.54	4.27
Per share of Common Stock and common stock equivalent, assuming conversion of all outstanding Preferred Stock:		
Income before extraordinary charge	4.40	4.33
Net income	4.40	4.11

Notes to Financial Statements

Note I: Income Per Share of Common Stock and Common Stock Equivalent—Income per share of Common Stock and common stock equivalent is based on the average number of common shares and common share equivalents outstanding (1974—12,584,356; 1973—11,748,738) during each year, and income after adjustment for interest on the 5¾% Convertible Subordinated Debentures and after dividends on Preferred Stock. The common stock equivalents represent the dilutive shares issuable upon exercise of employee stock options, an allocable portion of the estimated shares issuable under the 1971 Stock Equivalent Plan, and shares issuable upon conversion of the 5¾% Convertible Subordinated Debentures (from date of issue, March 27, 1974). Assuming the 5¾% Convertible Subordinated Debentures had been issued on January 1, 1974 and the proceeds therefrom had been used to retire short-term debt outstanding at that time, the pro forma net income per share of Common Stock and common stock equivalent for 1974 would be $4.51.

HARNISCHFEGER CORPORATION (OCT)

	1974	1973
Earnings per common and common equivalent share:		
Primary:		
Income before extraordinary item	$6.62	$4.92
Extraordinary item	—	.25
Net income	$6.62	$5.17
Fully Diluted:		
Income before extraordinary item	$6.29	$4.67
Extraordinary item	—	.23
Net income	$6.29	$4.90

Financial Notes

Note 11: Earnings Per Common Share—The number of shares entering into the computation of earnings per common and common equivalent share are as follows:

	1974	1973
Primary:		
Average common shares outstanding	1,729,013	1,571,204
Common share equivalents resulting from:		
Dilutive stock options outstanding	7,342	7,653
Dilutive common stock purchase warrants outstanding to July 1, 1974	22,253	—
Total—Primary	1,758,608	1,578,857
Fully Diluted:		
Average common shares outstanding	1,729,013	1,571,204
Common share equivalents resulting from:		
Dilutive stock options outstanding	9,028	8,434
Dilutive common stock purchase warrants outstanding to July 1, 1974	30,567	—
Assumed conversion of the 6% Subordinated Convertible Note	92,708	103,369
Total—Fully Diluted	1,861,316	1,683,007

In computing fully diluted earnings per share, net income was adjusted for the related interest expense, net of applicable income taxes.

Assuming that the 275,000 shares of common stock sold in April, 1974, had been outstanding since the beginning of fiscal 1973, with the net proceeds of $7,300,000 applied to reduce short-term bank borrowings, the primary earnings per common and common equivalent share, after adjustment for the related interest expense on such borrowings net of applicable income tax effect, would have been $6.25 and $4.33, for the years ended October 31, 1974 and 1973, respectively, before the extraordinary item in 1973.

THE J. RAY McDERMOTT & CO., INC. (MAR)

	1974	1973
Net Income Per Share:		
Primary Earnings:		
Before extraordinary items and cumulative effect of accounting change	$5.00	$2.51
Extraordinary items (net of taxes on income)	—	.04
Cumulative effect of accounting change (net of taxes on income)	(.44)	—
Net income	$4.56	$2.55
Fully Diluted Earnings:		
Before extraordinary items and cumulative effect of accounting change	$4.50	$2.43
Extraordinary items (net of taxes on income)	—	.04
Cumulative effect of accounting change (net of taxes on income)	(.38)	—
Net income	$4.12	$2.47

Notes to Consolidated Financial Statements

Note I: Net Income Per Share—Net income per share, primary earnings, is based on the weighted average number of common shares outstanding during each year. The convertible subordinated debentures outstanding are not common stock equivalents. The average number of common shares outstanding for the fiscal years ended March 31, 1974 and 1973 were 6,963,127 and 6,732,046.

Fully diluted earnings per share are computed assuming the conversion of the convertible subordinated debentures with elimination of interest expense attributable to the debentures net of attributable income taxes. Average number of shares for computing fully diluted earnings per share were 7,987,479 and 7,394,628 for the fiscal years ended March 31, 1974 and 1973.

During the year, 940,944 shares of common stock were issued upon conversion of the 4¼% and 4¾% convertible subordinated debentures. Had the conversions been effective April 1, 1973, primary earnings per share for the current fiscal year would have been as follows:

Before Extraordinary items and cumulative effect of accounting change	$4.61
Extraordinary items (net of taxes on income)	—
Cumulative effect of accounting change (net of taxes on income)	(.39)
Net Income	$4.22

LONG-TERM LEASES REPORTED BY LESSORS

APB Opinion No. 7 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. *APB Opinion No. 27* provides additional guidance for situations involving leases "entered into with independent lessees by manufacturers or dealers to assist in marketing their products or services."

Table 3-24 shows that most of the survey companies use the operating method to account for property leased by them to another entity. In addition to the companies included in Table 3-24, ninety additional survey companies reported that property held under lease from another entity was subleased to a third party.

Examples of lessor disclosures follow.

TABLE 3-24: LONG-TERM LEASES — LESSORS

	1974	1973	1972	1971
Operating method	40	41	47	42
Financing method	8	5	4	2
Both operating and financing methods	10	7	6	3
Total Companies	**58**	**53**	**57**	**47**

CONTROL DATA CORPORATION (DEC)

Consolidated Balance Sheets

	1974	1973
	($000)	
Long-Term Contracts Receivable, less Current Portion	$110,616	$ 98,912
Property, Plant and Equipment, at Cost		
Land	7,382	6,923
Buildings and improvements	94,926	86,070
Machinery and equipment	162,789	148,836
Leased and data centers computing equipment (Note G)	509,464	441,969
	774,561	683,798
Less accumulated depreciation		
Buildings, machinery and equipment	133,323	115,768
Leased and data centers computing equipment	242,082	186,778
	375,405	302,546
Net property, plant and equipment	399,156	381,252

Consolidated Statements of Earnings and Retained Earnings

Revenue		
Sales revenue	$ 535,694	$494,268
Rental and services revenue	544,873	441,764
Other income	20,575	12,159
Total revenue	$1,101,142	$948,191

Accounting Policies

Lease revenues and lease costs—Noncancellable 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 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. In accordance with a Statement of the Financial Accounting Standards Board which will become effective for 1975, the product and software development portion of these costs must be charged against earnings as incurred rather than deferred and amortized. Certain costs incurred in the manufacture of standard software products (see Inventories) must likewise be charged against earnings as incurred. If the Company had adopted these new requirements during 1974, net earnings for 1974 and 1973 would have been decreased by $5.0 million and $4.8 million, respectively ($0.31 and $0.30 per share), and retained earnings at January 1, 1973 would have been decreased by $10.8 million.

HAZELTINE CORPORATION (DEC)

	1974	1973
Income-Producing Rental Equipment		
Hazeltine owned (Note 6)		
At Cost	$8,042,000	$ 825,000
Less Accumulated Depreciation	1,852,000	142,000
	6,190,000	683,000
Independent Leasing Company —at Cost less Accumulated Depreciation of $1,726,000 (Note 6)	—	2,434,000
Computer Peripheral Equipment principally Demonstration Units, at Cost (Note 6)	1,507,000	1,302,000

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

Income-Producing Rental Equipment and Related Assets—Certain computer peripheral equipment manufactured by the Company is leased to customers, generally for an initial one year term. Such leases are accounted for under the operating method and accordingly, rental revenues are reflected in income as billed. Depreciation of rental equipment is computed using the sum of the years digits method over a maximum five-year period.

Computer peripheral equipment used by the Company in support of its sales and service operations is not depreciated since it is replaced by new equipment, as required, and the older equipment is refurbished and leased or sold. Refurbishment costs are expensed as incurred.

Note 6: Income-Producing Rental Equipment and Related Assets—Rental equipment owned by Hazeltine at December 31, 1974 consists of a portfolio of computer peripheral equipment rented directly to customers. At December 31, 1973 "independent leasing company" rental equipment consisted of a portfolio of computer peripheral equipment sold to an independent leasing company in transactions accounted for as a financing arrangement because Hazeltine was subject to certain risks of ownership. On March 29, 1974, the Company reacquired this rental portfolio together with certain other assets from that independent leasing company for a total consideration of $4,706,000 consisting of $2,514,000 in cash and unsecured notes totalling $2,192,000, and subsequently sold approximately 60% of such portfolio outright to a different independent leasing company. The reacquisition and sale resulted in recognition of a pre-tax gain of $563,000 and elimination of a contingent liability with respect to such equipment which amounted to $4.3 million at December 31, 1973. The December 31, 1973 deferred revenue item of $3,448,000 was eliminated by reason of the fact that that value was reflected in the said gain and in the value of the equipment acquired by Hazeltine in the transaction.

Salesmen's demonstration units are used by the Company in support of its sales and service operations. Such equipment, which is not being depreciated, is replaced by new equipment, as required, and the older equipment is refurbished and marketed. Refurbishment costs are expensed as incurred.

HONEYWELL INC. (DEC)

Balance Sheet

	1974	1973
	($000)	
Property—At cost		
Land	$ 17,686	$ 18,401
Buildings and improvements	223,035	215,326
Machinery and equipment	440,464	376,954
Construction in progress	17,792	9,828
	698,977	620,509
Less accumulated depreciation	321,173	281,823
	377,804	338,686
Equipment for lease to others	1,438,792	1,344,773
Less accumulated depreciation	706,078	642,635
	732,714	702,138
Property—net	$1,110,518	$1,040,824
Long-Term Senior Debt	$385,956	$386,468
Subordinated Debt	50,000	50,000
Deferred Rental Income	205,537	168,230
Deferred Income Taxes	54,060	57,208
Other Liabilities	23,757	21,825
Minority Interests in Equity of Subsidiaries	184,038	168,432

Summary of Significant Accounting Policies

Revenue and Receivables—Revenue from sales of manufactured products is recognized upon passage of title to the customer which generally coincides with physical delivery or acceptance. Revenue under cost reimbursement type contracts is recorded as cost is incurred and includes applicable fees. Revenue from long-term engineering and construction contracts is recognized on the percentage-of-completion basis.

Most lease agreements involving the rental of computer equipment are accounted for under the operating method and the rentals under such leases are included in rental revenue as earned over the term of the lease. Future rentals under operating lease contracts sold to nonconsolidated finance subsidiaries are credited to deferred rental income and included in rental revenue when earned. Noncancelable full payout lease contracts and installment sales contracts are accounted for as sales, and the related receivables are classified as current assets.

SPERRY RAND CORPORATION (MAR)

Consolidated Balance Sheets

	1974	1973
	($000)	
Long-Term Receivables, less allowance for doubtful accounts: 1974, $2,021; 1973, $1,912 (Note 5)	$219,398	$159,233
Investments at Equity		
Wholly-Owned Finance Company	74,998	61,671
Other companies	24,975	18,641
	99,973	80,312
Other Assets	49,374	39,496
Property, Plant and Equipment, at cost		
Land	13,606	12,407
Buildings and leasehold improvements	178,006	162,405
Machinery and equipment	345,526	324,373
	537,138	499,185
Less allowance for depreciation and amortization	295,510	272,934
	241,628	226,251
Rental machines	642,077	607,839
Less allowance for depreciation and obsolescence	430,109	366,359
	211,968	241,480
Property, Plant and Equipment, Net	453,596	467,731

Consolidated Statements of Income and Retained Earnings

Revenue		
Net sales of products	$1,944,443	$1,617,686
Rentals and services	669,043	611,567
Total	2,613,486	2,229,253
Interest and Other Income	27,707	24,730
	$2,641,193	$2,253,983

Notes to Financial Statements

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

Revenue and Related Costs—Revenue is derived from product sales, rentals of leased equipment, and services rendered.

Revenue under U.S. Government cost-type contracts is recognized when costs are incurred, and under fixed price contracts when products or services are accepted and billings can be made. General and administrative expenses are charged to income as incurred. Cost of revenue under long-term U.S. Government contracts is charged based on current estimated total costs. When estimates indicate a loss under a contract, cost of revenue is charged with a provision for such loss.

Noncancellable full payout lease contracts are accounted for under the financing method. Under this method, the present value of all payments due under the lease contract is recorded as revenue from product sales at the time the equipment is accepted by the customer and interest is recorded as service revenue over the lease term. Cost of revenue is charged with the book value of the equipment plus installation costs and provisions for other costs to be incurred over the lease term. The lease term covers the economic life of the equipment; accordingly, no consideration is given to any residual value of the equipment which remains with the company. Rentals for equipment under other leases are accounted for under the operating method and are included in revenue as earned over the lease term; related cost consists mainly of depreciation.

Note 5: Long-Term Receivables—The principal items included in long-term receivables are the present value of amounts due from customers under five-year noncancellable full payout lease contracts accounted for under the financing method and amounts due under installment and deferred payment sales.

SUNDSTRAND CORPORATION (DEC)

Consolidated Balance Sheet

	1974	1973
	($000)	
Long-Term Notes and Accounts Receivable	$ 6,316	$ 9,761
Equipment Systems Leased to Customers (Net of accumulated depreciation of $376,000 in 1974 and $211,000 in 1973)	2,479	1,128
Property, Plant and Equipment—at cost		
Land and improvements	8,449	6,565
Buildings and improvements	74,583	67,076
Machinery and equipment	206,522	177,399
	289,554	251,040
Less accumulated depreciation and amortization	120,705	111,556
	168,849	139,484

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.

TRANS UNION CORPORATION (DEC)

Summary of Accounting Principles and Practices

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

Income from finance leasing activities (including some rail cars and ocean vessels and the non-consolidated finance lease subsidiaries) is recognized under the financing method. These leases are full payout leases, which means that the lease terms provide for full recovery by Trans Union of its cost of the item leased, together with interest, expenses and profit. Aggregate income from this type of lease is total rentals, plus estimated residual value of the equipment, less cost of the equipment and less a provision for possible losses; this income is recorded over the life of the lease in a declining pattern which results in an approximate level rate of return on the declining investment.

XEROX CORPORATION (DEC)

Consolidated Balance Sheets

	1974	1973
	($000)	
Rental Equipment and Related Inventories		
At cost (less accumulated depreciation: 1974—$1,713,702; 1973—$1,360,151)	$1,521,198	$1,102,986

Consolidated Statements of Income

Operating Revenues		
Rentals	$2,839,823	$2,419,232
Sales	736,619	570,462
Total operating revenues	3,576,442	2,989,694
Costs and Expenses		
Cost of rentals	651,096	542,762
Cost of sales	421,835	313,554
Selling, service, administrative and general expenses	1,667,338	1,424,887
Total costs and expenses	2,740,269	2,281,203
Operating Income	$ 836,173	$ 708,491

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, five to seven years for copiers and duplicators and four years for computers. 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.

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 summarizes the presentation formats used by the survey companies to present changes in retained earnings. Examples of statements showing the increase or decrease in retained earnings resulting from 1974 fiscal year transactions and events follow.

Combined Statement of Income and Retained Earnings

THE PARKER PEN COMPANY (FEB)

Consolidated Statement of Net Earnings and Earnings Retained For Use in the Business

	1974	1973
Income:		
Net sales	$117,012,301	$86,495,826
Interest, royalties and other income	1,240,744	850,655
Total	118,253,045	87,346,481
Cost and Expenses:		
Cost of products sold	55,732,022	42,092,153
Marketing, administrative and other expense	43,935,150	33,981,085
Interest expense	1,189,416	591,098
Total	100,856,588	76,664,336
Earnings Before Income Taxes	17,396,457	10,682,145
Provision For Income Taxes	8,699,250	5,928,591
Net Earnings	$ 8,697,207	$ 4,753,554
Per Share Net Earnings Applicable to Common Stock (1973 restated for stock dividend)	$2.80	$1.53
Earnings Retained for Use in the Business—Beginning of Year	38,544,850	35,030,845
Cash dividends ($.46 in 1974, $.40 in 1973)	(1,442,538)	(1,239,549)
5% stock dividend	(2,555,492)	—
Earnings Retained for Use in the Business—End of Year	$ 43,244,027	$38,544,850

TABLE 4-1: PRESENTATION OF RETAINED EARNINGS TRANSACTIONS

	1974	1973	1972	1971
Combined statement of income and retained earnings (*27,400,744)	185	185	199	209
Separate statement of retained earnings (*21,197,254)	183	199	206	222
Combined statement of retained earnings and additional capital and/or capital stock (*114,384,701)	220	209	190	164
Changes shown in balance sheet or notes	12	7	5	5
Total Companies	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

Separate Statement of Retained Earnings

ENGELHARD MINERALS & CHEMICALS CORPORATION (DEC)

Consolidated Statement of Retained Earnings

	1974	1973
	(Thousands of Dollars)	
Balance at beginning of year	$240,130	$201,642
Net earnings for the year	110,164	52,511
	350,294	254,153
Less:		
Cash dividends—		
On $4.25 cumulative convertible preferred stock, $4.25 per share	2,119	2,550
On common stock, 1974—$.70 per share; 1973—$.43 per share	19,358	11,473
	21,477	14,023
Fair market value of 576,224 shares of common stock issued in payment of 2% common stock dividend, plus cash paid in lieu of fractional shares	10,371	—
	31,848	14,023
Balance at end of year	$318,446	$240,130

Combined Statements of Retained Earnings and Capital Accounts

AEROSOL TECHNIQUES, INCORPORATED (SEP)

Consolidated Statement of Common Stock, Additional Paid-in Capital and Deficit

	Common Stock				
	Shares Issued	Shares To be Issued	Amount	Additional Paid-In Capital	Deficit
Balance—September 30, 1972	1,464,401	99,600	$125,120	$9,616,829	$(1,345,781)
Sale of Common Stock	52,000		4,160	80,340	
Acquisition of Common Stock originally issued in connection with a merger in 1971	(53,120)	(79,680)	(10,624)	(296,376)	
Acquisition of Common Stock originally issued under restricted stock purchase plan	(500)		(40)	(1,557)	
Issuance in connection with a merger in 1971	6,640	(6,640)			
Net income					183,087
Balance—September 29, 1973	1,469,421	13,280	118,616	9,399,236	(1,162,694)
Issued as additional compensation to an officer of Company	10,000		800	10,325	
Exercise of restricted stock purchase grant	10,000		800	10,325	
Acquisition of Common Stock originally issued under restricted stock purchase plans	(4,005)		(320)	(9,766)	
Issuance in connection with a merger in 1971	6,640	(6,640)			
Net income					134,054
Balance—September 28, 1974	1,492,056	6,640	$119,896	$9,410,120	$(1,028,640)

AIRCO, INC. (DEC)

Statement of Stockholders' Equity

	Common Stock— $1 par value	Capital in Excess of Par Value	Retained Earnings	Treasury Stock— at cost	Total Stockholders' Equity
Balance at January 1, 1973	$11,769,000	$111,041,000	$139,732,000	$ (103,000)	$262,439,000
Net Income			19,111,000		19,111,000
Purchased for Treasury (610,700 shares)				(8,230,000)	(8,230,000)
Stock Used for					
Employee Stock Purchase Plan (154,865 shares)		(313,000)		2,112,000	1,799,000
Purchase of a Company (15,332 shares)				185,000	185,000
Dividends on Common Stock ($.80 per share)			(9,227,000)		(9,227,000)
Balance at December 31, 1973	11,769,000	110,728,000	149,616,000	(6,036,000)	266,077,000
Net Income			32,820,000		32,820,000
Purchased for Treasury (236,953 shares)				(3,088,000)	(3,088,000)
Stock Used for					
Employee Stock Purchase Plan (159,671 shares)		(420,000)		2,120,000	1,700,000
Purchase of a Company (35,913 shares)				468,000	468,000
Dividends on Common Stock ($.85 per share)			(9,576,000)		(9,576,000)
Other Charges		(92,000)		(8,000)	(100,000)
Balance at December 31, 1974	$11,769,000	$110,216,000	$172,860,000	$(6,544,000)	$288,301,000

RUSS TOGS, INC. (JAN)

Consolidated Statement of Stockholders' Equity

	1975	1974
Capital Stock—$1 Par Value (Notes K and L):		
Preferred:		
Balance at beginning of year	$ 264,625	$ 222,625
Issued in connection with a prior year's pooling of interests		42,000
Balance At End of Year	264,625	264,625
Common:		
Balance at beginning of year	4,088,543	4,088,473
Issued in connection with employment agreements	25,000	
Issued pursuant to exercise of employee stock options		70
Balance At End of Year	4,113,543	4,088,543
Additional Paid-in Capital (Notes K and L):		
Balance at beginning of year	11,145,861	11,024,873
Fair market value of contingently issuable shares pursuant to employment agreements	67,000	110,000
Cost of 6,250 and 18,750 shares of common stock issued from treasury in 1975 and 1974, respectively	(68,270)	(63,642)
Excess of sales price over par value of common shares issued upon exercise of employee stock options		630
Par value of preferred stock issued		(42,000)
Par value of common stock issued in connection with employment agreements	(25,000)	
Reduction of income taxes payable resulting from issuance of preferred stock		116,000
Balance At End of Year	11,119,591	11,145,861
Retained Earnings (Note E):		
Balance at beginning of year	34,354,751	27,915,485
Net earnings (statement attached)	3,001,662	9,663,872
Total	37,356,413	37,579,357
Less cash dividends:		
Common ($.76 a share in 1975 and $.70 a share in 1974)	3,023,369	2,761,718
Preferred ($1.90 a share)	502,788	462,888
Total	3,526,157	3,224,606
Balance At End of Year	33,830,256	34,354,751
Treasury Stock (Note L(3)):		
Balance at beginning of year	(1,717,760)	(577,691)
Purchase of 77,700 shares of common stock for treasury		(1,203,711)
Cost of 6,250 and 18,750 shares of common stock issued in connection with employment agreements in 1975 and 1974, respectively	68,270	63,642
Balance At End of Year	(1,649,490)	(1,717,760)
Total Stockholders' Equity (To Balance Sheet)	$47,678,525	$48,136,020

XEROX CORPORATION (DEC)

Consolidated Statements of Common and Class B Shares, Additional Paid-In Capital and Retained Earnings

	1974	1973
	(Dollars in thousands, except per share data)	
Common and Class B Shares		
Common stock		
Shares outstanding at beginning of year	78,679,876	78,493,423
Stock options exercised	77,301	180,450
Debentures converted	30	1,010
Exchanged for Class B stock	375	4,993
Shares outstanding at end of year	78,757,582	78,679,876
Class B stock		
Shares outstanding at beginning of year	494,210	520,513
Issued	15,000	—
Repurchased	(24,510)	(21,310)
Exchanged for common stock	(375)	(4,993)
Shares outstanding at end of year	484,325	494,210
Additional Paid-In Capital		
Balance at beginning of year	$ 254,593	$ 241,462
Stock options exercised	6,277	14,522
Debentures converted	3	91
Class B stock issued	1,258	—
Class B stock repurchased	(1,765)	(1,482)
Balance at end of year	$ 260,366	$ 254,593
Retained Earnings		
Balance at beginning of year	$1,195,168	$ 967,623
Net income for the year	331,083	300,484
Total	1,526,251	1,268,107
Deduct		
Cash dividends declared on common and Class B stocks 1974 — $1.00 per share; 1973 — $.90 per share	79,232	71,156
Class B stock repurchased	457	1,783
Total	79,689	72,939
Balance at end of year	$1,446,562	$1,195,168

DIVIDENDS

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.

Table 4-2 shows the nature of distributions made by the survey companies to their shareholders. Approximately 85% of the survey companies paying cash dividends to common stock shareholders indicate the per share amount of such dividends in the statement of retained earnings; approximately 70% of the survey companies make a similar disclosure for cash dividends paid to preferred stock shareholders.

Examples of distributions to shareholders follow.

TABLE 4-2: DIVIDENDS

	Number of Companies			
	1974	1973	1972	1971
Cash Dividends Paid to Common Stock Shareholders				
Per share amount disclosed in retained earnings statement	425	426	421	417
Per share amount not disclosed in retained earnings statement	81	78	73	78
Total	**506**	**504**	**494**	**495**
Cash Dividends Paid to Preferred Stock Shareholders				
Per share amount disclosed in retained earnings statement	168	166	176	165
Per share amount not disclosed in retained earnings statement	64	63	72	86
Dividends in arrears	6	7	8	7
Total	**238**	**236**	**256**	**258**
Cash Dividends Paid By Pooled Companies	**8**	**19**	**18**	**22**
Stock Dividends	**36**	**40**	**48**	**44**
Dividends In Kind	**3**	**1**	**4**	**2**

Cash Dividends

ALUMINUM COMPANY OF AMERICA (DEC)

Statement of Consolidated Income and Retained Earnings

	1974	1973
	(in thousands, except share amounts)	
Net income	$ 173,110	$ 104,188
Retained earnings at beginning of year	1,243,420	1,184,771
	1,416,530	1,288,959
Less dividends declared:		
Preferred stock—$3.75 per share	2,475	2,475
Common stock—per share: 1974, $1.34; 1973, $1.305	44,610	43,064
	47,085	45,539
Retained earnings at end of year	$1,369,445	$1,243,420

AMERICAN SEATING COMPANY (DEC)

Consolidated Statement of Retained Earnings

	1974	1973
Balance, at beginning of year	$21,108,357	$22,534,883
Add (Deduct)—net earnings (loss) for the year	600,030	(695,906)
	21,708,387	21,838,977
Deduct—cash dividends:		
Common stock—$.36 per share in 1973	—	488,279
Preferred stock: Class A—$4.50 per share	230,288	230,288
Class B—$4.00 per share	12,053	12,053
Balance, at end of year	$21,466,046	$21,108,357

BIRD & SON, INC. (DEC)

Consolidated Statement of Earnings and Retained Earnings

	1974	1973
Net earnings	$14,414,000	$ 9,612,000
Retained earnings at beginning of year	53,998,000	46,592,000
Dividends declared:		
5% preferred stock—$5 per share	(66,000)	(71,000)
$2.75 convertible preference stock—$2.75 per share	(20,000)	(26,000)
Common stock—$2.35 per share in 1974 ($1.33 in 1973)	(3,652,000)	(2,109,000)
Retained earnings at end of year	$64,674,000	$53,998,000

DENNISON MANUFACTURING COMPANY (DEC)

Statement of Consolidated Earnings Reinvested

	1974	1973
Balance at beginning of year	$57,038,000	$49,535,000
Net earnings for the year...........	10,523,000	10,190,000
	67,561,000	59,725,000
Less cash dividends paid:		
Debenture Stock ($8 per share).	150,000	151,000
Preferred Stock ($1 per share)..	464,000	465,000
Common Stock ($.90 per share in 1974; $.825 in 1973)......	2,259,000	2,071,000
	2,873,000	2,687,000
Balance at end of year.............	$64,688,000	$57,038,000

THE GREYHOUND CORPORATION (DEC)

Consolidated Retained Income

	1974	1973
Balance, beginning of year	$256,702,657	$224,720,750
Net income	57,954,827	76,407,767
Cash dividends:		
Convertible preference stock, $.75 quarterly per share	(12,704)	(13,270)
Common stock, $.26 quarterly per share, except $.31 for 2nd quarter of 1974	(45,951,545)	(43,796,854)
Other items, net	(394,182)	(615,736)
Balance, end of year...............	$268,299,053	$256,702,657

INGERSOLL-RAND COMPANY (DEC)

Changes in Retained Earnings

	1974	1973
Earnings retained for use in the business at beginning of year......	$515,109,000	$431,076,000
Premium paid on retirement of preferred stock	—	(252,000)
Retained earnings of pooled companies	—	37,639,000
Net earnings for the year...........	101,112,000	88,810,000
	616,221,000	557,273,000
Cash dividends:		
Preferred stock, $2.50 per share	—	63,000
Preference stock, $2.35 per share.........................	7,141,000	7,408,000
Common stock, $2.32 per share in 1974 and $2.16 in 1973	37,538,000	32,828,000
By acquired companies prior to pooling........................	944,000	1,865,000
	45,623,000	42,164,000
Earnings retained for use in the business at end of year............	$570,598,000	$515,109,000

UTAH-IDAHO SUGAR COMPANY (FEB)

Consolidated Statement of Earnings and Retained Earnings

	1974	1973
Net Earnings..........................	$ 3,938,413	$ 1,107,750
Earnings Retained for Use in the Business		
Dividends paid on Preferred Stock:		
Class A—$1.265 per share in 1974 and 1973..........	124,501	124,501
Class B—$1.265 per share in 1974 and $.6325 per share in 1973...........	124,508	62,254
Earnings Available to Common Stock	3,689,404	920,995
Amount at beginning of year	29,197,096	30,131,570
	32,886,500	31,052,565
Dividends paid on Common Stock—$.35 per share in 1974 and $.80 per share in 1973..........................	808,072	1,855,469
Amount at End of Year...........	$32,078,428	$29,197,096

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 28, 1974. In order to pay one semi-annual installment of interest on the debentures the retained earnings that would be required on December 28, 1974 is $2,640,585. The Company would be required to have $5,455,075 of retained earnings in order to be able to pay all interest and dividends that were in arrears on that date. The accumulated arrearages of interest that was payable on September 1, 1974, the last scheduled payment date, amounted to $1,971,018. The accumulated arrearages of quarterly preferred stock dividends that were scheduled for payment on September 1, 1973 and quarterly through December 1, 1974 but were not declared, amounted to $656,131 ($4.50 per share of preferred stock).

Note 4 (in part): Capital Stock—Preferred stock authorized is 1,000,000 shares without par value. Stated value is $40 per share and dividends are $3 per share cumulative and participating to not in excess of $1 per annum. At December 28, 1974 dividends were in arrears as described in Note 3. When six or more quarterly dividend payments are in arrears, and a majority of the outstanding preferred shares are present in person or by proxy at a stockholder's meeting for the election of directors, preferred shareholders voting separately are entitled to elect (if they elect to do so) two directors or two-ninths of the entire Board of Directors, whichever is greater. The stock is redeemable at $60 per share, plus accrued dividends. Liquidation value at December 28, 1974 is $9,404,551 including dividends in arrears. Shares issued are 145,807, both years.

AVCO CORPORATION (NOV)

Notes to Consolidated Financial Statements

Note 2 (in part): Under agreements relating to Avco's long-term debt, as amended in 1974, none of Avco's consolidated retained earnings at November 30, 1974 was available for the payment of cash dividends on common stock, but $22,800,000 was not restricted as to the payment of cash dividends on preferred stock. Payment of regular quarterly dividends on the preferred shares was suspended in September 1974 and the total dividend arrearage at November 30, 1974 was approximately $4,100,000 ($.80 per preferred share). Dividends on Avco's preferred stock are cumulative, and accrued and unpaid preferred dividends must be paid in full before dividends can be resumed on Avco's common stock. In the opinion of management, although current borrowing arrangements are adequate for the company's needs, general business requirements for cash and the restrictions in the long-term debt agreements will preclude the payment of cash dividends on common stock for the foreseeable future.

Stock Dividends

VEEDER INDUSTRIES INC. (DEC)

Notes to Consolidated Financial Statements

Note G: Common Stock—On October 14, 1974, the Board of Directors declared a 20% stock dividend payable on November 15, 1974 to all stockholders of record as of November 1, 1974. This stock dividend resulted in the issuance of 259,942 shares of Common Stock and the transfer of $7,772,266 from retained earnings to Common Stock ($1,624,637) and to capital in excess of par value ($6,147,629). Net income per share for 1974 and 1973 has been adjsuted to reflect the additional shares issued in connection with the 20% dividend. Expenses related to the stock dividend of $23,650 were charged to the capital in excess of par value account.

The Company issued 44,894 shares of Common Stock in connection with a pooling of interests transaction with Uniform Fasteners, as described in Note C to consolidated financial statements. Accordingly, Common Stock was retroactively increased $280,588 and capital in excess of par value was decreased $230,588.

The number of shares of Common Stock in treasury was 27,526 shares at December 31, 1974 and 27,866 shares at December 31, 1973. During the year ended December 31, 1973, the Company acquired 44,866 shares of Common Stock for the treasury at a total cost of $1,326,445. In 1973, the Company reissued 66,997 shares of treasury stock and issued 3 shares of Common Stock in connection with the acquisition of the A. L. Hyde Company, as described in Note C to the consolidated financial statements.

WALT DISNEY PRODUCTIONS (SEP)

Consolidated Statement of Stockholders Equity

	Common Shares Number	Common Shares Par Value	Capital in Excess of Par Value	Accumulated Earnings
Balance at September 30, 1972 as restated for stock split (note 6)	28,547,610	$35,685,000	$335,965,000	$ 88,969,000
Exercise of stock options (note 6)	36,169	45,000	743,000	
Income tax benefit from sale of option shares by employees			700,000	
Dividends				
Cash (12c per share)				(3,429,000)
Net income for the year				47,768,000
Balance at September 30, 1973	28,583,779	35,730,000	337,408,000	133,308,000
Exercise of stock options (note 6)	16,432	20,000	308,000	
Income tax benefit from sale of option shares by employees			859,000	
Dividends				
Cash (12c per share)				(3,483,000)
Stock (2%)	571,713	715,000	34,737,000	(35,452,000)
Net income for the year				48,328,000
Balance at September 30, 1974	29,171,924	$36,465,000	$373,312,000	$142,701,000

Note 6 (in part): Stockholders Equity—In January 1973 a two-for-one stock split effected by a 100% stock dividend resulted in the issuance of 14,276,173 common shares and a transfer of $17,845,000 from capital in excess of par value to capital stock.

A 2% stock dividend was issued to stockholders of record on December 3, 1973, resulting in a $35,452,000 transfer from accumulated earnings to invested capital.

CARNATION COMPANY (DEC)

Consolidated Statement of Retained Earnings

	1974	1973
Balance at beginning of year	$373,841,186	$326,311,586
Net income	79,660,713	64,871,351
	453,501,899	391,182,937
Dividends:		
Cash—$1.15 per share in 1974 and $.93 per share in 1973	20,428,147	16,327,694
Cash—pooled company		384,668
Cash in lieu of fractional shares in connection with pooling ..		65,329
Five percent stock dividend to be paid in March, 1975 (Note 9)	44,719,929	
Cost of common stock acquired by pooled company.................		564,060
Excess of cost over par value of 100,000 shares of common stock acquired for treasury.....	5,567,605	
	70,715,681	17,341,751
Balance at end of year (Note 5) ...	$382,786,218	$373,841,186

Note 9: Stock dividend—On November 22, 1974 the Board of Directors declared a 5% stock dividend payable to stockholders of record on March 3, 1975. Cash will be paid in lieu of issuing fractional shares. A charge of $44,719,929, representing the fair market value of the dividend at the date of declaration, has been made against retained earnings in the accompanying statements. The allocation to capital stock, other capital and cash in lieu of fraction shares will be made in 1975 when the actual number of shares to be issued is determined. Earnings per share and dividends per share shown in the accompanying statements give effect to the estimated number of shares to be issued; amounts per share for 1973 have been restated on a comparative basis.

ADJUSTMENTS TO OPENING BALANCE OF RETAINED EARNINGS

Certain events of accounting significance necessitate an adjustment of the opening balance of retained earnings. Some of the accounting events requiring an adjustment include certain accounting changes described in paragraph 27 of *APB Opinion No. 20*; 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* 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* which relate to the equity method, tax accrual on undistributed earnings, correction of an error and litigation, etc. settlements.

Table 4-3 summarizes both the reasons disclosed by the survey companies as to why the opening balance of retained

TABLE 4-3: ADJUSTMENTS TO OPENING BALANCE OF RETAINED EARNINGS

	1974	1973	1972	1971
Reasons for Adjustment				
Poolings of interests.........	30	56	67	69
Research and development expenditures charged to operations	23	—	—	—
Litigation or income tax settlements..............	12	29	26	15
Other.........................	18	36	89	87
Total Adjustments...............	**83**	**121**	**182**	**171**
Manner of Presentation				
Prior year's balance sheet restated—retained earnings statement shows amount of adjustment ...	71	92	127	117
Prior year's balance sheet restated—retained earnings statement shows adjusted balance only......	10	26	46	44
Prior year's balance sheet not restated	2	3	9	10
Total Presentations.............	**83**	**121**	**182**	**171**
Number of Companies				
Opening balance of retained earnings adjusted........	79	106	156	144
Opening balance of retained earnings not adjusted ...	521	494	444	456
Total	**600**	**600**	**600**	**600**

earnings was adjusted and the financial presentation of such adjustments. As shown in Table 4-3, 23 of the survey companies disclosed early compliance with the requirement set forth in *Statement of Financial Accounting Standards No. 2*, issued in October 1974 by the Financial Accounting Standards Board, that research and development costs be charged currently to operations. *Statement No. 2*, effective for fiscal periods beginning on or after January 1, 1975, directs that a change to comply with its requirements be accounted for as a prior period adjustment.

Examples of adjustments to the opening balance of retained earnings follow.

Change In Reporting Entity

THE ANSUL COMPANY (DEC)

Consolidated Statements of Shareholders' Equity

	Common Stock	Capital in Excess of Par Value	Treasury Stock	Retained Earnings
Balance, December 31, 1972, as previously reported	$1,570,701	$7,438,057	$10,715	$10,308,709
Pooling of Dover (Note 2)	200,000	(99,968)	—	287,782
Balance, December 31, 1972, as restated	1,770,701	7,338,089	10,715	10,596,491
Net Earnings				3,625,430
Purchase of treasury stock			5,592	
4% stock dividend — 61,417 shares (Including $19,101 cash in lieu of fractional shares)	60,204	760,296	(16,307)	(855,908)
Stock options exercised	1,464	12,404		
Balance, December 31, 1973	1,832,369	8,110,789	—	13,366,013
Net Earnings				7,746,914
4% stock dividend — 71,827 (Including $26,272 cash in lieu of fractional shares)	71,827	1,167,188		(1,265,287)
Stock options exercised	12,175	110,627		—
Balance, December 31, 1974	$1,916,371	$9,388,604	—	$19,847,640

Common stock authorized consists of 5,000,000 $1 par value shares, of which 1,916,371 and 1,832,369 shares were issued at December 31, 1974 and 1973, respectively.

Shareholders have previously authorized the issuance of 5,000,000 shares of voting preferred stock on terms and conditions to be determined by the Board of Directors. No shares had been issued at December 31, 1974.

Note 2: Business Combinations—On July 18, 1974 Dover Chemical Corporation, a producer of chlorinated paraffins, was acquired in a transaction accounted for as a pooling of interests. Ansul issued 200,000 shares of common stock in exchange for all of the issued and outstanding shares of Dover. The results of operations of Dover are included in the consolidated financial statements for the entire year of 1974 and all of the prior years presented in this report have been restated to reflect the pooling.

For the unaudited period January 1, 1974 to June 30, 1974, Ansul reported net sales of $59,784,000 and net earnings of $4,026,000, and Dover had net sales of $2,341,000 and net earnings of $318,000. In 1973 Ansul and Dover separately reported net sales of $82,634,000 and $3,911,000 and net earnings of $3,310,000 and $315,000 respectively.

UNIROYAL, INC. (DEC)

Consolidated Reinvested Earnings

	1974	1973
	($000)	
Balance at beginning of year, as previously reported	$427,177	$403,654
Adjustment for the cumulative effect on prior years of the reconsolidation of the Indonesian subsidiary	6,154	5,579
Balance at beginning of year, as adjusted	433,331	409,233
Net income for the year	48,630	47,669
	481,961	456,902
Cash dividends:		
Preferred stock, $8.00 per share	4,889	4,889
Common stock, $.70 per share	18,593	18,682
	23,482	23,571
Balance at end of year	$458,479	$433,331

Notes to Financial Statements

Indonesian Subsidiary—In January 1965, because of certain actions by the Indonesian government, Uniroyal removed from consolidation its Indonesian rubber producing plantation company. In October 1967, by agreement with the Indonesian government, control of the plantation was returned to the Company. Since that time, conditions in Indonesia have stabilized to the point where the subsidiary was reconsolidated in 1974.

All financial data in this report has been restated to give retroactive effect to the reconsolidation beginning in 1968. The restatement has increased consolidated reinvested earnings at the end of 1967 by $4,514,000 and has not had any significant effect on consolidated assets or sales but has increased reported annual income as follows:

	1974	1973	1972	1971	1970	1969	1968
Net Income:							
Amount (in thousands)	$1,066	$ 575	$ 72	$(51)	$ 497	$ 179	$ 368
Per Common Share	$ .04	$ .02	$.00	$.00	$ .02	$ .01	$ .01

Change in Accounting for Research and Development Expenditures

HOFFMAN ELECTRONICS CORPORATION (DEC)

Consolidated Statements of Common Stock, Additional Paid-In Capital and Retained Earnings

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings
Balance, December 31, 1972 as previously reported	1,796,755	$898,377	$4,182,293	$12,675,235
Adjustment for change in accounting (Note 3)	—	—	—	(488,817)
Balance, December 31, 1972, restated	1,796,755	898,377	4,182,293	12,186,418
Treasury stock purchased—32,000 shares	—	—	—	(418,638)
Net income for the year	—	—	—	262,800
Balance, December 31, 1973	1,796,755	898,377	4,182,293	12,030,580
Net loss for the year	—	—	—	(791,100)
Balance, December 31, 1974	1,796,755	$898,377	$4,182,293	$11,239,480

Note 3: Change in Accounting for Research and Development Expenditures—Prior to the fourth quarter of 1974, the company's policy was to capitalize research and development costs applicable to specific product lines to the extent that they were recoverable from firm orders. Product development costs applicable to audiovisual learning techniques were capitalized and amortized as units were sold; all other research and development costs were charged to expense as incurred. During the fourth quarter of 1974, the company changed its policy, as recommended by the Financial Accounting Standards Board Statement No. 2, to charge all research and development costs to expense as incurred, except those costs specifically reimbursable under terms of a contract.

As a result of this accounting change, financial statements for prior periods have been restated to apply the new method retroactively. The change reduced the 1974 net loss by $138,625 ($.08 per share) and reduced 1973 income as previously reported from $549,062 ($.32 per share) to $262,800 ($.15 per share). The effect of the change on income from continuing operations is the same as the effect on net income (loss) in both years.

The balances of retained earnings as of December 31, 1973 and 1972 have been restated for the effect, net of income taxes, of applying retroactively the new method of accounting.

The effect of the change on each of the first three quarters of 1974 was not material. The change reduced the 1974 fourth quarter net loss by $103,375 ($.06 per share).

HONEYWELL INC. (DEC)

Summary of Changes in Stockholders' Equity

	Common Stock Number of Shares	Common Stock Par Value	Additional Paid-In Capital	Retained Earnings	Total Stockholders' Equity
		(Dollars in Thousands)			
Balance, January 1, 1973:					
As previously reported	18,961,028	$28,442	$461,845	$362,371	$852,658
Accounting change				(63,010)	(63,010)
As restated	18,961,028	28,442	461,845	299,361	789,648
Common stock issued:					
Exercise of stock options	198,379	297	20,427		20,724
Conversion of debentures	7,456	11	759		770
Acquisition	5,011	8	142	97	247
Net income				95,136	95,136
Dividends (cash)—common, $1.40 per share				(26,632)	(26,632)
Balance, December 31, 1973	19,171,874	28,758	483,173	367,962	879,893
Common stock issued—exercise of stock options	361,538	542	8,992		9,534
Net income				75,768	75,768
Dividends (cash)—common, $1.40 per share				(26,968)	(26,968)
Balance, December 31, 1974	19,533,412	$29,300	$492,165	$416,762	$938,227

Notes to Financial Statements
(Dollars in Thousands)

Note 1: Accounting Change—All research and development costs, other than those specified as recoverable under contractual arrangements, have been charged to expense when incurred in 1974, whereas in prior years hardware engineering and product development costs were assigned to computer systems used internally, leased to customers, or in process of manufacture. The new method of accounting for hardware engineering and product development costs was adopted to conform to the method prescribed by Standard No. 2 of the Financial Accounting Standards Board, and financial statements of prior years have been restated to apply the new method retroactively.

The effect of the accounting change on income before income taxes and minority interests was a decrease in 1974 of $4,634 and a decrease in 1973 of $18,591. The effect on income before extraordinary income was a decrease in 1974 of $737 ($.04 per share primary and assuming full dilution) and a decrease in 1973 of $6,216 ($.33 per share primary, $.36 per share assuming full dilution). The effect on net income was a decrease in 1974 of $2,221 ($.12 per share primary and assuming full dilution) and a decrease in 1973 of $8,749 ($.46 per share primary, $.50 per share assuming full dilution).

NATIONAL CAN CORPORATION (DEC)

Shareholders' Equity

	1974	1973
Preferred Stock—$10 par value, 3,000,000 shares authorized, issuable in series:		
Series A Cumulative Convertible Preferred Stock, 1,010,444 shares authorized:		
Balance, beginning of year ...	$ 8,579,520	$ 8,579,720
Conversion into common stock	(59,460)	(200)
Balance, end of year (852,006 shares outstanding December 31, 1974 with maximum in liquidation of $25,560,180)	8,520,060	8,579,520
Series B Cumulative Convertible Preferred Stock, 633,532 shares authorized:		
Balance, beginning and end of year (633,532 shares outstanding December 31, 1974)................	6,335,320	6,335,320
Total Preferred Stock................	14,855,380	14,914,840
Common Stock—$5 par value, 20,000,000 shares authorized:		
Balance, beginning of year	30,693,010	30,415,630
Par value of shares issued for:		
Conversion of National Can Overseas Corporation bonds		1,295
Conversion of preferred stock	53,510	180
Prior acquisitions		275,905
Balance, end of year (6,149,304 shares outstanding December 31, 1974)...........	30,746,520	30,693,010
Additional Capital:		
Balance, beginning of year	9,779,606	9,626,463
Changes arising from:		
Conversion of National Can Overseas Corporation bonds		3,697
Conversion of preferred stock	5,950	20
Prior acquisitions		149,426
Balance, end of year..........	9,785,556	9,779,606
Retained Earnings:		
Balance, beginning of year:		
As previously reported........	87,704,777	77,722,611
Restatement as a result of change in accounting principle (Note D)........	(1,221,085)	(762,970)
As restated....................	86,483,692	76,959,641
Net earnings	20,320,326	13,928,648
Dividends paid on capital stock:		
Preferred—Series A, $1.50 per share................	(1,282,477)	(1,286,940)
Preferred—Series B, $.60 per share.....................	(380,119)	(380,119)
Common—$.47 and $.45 per share, respectively	(2,887,882)	(2,737,538)
Balance, end of year............	102,253,600	86,483,692
Consolidated Shareholders' Equity..	$157,641,056	$141,871,148

Note D: Research and Development Costs—In 1974, all research and development costs have been charged to operations as incurred in accordance with a recent pronouncement of the Financial Accounting Standards Board. In the past, certain research and development costs were deferred and amortized over appropriate periods. The financial statements for 1973, as previously reported, have been restated to give effect to this change in accounting principle. Including the effect on the international operating entities (see Note E), net earnings for 1974 were reduced by $510,447 ($.06 per share); net earnings for 1973 have been reduced by $458,115 ($.06 per share); retained earnings at December 31, 1972 have been reduced by $762,970.

INSILCO CORPORATION (DEC)

Consolidated Statement of Retained Earnings

	1974	1973
Retained earnings at beginning of year, as previously reported ...	$57,121,000	$49,512,000
Adjustment for the cumulative effect on prior years of applying retroactively the new method of accounting for research and development costs (Note 14)......	(729,000)	(551,000)
Retained earnings at beginning of year, as restated	56,392,000	48,961,000
Add—		
Net earnings for the year.....	15,017,000	14,751,000
	71,409,000	63,712,000
Deduct—		
Dividends declared on:		
8% convertible preferred stock ($2.00)	75,000	75,000
Convertible second preferred stock, Series A ($1.25)..................	946,000	946,000
Common stock ($.70)	6,211,000	6,299,000
	7,232,000	7,320,000
Retained earnings at end of year ..	$64,177,000	$56,392,000

Summary of Accounting Policies

Research and Development—All research and development costs are charged to expense as incurred. See Note 14 to the financial statements.

Notes to Financial Statements

Note 14: Research and Development—A recent Statement by the Financial Accounting Standards Board requires that all research and development costs be charged to expense when incurred and that such accounting be applied retroactively. This statement is effective for fiscal years beginning on and after January 1, 1975, but, as encouraged by the Financial Accounting Standards Board, the Company has adopted the change in advance. The effect thereof on 1974 results is to increase earnings from continuing operations and net earnings for the year by $59,000 or $.01 per share. The accompanying financial statements for 1973 have been restated for this change which had the effect of reducing earnings from continuing operations and net earnings by

$178,000, or $.02 per share. The change reduced retained earnings for December 31, 1974 by $670,000, representing research and development costs, less related taxes, which would have been deferred at that date under the Company's prior accounting practice. After restatement, research and development costs charged to expense amounted to $862,000 in 1974 and $1,063,000 in 1973.

OCCIDENTAL PETROLEUM CORPORATION (DEC)

Consolidated Statements of Shareholders' Equity

	Preferred Stocks (Note 13)	Common Shares (Note 13)	Additional Paid-In Capital	Retained Earnings
		(amounts in thousands)		
Balance, December 31, 1972, as previously reported	$5,237	$11,134	$500,662	$305,184
Deduct adjustment for the cumulative effect on prior years of the change in the method of accounting for research and development costs (Note 2)	—	—	—	(28,022)
Balance, December 31, 1972, as restated	5,237	11,134	500,662	277,162
Add (Deduct):				
Net income	—	—	—	71,866
Cash dividends on preferred stocks	—	—	—	(19,319)
Balance, December 31, 1973	5,237	11,134	500,662	329,709
Add (Deduct):				
Net income	—	—	—	280,677
Cash dividends on common shares	—	—	—	(13,778)
Cash dividends on preferred stocks	—	—	—	(19,323)
Exercise of stock options	—	2	124	—
Balance, December 31, 1974	$5,237	$11,136	$500,786	$577,285

Note 2: Accounting changes—In 1974, the company changed from the first-in, first-out (FIFO) and average cost methods of determining inventory cost to the last-in, first-out (LIFO) method for substantially all inventories. The new method is considered to be preferable because it more closely matches current costs with current revenues in periods of price-level changes since current costs are charged to cost of sales. This change in the method of accounting for inventories had the effect of reducing net income, net of tax benefit, for the year ended December 31, 1974 by $48,112,000 or 87 cents per share below that which would have been reported using the company's previous inventory costing methods. Under Accounting Principles Board Opinion No. 20, there is no cumulative effect of the change on prior years, since the December 31, 1973 inventory, as previously stated using the FIFO and average cost methods, is treated as the beginning inventory for the current year under the LIFO method. Accordingly, pro forma results for 1973 under the LIFO method are not applicable.

LIFO inventories at December 31, 1974, were $323,418,000 whereas, under the FIFO and average cost methods, inventories would have been $67,887,000 higher.

Prior to the fourth quarter of 1974, the company followed the policy of capitalizing certain research and development costs and amortizing these costs over subsequent periods of future benefit. In October, 1974, the Financial Accounting Standards Board issued a standard entitled "Accounting for Research and Development Costs" which requires, in 1975, that certain research and development costs be expensed as incurred and that this policy be retroactively applied by prior period adjustment. The company has elected to adopt this standard in 1974 and, accordingly, the 1973 amounts have been restated to reflect this change in accounting method. The effect of this change was to reduce net income (amounts in thousands) and the related per share amounts as follows:

	1974	1973
Amount of reduction	$(3,642)	$(5,584)
Reduction in primary earnings per share	$(.07)	$(.10)
Reduction in fully diluted earnings per share	$(.05)	*

*Not applicable as fully diluted earnings per share are antidilutive.

The amounts of research and development costs charged to expense were $18,597,000 in 1974 and $21,195,000 in 1973.

In addition, retained earnings for years piror to 1973 have been reduced by $28,022,000 to reflect this change in the method of accounting for research and development costs.

SUNDSTRAND CORPORATION (DEC)

Consolidated Statement of Stockholders' Equity

	Common stock	Additional contributed capital	Retained earnings	Treasury stock (common)	Unamortized value of restricted stock issued
			(Amounts in Thousands)		
Balances at December 31, 1972 as previously reported....	$5,472	$54,563	$80,424	$(1,113)	$ —
Prior period adjustments....	—	—	(12,953)	—	—
Balances at December 31, 1972 as restated....	5,472	54,563	67,471	(1,113)	—
Stock issued under restricted stock plans (16,651 and 58,299 shares, unissued and treasury stock, respectively)....	17	70	—	1,232	(1,245)
Stock options exercised (4,300 and 1,000 shares, unissued and treasury stock, respectively)....	4	69	—	17	—
Acquisition of pooled company (67,778 shares issued)...	68	32	(13)	—	—
Purchase of stock previously issued under restricted stock plans (2,975 shares)....	—	—	—	(80)	—
Purchase of stock for treasury (16,700 shares)....	—	—	—	(318)	—
Amortization of deferred compensation under restricted stock plans....	—	—	—	—	36
Net earnings for the year....	—	—	13,558	—	—
Cash dividends paid					
Common stock $.80 per share....	—	—	(4,372)	—	—
Preferred stock $3.50 per share....	—	—	(2,718)	—	—
Balances at December 31, 1973....	5,561	54,734	73,926	(262	(1,209)
Stock issued under restricted stock plans (49,050 and 35,000 shares, unissued and treasury stock, respectively)....	49	698	—	954	(1,612)
Stock options exercised (1,150 shares)....	1	19	—	—	—
Purchase of stock previously issued under restricted stock plans (3,800 shares)....	—	—	—	(64)	28
Purchase of stock for treasury (25,165 shares)....	—	—	—	(686)	—
Amortization of deferred compensation under restricted stock plans....	—	—	—	—	255
Net earnings for the year....	—	—	18,780	—	—
Cash dividends paid					
Common stock $.80 per share....	—	—	(4,461)	—	—
Preferred stock $3.50 per share....	—	—	(2,718)	—	—
Balances at December 31, 1974....	$5,611	$55,451	$85,527	$ (58)	$(2,538)

Financial Summary

Reconciliation of Previously Reported Net Earnings and Retained Earnings (in part)—In 1974, Sundstrand implemented the Statement of Financial Accounting Standards No. 2 which requires that all research and development costs as defined by that Statement, be charged to expense when incurred. Sundstrand had previously deferred certain research and development costs for subsequent amortization over production-sales periods. The effect of this change on net earnings for 1974 was not material.

The effects on previously reported net earnings are shown in the following schedule. The effect of this restatement on earnings before extraordinary items is the same as that shown for net earnings.

	1973	1972	1971	1970
		(Amounts in thousands, except for per share data)		
Net earnings as previously reported	$14,812	$9,411	$4,659	$8,051
Adjustment for effect of a change in accounting principle that is applied retroactively	(1,254)	(3,008)	(939)	367
Net earnings as restated	$13,558	$6,403	$3,720	$8,418
Per share amounts				
Earnings per common and common equivalent share				
Net earnings previously reported	$ 2.18	$ 1.22	$ .37	$ 1.01
Adjustment for effect of a change in accounting principle that is applied retroactively	(.23)	(.55)	(.18)	.07
Net earnings as restated	$ 1.95	$ .67	$ .19	$ 1.08
Earnings per common share, assuming full dilution				
Net earnings as previously reported	$ 2.06	$ 1.20	$ .37	$ 1.01
Adjustment for effect of a change in accounting principle that is applied retroactively	(.19)	(.53)	(.18)	.07
Net earnings as restated	$ 1.87	$ .67	$ .19	$ 1.08

Change To Full Tax Allocation Basis

THE SUPERIOR OIL COMPANY (DEC)

Consolidated Statements of Retained Earnings

	1974	1973
Retained Earnings		
Balance at beginning of year, as previously reported	$382,293,000	$354,287,000
Adjustments for the cumulative effect on prior years for the following:		
Retroactive application of Canadian Superior Oil Ltd. change to the full allocation basis of accounting for Canadian income taxes (Note 8)	(5,729,000)	(7,445,000)
Recognition of certain Natural Gas Sales as income (Note 4)	78,469,000	65,052,000
Balance at beginning of year, as restated	455,033,000	411,894,000
Net income	67,997,000	48,785,000
Cash dividends paid, $1.40 per share in each year	(5,637,000)	(5,646,000)
Balance at end of the year	$517,393,000	$455,033,000

Note 8 (in part): Income Taxes—On November 18, 1974 the Canadian government introduced budgetary proposals to amend the income tax act. Such proposals included a number of changes, several having retroactive effect to the date of an earlier budget on May 6, 1974, that will substantially increase the income taxes of the resource industry in Canada. These proposals, among other measures, deny the deduction of royalty and similar payments to the government and impose limitations on the deduction of certain development expenses and on depletion allowances. The effect of these proposals is partially offset by a reduction in the Canadian federal income tax rate applicable to resource production profits. In addition, the provinces of Alberta and Saskatchewan have subsequently announced proposals for tax rebates and certain other credits to provide some measure of relief from the additional federal tax levy. Although the federal and provincial legislative amendments have not yet been enacted, the effect of such legislation has been taken into account in computing the 1974 Canadian income tax provision based on the best information available.

Effective January 1, 1974 Canadian Superior changed to the full tax allocation basis of accounting for Canadian income taxes as required by the Canadian Provincial Securities Administrators. The effect of this change in accounting policy was to increase Superior's net income for the years ended December 31, 1974 and 1973 by $1,255,000 ($.31 per share) and $1,716,000 ($.43 per share), respectively, and decrease retained earnings at January 1, 1973 by $7,445,000.

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 from 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 4-4. Examples of such charges and credits follow.

TABLE 4-4: OTHER CHANGES IN RETAINED EARNINGS

	1974	1973	1972	1971
Charges				
Treasury stock transactions.	80	87	67	58
Poolings of interests adjustments	10	19	17	23
Cash payments in lieu of fractional shares	6	11	12	N/C
Other transactions—described	8	8	14	11
Unidentified charges	2	3	2	1
Total charges	**106**	**128**	**112**	**93**
Credits				
Poolings of interests	11	26	21	26
Other transactions—described	6	10	15	15
Unidentified credits	2	2	3	1
Total credits	**19**	**38**	**39**	**42**
Number of Companies				
Presenting other changes in retained earnings	102	131	133	108
Only changes are income, dividends, splits and changes to opening balance	498	469	467	492
Total	**600**	**600**	**600**	**600**

N/C—Not Compiled.

Treasury Stock Transactions

INLAND STEEL COMPANY (DEC)

Consolidated Statement of Reinvested Earnings

	1974	1973
	($000)	
Balance at beginning of the year...	$705,452	$665,646
Net income for the year	148,009	83,129
Dividends paid and payable:		
Common ($2.70 per share in 1974 and $2.16 per share in 1973)	(49,255)	(39,392)
Preferred ($2.40 per share in each year)	(2,934)	(3,060)
Excess of cost of treasury common stock over proceeds from reissue	(6,154)	(871)
Balance at end of the year	$795,118	$705,452

Notes to Consolidated Financial Statements

Note 9: Stock Options—Under the Inland 1973 Employee Stock Purchase Plan, eligible employees may purchase common stock at six-month intervals at 90 per cent of fair market value at the end of the period. During the year approximately 6,659 employees purchased 237,851 shares issued from treasury stock at an average price of $29.08 per share. At December 31, 1974 there were 762,149 shares remaining available for purchase.

Under the 1965 Executive Stock Option Plan, options to purchase common stock may be granted at market price at the time of grant. Options terminate five years after date of grant and, generally, cannot be exercised during the first year. Partial exercises, at the cumulative rate of 25% a year, may be made during the succeeding three years. In 1974 options for 84,400 shares at $35.31 per share were granted to 128 executives, options for 44,129 shares were exercised at an average price of $26.16 and options for 64,193 shares expired.

At December 31, 1974, 442,044 shares were under option to 137 executives at prices ranging from $24.75 to $35.31 per share, with 214,949 shares exercisable. A total of 1,693 shares was available for future options under this plan which expires April 27, 1975.

NL INDUSTRIES, INC. (DEC)

Consolidated Statement of Income and Retained Earnings

	1974	1973
Net income	$ 77,921,000	$ 47,061,000
Retained earnings at beginning of year	354,546,000	333,381,000
	432,467,000	380,442,000
Less:		
Dividends paid—$1.00 per share	24,116,000	24,089,000
Adjustments relating to acquisitions (Note 2)	509,000	1,807,000
Retained earnings at end of year ..	$407,842,000	$354,546,000

Note 2: Acquisitions—During 1974, the Company exchanged 33,000 shares of its treasury stock for the remaining outstanding stock of Wilson-Snead Mining Company, Inc. This acquisition has been accounted for as a purchase and, accordingly, the results of operations since date of purchase are included for 1974. As a result of this transaction, retained earnings was charged $509,000, representing the excess of the cost of treasury shares issued over the fair value of the net assets acquired.

BRUNSWICK CORPORATION (DEC)

Shareholders' Equity ($000)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings (Note 8)	Treasury Stock Shares	Treasury Stock Amount
Balance, December 31, 1972	18,835,860	$14,127	$56,315	$188,405	(393,200)	$(11,627)
1973						
Net earnings	—	—	—	39,742	—	—
Cash dividends—common stock:						
Declared—$.26 per share	—	—	—	(4,532)	—	—
(Paid—$.24 per share)						
Shares purchased	—	—	—	—	(1,105,007)	(30,698)
Shares sold under stock option plans (Note 12)	39,500	30	562	(247)	33,110	938
Shares issued for company acquired	—	—	—	(107)	10,000	282
Balance, December 31, 1973	18,875,360	$14,157	$56,877	$223,261	(1,455,097)	$(41,105)
1974						
Net earnings	—	—	—	36,934	—	—
Cash dividends:						
Preferred stock—						
$3.00 per share	—	—	—	(24)	—	—
Common stock—						
Declared—$.34 per share	—	—	—	(6,165)	—	—
(Paid—$.32 per share)						
Shares sold under stock option plans (Note 12)	—	—	—	(112)	14,690	415
Shares issued for company acquired (Note 1)	—	—	—	(24,124)	1,321,973	37,344
Shares retired (Note 12)	(118,434)	(89)	—	(3,257)	118,434	3,346
Balance, December 31, 1974	18,756,926	$14,068	$56,877	$226,513	—	$ —

Note 1: Acquisition—The Company acquired all of the outstanding capital stock of Ozite Corporation, a manufacturer of floor coverings, on August 16, 1974, in exchange for 1,322,000 shares of common stock and 7,959 shares of $6.00 preferred stock (subsequently redeemed at $100 per share), representing a total consideration of approximately $14,000,000. This acquisition has been accounted for as a purchase, and, accordingly, the results of operations of Ozite have been included in the consolidated financial statements from the date of acquisition.

In connection with the acquisition, the Company reviewed the operations and decided to consolidate activities performed in several small plants and to discontinue the manufacture of certain secondary product lines. As required under the purchase method of accounting, the total purchase price has been allocated to the net assets acquired based upon their fair market values to the Company as of the date of acquisition. This resulted in the write-down of unneeded plants, equipment and inventories, to be disposed of in future periods, to estimated realizable value and in the write-up to appraised value of certain favorable leases on continuing manufacturing facilities.

The pro forma combined net sales and services (unaudited) of the Company and Ozite for the years ended December 31, 1974 and 1973, reflecting the acquisition as though it had taken place January 1, 1973, were $853,993,000 and $779,537,000, respectively. The pro forma combined net earnings (unaudited) of the two companies were $38,161,000 in 1974 and $41,197,000 in 1973 ($2.04 and $2.18 per common share, respectively). These pro forma combined amounts do not give effect to changes in the amounts of depreciation, amortization, and interest expense from liabilities assumed, which result from the adjustments recorded to the Ozite asset and liability accounts in connection with the acquisition, since the net effect of such changes would not be material to the pro forma combined results of operations.

Note 12 (in part): Capital Stock—The Board of Directors has authority to designate the dividend rate, conversion privileges, voting rights, etc., of the preferred stock prior to its issue. A series of 7,959 shares of $6 cumulative non-callable, non-convertible preferred stock was authorized and issued in connection with the acquisition of Ozite Corporation on August 16, 1974 (See Note 1). Subsequent to this date, the preferred shareholders voted to make this series subject to redemption at its liquidation price of $100 per share and the stock was called for redemption by the Company in December, 1974. In addition, the Board of Directors authorized the retirement of 118,434 shares of common stock held in treasury as of December 31, 1974.

EX-CELL-O CORPORATION (NOV)

Consolidated Statement of Shareholders' Equity

	Common Stock	Additional Paid-In Capital	Treasury Stock	Earnings Reinvested
Balance at November 30, 1972	$25,794,819	$26,313,214	$(6,458,508)	$131,723,320
Net earnings for the year	—	—	—	17,199,245
Dividends declared—$.875 per share	—	—	—	(7,252,957)
Treasury stock acquired	—	—	(2,634,429)	—
Balance at November 30, 1973	25,794,819	26,313,214	(9,092,937)	141,669,608
Net earnings for the year, note 2	—	—	—	18,789,356
Dividends declared—$.975 per share	—	—	—	(7,833,952)
Treasury stock acquired	—	—	(3,937,581)	—
Cancellation of 598,273 shares of treasury stock at average cost	(1,794,819)	—	12,289,066	(10,494,247)
Balance at November 30, 1974	$24,000,000	$26,313,214	$ (741,452)	$142,130,765

MARATHON OIL COMPANY (DEC)

Retained Earnings

	1974	1973
Balance at beginning of year	$701,358,000	$606,001,000
Net income for the year	170,493,000	143,347,000
	871,851,000	749,348,000
Deduct:		
Cash dividends paid—$1.80 a share in 1974 (1973—$1.60)	53,878,000	47,905,000
Excess of cost over stated value of shares purchased for treasury	6,426,000	85,000
	60,304,000	47,990,000
Balance at end of year	$811,547,000	$701,358,000

Notes to Consolidated Financial Statements

Note G: Common Share Changes:

	Number of shares	Amount thousands
Outstanding January 1, 1973	29,877,591	$181,315
Options exercised	82,020	1,784
Debenture conversions	34,295	1,081
Purchased for treasury	(2,000)	(12)
Other	13,397	479
Outstanding December 31, 1973	30,005,303	184,647
Options exercised	43,078	976
Debenture conversions	15,790	497
Purchased for treasury	(223,750)	(1,383)
Other	6,148	222
Outstanding December 31, 1974	29,846,569	$184,959

THE MEAD CORPORATION (DEC)

Statement of Retained Earnings and Additional Paid-in Capital

	1974	1973
	($000 except per share amounts)	
Retained earnings:		
Balance—beginning of year	$266,293	$240,730
Net earnings for the year	81,969	49,461
	348,262	290,191
Less:		
Cash dividends:		
Preferred—$4.25 a share	97	104
Preferred—$5.00 a share	136	145
Preferred—$6.00 a share	56	60
Voting cumulative preferred—$2.80 a share	8,015	8,015
Common—$.90 a share in 1974; $.65 a share in 1973	13,492	10,083
Excess price of common shares repurchased over stated value (average purchase price per share $15.56 in 1974 and $14.82 in 1973)*	4,492	5,491
	26,288	23,898
Balance—end of year	$321,974	$266,293
Additional paid-in capital:		
Balance—beginning of year	$ 4,794	$ 4,715
Excess of par value over purchase price of preferred shares	139	21
Excess of option price over stated value of common shares issued under stock plans	172	58
Balance—end of year	$ 5,105	$ 4,794

*Primary book value per common share—$31.45 at December 31, 1974 and $26.80 at December 31, 1973.

TEXTRON INC. (DEC)

Consolidated Statement of Retained Earnings

	1974	1973
Balance at beginning of year	$498,438,000	$440,812,000
Net income	105,904,000	100,837,000
	604,342,000	541,649,000
Cash dividends declared:		
Textron: $2.08 preferred stock	6,276,000	6,324,000
$1.40 preferred dividend stock	6,192,000	6,441,000
Common stock ($1.10 per share in 1974; $.98 per share in 1973)	32,884,000	28,181,000
	45,352,000	40,946,000
Pooled company prior to acquisition	—	1,582,000
	45,352,000	42,528,000
Charges resulting from issuance of treasury shares upon exercise of stock options and warrants	1,257,000	683,000
	46,609,000	43,211,000
Balance at end of year	$557,733,000	$498,438,000

Adjustment Resulting From Capital Transaction Of Investee

THE ANACONDA COMPANY (DEC)

Statement of Consolidated Income and Retained Earnings

	1974	1973
	(Thousands of dollars)	
Net Income	$247,128	$ 86,786
Retained Earnings		
At beginning of year, as previously reported	491,028	414,861
Adjustment—cumulative effect on prior years of change in accounting for research and development expenditures	(6,007)	(4,740)
	732,149	496,907
Dividends paid ($1.00 and $.50 per common share)	(22,087)	(11,031)
Excess of cost of treasury stock over proceeds, principally from sales under employee stock option plan	(263)	(265)
Adjustment resulting from capital transactions of an affiliated company accounted for on the equity basis	(175)	(590)
Retained Earnings at end of year	$709,624	$485,021

Financial Review
(Amounts in tables are in thousands of dollars)

Investments (in part)—Condensed financial information pertaining to companies accounted for on the equity basis is as follows:

	1974	1973
Net current assets	$102,903	$ 84,825
Property, plant and equipment	206,247	173,399
Long-term debt	(108,035)	(88,621)
Other non-current assets and (liabilities)	14,615	(2,143)
Combined net assets	$215,730	$167,460
Anaconda's share	$ 83,972	$ 72,204
Sales	$413,061	$305,636
Net income	$ 43,277	$ 38,818
Anaconda's share	$ 16,673	$ 15,267

The affiliated companies noted above, excluding Inspiration Consolidated Copper Company, are located in Mexico and Brazil. At the end of 1974 the company's equity in these foreign companies amounted to $59.3 million (1973—$48.4 million) and these companies' contribution, after all applicable taxes, to consolidated income amounted to $10.8 million (1973—$9.0 million).

During 1974 Condumex S.A., and during 1973 Nacional de Cobre, S.A., sold additional shares, the effect of which was to reduce the company's percentage of ownership from 31% to 23%, and from 49% to 40%, respectively. Adjustments of $175 thousand in 1974 and of $590 thousand in 1973, required to reflect the effect of these transactions, have been made to "Retained earnings." In addition, 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 $800 thousand.

Redemption Of Preferred Stock

THE DUPLAN CORPORATION (SEP)

Consolidated Statements of Income (Loss) and Retained Earnings

	1974	1973
Net income (loss)	$(18,871,000)	$ 1,651,000
Retained earnings, beginning of year	22,065,000	21,530,000
	3,194,000	23,181,000
Less:		
Current redemption premium of Series A preferred stock (Note 6)	926,000	1,013,000
Dividends on preferred stock	77,000	103,000
	1,003,000	1,116,000
Retained earnings, end of year	$ 2,191,000	$22,065,000

Note 6 (in part): Capital Stock:

Preferred Stock—The Board of Directors had designated 22,500 shares of its authorized preferred stock as voting, preferred stock $4 convertible, Series A with a redemption value of $100 per share. On November 1, 1974 and 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, 1974 and 1973 as a current liability with a corresponding reduction in stockholders' equity. Such redemptions reduce the shares designated.

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.

Table 4-5 summarizes the presentation formats used by the survey companies to present changes in additional capital.

TABLE 4-5: PRESENTATION OF ADDITIONAL CAPITAL TRANSACTIONS

	1974	1973	1972	1971
Statement of stockholders' equity (*239,416,616)..	153	158	148	116
Statement of additional capital (*334,352,659)......	85	108	123	128
Schedule in notes (*4,138,739)	59	66	77	95
No statement or schedule but changes disclosed........	59	93	91	93
Balance unchanged during year.......................	165	98	86	90
Subtotal	**521**	**523**	**525**	**522**
Additional capital account not presented	79	77	75	78
Total Companies	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

TABLE 4-6: STOCK SPLITS

	1974	1973	1972	1971
Ratio				
Less than three-for-two.....	—	4	—	2
Three-for-two (50%) to two-for-one	4	10	13	7
Two-for-one (100%)........	10	20	23	19
Greater than two-for-one...	2	6	9	—
Total Companies	**16**	**40**	**45**	**28**
Account Charged				
Additional capital	10	16	16	15
Retained earnings............	2	8	14	4
No charge	4	16	15	9
Total Companies	**16**	**40**	**45**	**28**

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 4-6 shows the number of survey companies disclosing stock splits and summarizes the accounting treatments for stock splits. Examples of stock splits follow.

HUDSON PULP & PAPER CORP. (DEC)

Notes to Financial Statements

Stockholders' Equity (in part)—On July 19, 1974: 1,175,125 shares of Common Stock were issued to stockholders in connection with a two-for-one stock split effected in the form of a stock dividend; Additional Capital was charged and Common Stock was credited with $1,175,125, representing the aggregate of the par value of the shares issued.

BEECH AIRCRAFT CORPORATION (SEP)

Notes to Consolidated Financial Statements

Note E: Common Stock and Additional Paid-In Capital—Following is a summary of the changes in Common Stock and additional paid-in capital for the two years ended September 30, 1974:

	Common Stock	Additional Paid-In Capital	Treasury Stock
Balance October 1, 1972	$4,730,318	$18,896,385	$(1,680,496)
Shares issued in payment of 1% stock dividend—at market value (including 1,189 shares applied to treasury shares)	44,469	692,827	
Proceeds from sale of shares under employee stock option plans	12,100	136,345	
Purchase of 33,900 treasury shares			(472,177)
Balance September 30, 1973	$4,786,887	$19,725,557	$(2,153,073)
Adjustment to reflect transfer in connection with three for two stock split (including 77,004 shares applied to treasury shares)	2,390,151	(2,390,151)	
Proceeds from sale of shares under employee stock option plans	4,665	31,848	
Conversion of debentures	44	1,956	
Purchase of 160,675 treasury shares			(1,336,270)
Balance September 30, 1974	$7,181,747	$17,369,210	$(3,489,343)

The Board of Directors on October 8, 1974, declared a stock dividend of 1/100 (1 percent) for each share outstanding, payable November 21, 1974 to stockholders of record October 18, 1974. Payment of this dividend will result in the issuance of 67,211 additional shares of Common Stock (fractioned shares will be paid in cash) and the transfer of approximately $466,000 from retained earnings of which an amount equal to $1.00 per share will be credited to Common Stock and the balance to additional paid-in capital. Per share amounts and stock option data have been adjusted for stock dividends and stock splits declared through September 30, 1974.

THE BLACK AND DECKER MANUFACTURING COMPANY (SEP)

Consolidated Statement of Changes in Stockholders' Equity

	Common Stock Outstanding Shares	Common Stock $.50 Per Share Par Value	Capital in Excess of Par Value of Common Stock	Earnings Retained and used in the Business
		(thousands of dollars)		
Balance September 24, 1972	12,759,929	$ 6,380	$114,652	$ 62,486
Net earnings				33,279
Sale of Common Stock under option and purchase plans	46,308	23	2,406	
Debenture conversions	25,366	13	762	
Shares issued in connection with the acquisition of McCulloch Corporation	550,000	275	42,130	
Cash dividends— $.34 a share				(13,062)
Balance September 30, 1973	13,381,603	6,691	159,950	82,703
Net earnings				44,569
Sale of Common Stock under option and purchase plans	69,421	34	1,817	
Debenture conversions	25,119	12	336	
Three-for-one stock split	26,777,460	13,389	(13,389)	
Sale of equipment and inventory for Common Stock	(20,910)	(10)	(699)	
Public offering	1,320,000	660	40,406	
Cash dividends— $.39 a share				(15,786)
Balance September 29, 1974	41,552,693	$20,776	$188,421	$111,486

BURROUGHS CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 4: Common Stock and Paid-In Capital—On March 27, 1974, the shareholders approved an amendment to the Articles of Incorporation increasing the number of authorized shares of common stock, par value $5.00 per share, from 30,000,000 shares to 60,000,000 shares to accommodate a two-for-one stock split effective March 29, 1974, and to provide additional authorized shares of the Company's common stock.

Changes in issued common stock and paid-in capital were as follows:

	Common Stock Shares	Common Stock Amount	Paid-In Capital
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
Two-for-one stock split	19,493,898	97,469,490	(97,469,490)
Sale of stock under the stock option and purchase plans	295,670	1,478,350	20,323,742
Conversion of convertible debt	23,472	117,360	1,513,242
Balance at December 31, 1974	39,306,938	$196,534,690	$296,949,967

Treasury stock consists of 46,680 and 23,340 shares in 1974 and 1973, respectively, valued at cost.

JEWEL COMPANIES, INC. (JAN)

Statement of Shareholders' Equity

	Preferred Stock	Common Stock	Treasury Stock	Retained Earnings
		(Dollars in thousands)		
Balance, February 3, 1973				
Outstanding Shares	31,500	11,206,924	(16,743)	
Amount	$ 3,150	$ 71,480	$ (1,192)	$164,675
Net earnings for the year—1973				36,336
Cash dividends declared:				
Preferred stock—$3.75 per share				(56)
Common stock—$1.1068 per share				(12,418)
Treasury shares purchased—500 preferred shares			(27)	
Common stock issued:				
Employee stock purchase plan—26,585 shares		684		
Stock option plan—4,050 shares		96		
Balance, February 2, 1974	3,150	72,260	(1,219)	188,537
Issued to Profit Sharing Fund—150,000 common shares		4,200		
Three-for-two common stock split		3,801		(3,801)
Net earnings for the year—1974				30,230
Cash dividends declared:				
Preferred stock—$3.75 per share				(56)
Common stock—$1.1767 per share				(13,421)
Treasury shares purchased—248 preferred shares			(15)	
Common stock issued:				
Employee stock purchase plan—39,711 unissued shares and 656 treasury shares		985	23	(6)
Stock option plan—450 shares		12		
Balance, February 1, 1975				
Amount	$ 3,150	$ 81,258	$ (1,211)	$201,483
Outstanding shares	31,500	11,427,270	(16,835)	

Common stock shares and dividends per common share have been adjusted to reflect the 3-for-2 split in July, 1974.

Notes to Financial Statements

Common Stock Split—On June 19, 1974, the Company's Board of Directors authorized a three-for-two common stock split to be distributed on July 31, 1974. All share and per share information in this report reflects the adjusted number of shares. The par value of the new shares issued totaled $3,801,321 and has been transferred from retained earnings to the common stock account.

PHILIP MORRIS INCORPORATED (DEC)

Consolidated Statements of Stockholders' Equity

	Preferred Stock, $100 Par Value	Common Stock, $1 Par Value	Additional Paid-In Capital	Earnings Reinvested in the Business	Cost of Treasury Stock	Total Stockholders' Equity
Balance, January 1, 1973..........	$24,773,000	$27,315,000	$179,581,000	$473,925,000	($10,045,000)	$695,549,000
Net earnings for the year 1973.				148,632,000		148,632,000
Cash dividends declared:						
Preferred stock				(128,000)		(128,000)
Common stock, $.674 per share.....................				(37,128,000)		(37,128,000)
Preferred stock purchased for treasury					(6,739,000)	(6,739,000)
Common stock issued upon conversion of debentures		353,000	10,129,000		389,000	10,871,000
Proceeds from common stock issued under stock options ...		86,000	3,885,000			3,971,000
Preferred stock retired...........	(14,504,000)		3,753,000		10,751,000	—
Balance, December 31, 1973......	10,269,000	27,754,000	197,348,000	585,301,000	(5,644,000)	815,028,000
Net earnings for the year 1974.				175,516,000		175,516,000
Two-for-one common stock split effected in the form of a 100% stock dividend		27,886,000	(27,886,000)			—
Preferred stock purchased for treasury					(126,000)	(126,000)
Cash dividends declared:						
Preferred stock				(122,000)		(122,000)
Common stock, $.775 per share.....................				(43,504,000)		(43,504,000)
Common stock issued upon conversion of debentures		1,566,000	23,596,000		857,000	26,019,000
Proceeds from common stock issued under stock options ...		61,000	1,801,000			1,862,000
Preferred stock retired...........	(590,000)		163,000		427,000	—
Balance, December 31, 1974......	$ 9,679,000	$57,267,000	$195,022,000	$717,191,000	($ 4,486,000)	$974,673,000

( )Denotes deduction.

Notes to Consolidated Financial Statements

Capital Shares:

	Authorized	Issued	Treasury	Outstanding
Preferred:				
At December 31, 1973......................	102,689	102,689	(70,937)	31,752
Purchased			(1,737)	(1,737)
Retired...	(5,903)	(5,903)	5,903	
At December 31, 1974......................	96,786	96,786	(66,771)	30,015
Common, $1 par value:				
At December 31, 1973......................	50,000,000	27,754,298	(65,081)	27,689,217
Two-for-one common stock split	50,000,000	27,886,293	(59,848)	27,826,445
Issued for:				
Debenture conversions		1,565,465	122,705	1,688,170
Stock options..............................		60,974		60,974
At December 31, 1974......................	100,000,000	57,267,030	(2,224)	57,264,806

Effective April 25, 1974 the Company's authorized common stock was increased from 50,000,000 shares to 100,000,000 shares with the par value remaining at $1 per share. Concurrently, a common stock split was effected in the form of a 100% stock dividend. To account for these changes, the common stock capital account was increased by a transfer of $27,886,000 from the additional paid-in capital account.

All references in the financial statements with regard to number of shares of common stock and related prices, dividends and per share amounts have been restated to reflect the foregoing common stock split.

As of December 31, 1974, 732,306 shares are reserved for the exercise of stock options.

CREDITS AND CHARGES TO CAPITAL ACCOUNTS

Table 4-7 and Table 4-8 summarize credits and charges to capital accounts. Examples of such credits and charges follow.

TABLE 4-7: CREDITS TO CAPITAL ACCOUNTS

	Common Stock	Preferred Stock	Additional Capital
Sale or issuance of stock:			
Stock option or purchase plan	239	3	186
Other employee benefits	64	—	47
Conversion of preferred	82	2	40
Conversion of debt	51	3	52
Business combinations:			
Current year	55	4	38
Prior year	22	—	6
Warrants and rights	5	2	5
Purchase or retirement of stock	—	—	42
Stock option tax benefits	2	—	17
Other—identified	27	7	26
Unidentified	35	2	37
Total Credits	**582**	**23**	**496**

TABLE 4-8: CHARGES TO CAPITAL ACCOUNTS

	Common Stock	Preferred Stock	Additional Capital
Purchase or retirement of stock	148	91	56
Conversion of preferred stock	—	87	13
Treasury stock issued for less than cost	1	—	43
Business combinations	—	—	28
Other—described	18	6	34
Unidentified	12	4	18
Total Charges	**179**	**188**	**192**

Conversion of Debt

J. RAY McDERMOTT & CO., INC. (MAR)

Consolidated Statements of Retained Earnings and Capital in Excess of Par Value

	1974	1973
Retained Earnings:		
Balance, beginning of year	$140,549,690	$130,107,829
Add:		
Net income	31,766,065	17,174,768
	$172,315,755	$147,282,597
Deduct:		
Cash dividends paid on common stock ($1.05 per share 1974; $1.00 per share 1973)	$ 7,380,161	$ 6,732,907
Balance, end of year	$164,935,594	$140,549,690
Capital in Excess of Par Value:		
Balance, beginning of year	$ 63,598,593	$ 63,349,432
Add:		
Excess of market value over par value of common stock and cost of treasury stock in connection with executive career stock plan	—	237,249
Forfeited stock received in connection with the executive career stock plan and contingent share agreements concerning prior acquisitions	—	11,912
Excess of principal amount of 4¼% and 4¾% convertible subordinated debentures over the par value of 940,944 shares of common stock issued upon conversion, less related expenses	66,515,333	—
Balance, end of year	$130,114,926	$ 63,598,593

Notes to Consolidated Financial Statements

Note D (in part): Long-Term Debt—The 4¼% convertible subordinated debentures were called for redemption during December, 1973. Prior to the call $15,000 principal amount of the debentures had been converted into 201 shares of common stock of the Company. As a result of the call, $59,960,000 principal amount of the debentures were converted into 804,653 shares of common stock of the Company. The remaining $25,000 principal amount of the issue were redeemed.

The 4¾% convertible subordinated debentures (a Eurodollar obligation) are convertible at $67.00 per share. During the current fiscal year, $9,120,000 principal amount of the debentures were converted into 136,090 shares of the Company's common stock.

Purchase Acquisition

ARMADA CORPORATION (DEC)

Consolidated Statement of Shareholders' Equity

	Common Stock	Additional Paid-in Capital	Notes Receivable Under Restricted Stock Purchase Agreement	Earnings Retained for Use in the Business	Total
Balance, January 1, 1973	$1,295,000	$ 9,992,000		$2,964,000	$14,251,000
Net income				1,722,000	
Retirement of 20,900 common shares	(20,000)	(124,000)			
Issuance of 70,000 common shares	70,000	350,000	$(350,000)		
Balance, December 31, 1973	1,345,000	10,218,000	(350,000)	4,686,000	$15,899,000
Net income				3,390,000	
Collections on notes receivable			70,000		
Issuance of 851,253 common shares in exchange for 47.4 percent interest in Hoskins Manufacturing Company	851,000	4,995,000			
Retirement of 567,411 common shares	(568,000)	(3,534,000)			
Balance, December 31, 1974	$1,628,000	$11,679,000	$(280,000)	$8,076,000	$21,103,000

Notes to Consolidated Financial Statements

Note 2: Merger of Hoskins Manufacturing Company (Hoskins)—In June 1973, 52.6 percent of the outstanding shares of Hoskins were acquired at a cash cost of $15,466,000, including related expenses. On June 3, 1974, a plan of merger was approved by the shareholders of each company and 851,253 common shares of Armada Corporation were exchanged for the remaining 47.4 percent of Hoskins shares. For accounting purposes, the transaction has been treated as a purchase and the aggregate cost, $21,531,000, has been allocated to the assets acquired. The amount assigned to intangible assets, $1,721,000, is being amortized on a level basis over 40 years. Consideration has not been given to an additional tax liability of approximately $1,800,000 which would result from recapture of depreciation deductions and investment credits should the merger transaction be characterized as other than a tax-free reorganization. Depending on the view finally taken of the transaction, all or substantially all of this $1,800,000 amount should be recoverable through future tax benefits.

In April 1974, Hoskins acquired Brookfield Wire Company, Inc. (Brookfield). For accounting purposes, the transaction has been treated as a purchase and the aggregate cash cost, $2,063,000, has been allocated to the assets acquired.

Pro Forma Data (Unaudited)

Shown in the following tabulation are pro forma data, assuming acquisition of a 100 percent interest in Hoskins and Brookfield on January 1, 1973:

	Years Ended Dec. 31, 1974	1973
Sales	$52,681,000	$44,366,000
Income from continuing operations	$ 2,695,000	$ 2,714,000
Discontinued brewing operations	—	(44,000)
Extraordinary item	1,351,000	280,000
Net income	$ 4,046,000	$ 2,950,000
Per share:		
Continuing	$1.28	$1.26
Discontinued	—	(.02)
Extraordinary item	.64	.13
Net income	$1.92	$1.37
Average outstanding shares	2,109,869	2,151,830

The pro forma data reflect adjustments required by purchase accounting and assume that the shares issued by the Company, 851,253, for the minority interest, 47.4 percent, in Hoskins on June 3, 1974 were outstanding from January 1, 1973.

Pro forma tax effect has not been given to the additional interest expense and other costs, except to the extent of the Company's separate income, since separate income tax returns were filed by each company.

The increased tax benefit of prior period losses (extraordinary item) as between the years reflects the benefit of inclusion of Hoskins income earned subsequent to June 3, 1974 in the consolidated federal income tax return which will be filed by Armada and its subsidiaries for 1974.

DRESSER INDUSTRIES, INC. (OCT)

Consolidated Statements of Capital in Excess of Par or Stated Value and of Retained Earnings

	1974	1973
	($000)	
Capital in Excess of Par or Stated Value		
Balance at beginning of year....	$ 96,581	$ 94,916
Issuance of common shares under stock option plans—Note K.	973	1,131
Issuance of common shares in connection with deferred compensation—Note F......	296	456
Sale and issuance of common shares for acquisition of business—Notes I and M...	110,116	—
Conversion of preferred shares into common shares—Note I	152	78
Balance at end of year..	$208,118	$ 96,581
Retained Earnings		
Balance at beginning of year....	$295,396	$275,897
Net earnings.....................	63,246	44,196
	358,642	320,093
Deduct dividends paid:		
On $2.20 Series A preferred shares....................	7,266	7,503
On $2.00 Series B preferred shares....................	3,148	3,424
On common shares—$1.40 a share.....................	15,852	13,770
Total dividends paid.....	26,266	24,697
Balance at end of year—Note H....	$332,376	$295,396

Note I: Capital Shares—Total authorized capital shares consist of 30,000,000 common shares and 10,000,000 preferred shares of which 3,290,475 shares are designated as $2.20 Convertible Preferred Stock, Series A and 1,579,672 shares are designated as $2.00 Convertible Preferred Stock, Series B.

Changes in issued capital shares during the two years ended October 31, 1974, are as follows:

	$2.20 Series A Preferred	$2.00 Series B Preferred	Common
Shares at November 1, 1972......	3,426,657	1,715,615	10,039,058
Exercise of stock options........	—	—	39,374
Conversion of preferred..........	(60,652)	(42,357)	99,737
Issued in payments of deferred compensation................	—	—	9,366
Shares at October 31, 1973.......	3,366,005	1,673,258	10,187,535
Sale of common shares..........	—	—	2,000,000
Issued for acquisition of business—Note M...........	—	—	416,350
Exercise of stock options........	—	—	33,015
Conversion of preferred..........	(78,723)	(120,387)	188,883
Issued in payment of deferred compensation................	—	—	4,291
Shares at October 31, 1974.......	3,287,282	1,552,871	12,830,074

As of October 31, 1974, 4,731,713 common shares were reserved for conversion of outstanding preferred shares, and 723,905 common shares were reserved for stock options.

Note M: Acquisitions—On May 31, 1974, the Company acquired substantially all of the assets and assumed substantially all the liabilities of Jeffrey Galion Inc. for a purchase price of $120,000,000 in cash and 416,350 shares of the Company's common stock, which were assigned a value as of May 31, 1974 of $15,613,000. This value was lower than the indicated market value at that date in recognition of the restrictions on transferability of the shares. Jeffrey Galion is a major manufacturer of motor graders, road rollers, rough terrain hydraulic cranes, processing, conveying and mechanical power transmission equipment, and underground coal mining machinery.

On July 1, 1974, the Company acquired the net assets of the Waukesha Division for a cash price of $20,171,000. Waukesha is a manufacturer of a broad range of heavy-duty engines, principally stationary.

These acquisitions were accounted for by the purchase method. Operating results from dates of acquisition have been included in the Consolidated Statement of Earnings. The total purchase price was allocated to the net tangible assets acquired based upon their estimated fair value and included no goodwill.

The following table summarizes, on an unaudited pro forma basis, the combined results of operations of the Company and subsidiaries, as though the above acquisitions were made at November 1, 1972:

	Year Ended October 31, 1974	1973
Net sales and service revenues....	$1,596,216,000	$1,301,936,000
Net earnings........................	69,870,000	57,469,000
Earnings per common share........	4.75	3.80
Earnings per share on a fully diluted basis............................	4.02	3.33

Appropriate adjustments have been made in the above pro forma data to give effect to additional interest costs and average shares outstanding as a result of the acquisitions. It is not practical to determine, on a pro forma basis, the effect on 1974 operations if the inventories of the acquired businesses had been changed to the LIFO method (see Note D) as of November 1, 1973.

PENNWALT CORPORATION (DEC)

Consolidated Shareholders' Investment

	Voting Preference Stock ($1 Par Value) First Series	Voting Preference Stock ($1 Par Value) Second Series	Common Stock ($1 Par Value)	Additional Paid-In Capital	Earnings Retained for Use in the Business	Common Stock in Treasury (At Cost)
Balance, January 1, 1973	$376,000	$2,087,000	$7,387,000	$70,192,000	$137,376,000	$ (933,000)
Stock acquired	—	(26,000)	—	(126,000)	(538,000)	(1,057,000)
Proceeds from sale of stock to employees under stock option and stock purchase plans	—	—	1,000	(14,000)	—	203,000
Net earnings	—	—	—	—	20,113,000	—
Cash dividends						
Preference stock						
First Series	—	—	—	—	(939,000)	—
Second Series	—	—	—	—	(3,308,000)	—
Common stock, $1.20 per share	—	—	—	—	(8,784,000)	—
Balance, December 31, 1973	$376,000	$2,061,000	$7,388,000	$70,052,000	$143,920,000	$(1,787,000)
Stock acquired	—	(5,000)	—	(284,000)	—	(3,124,000)
Proceeds from sale of stock to employees under stock option and stock purchase plans	—	—	28,000	496,000	—	112,000
Issue of 764,122 common shares in connection with acquisition of Ozark-Mahoning Company (71,383 from Treasury)	—	—	693,000	11,178,000	—	1,703,000
Net earnings	—	—	—	—	26,983,000	—
Cash dividends						
Preference stock						
First Series	—	—	—	—	(939,000)	—
Second Series	—	—	—	—	(3,291,000)	—
Common stock, $1.24 per share	—	—	—	—	(9,737,000)	—
Balance, December 31, 1974	$376,000	$2,056,000	$8,109,000	$81,442,000	$156,936,000	$(3,096,000)

Stock Issued in Connection with Employee Benefit Plans

WESTINGHOUSE ELECTRIC CORPORATION (DEC)

Consolidated Statement of Capital

	Cumulative Preferred Stock	Common Stock	Capital In Excess of Par Value	Treasury Stock At Cost	Total
Balance at January 1, 1973	$30,482,000	$276,452,000	$486,312,000	$ (8,838,000)	$784,408,000
210,118 shares of common stock issued under stock option, employe stock and savings and investment plans	—	656,000	6,863,000	—	7,519,000
1,047,537 shares acquired for treasury	—	—	—	(36,296,000)	(36,296,000)
580,155 treasury shares delivered under stock option, employe stock and savings and investment plans	—	—	(1,575,000)	20,334,000	18,759,000
15,238 treasury shares issued for a business acquired	—	—	118,000	224,000	342,000
Other—net	—	—	138,000	353,000	491,000
Balance at December 31, 1973	30,482,000	277,108,000	491,856,000	(24,223,000)	775,223,000
3,106,300 shares acquired for treasury	—	—	—	(39,442,000)	(39,442,000)
1,863,140 treasury shares delivered under employe stock and savings and investment plans	—	—	(10,413,000)	35,880,000	25,467,000
18,500 treasury shares issued for a business acquired	—	—	—	345,000	345,000
Other—net	—	—	(547,000)	469,000	(78,000)
Balance at December 31, 1974	$30,482,000	$277,108,000	$480,896,000	$(26,971,000)	$761,515,000

Cumulative preferred stock, par value $100, 3.80 per cent Series B; authorized 374,846 shares at December 31, 1974 and 1973; outstanding 304,820 shares at December 31, 1974 and 1973.

Cumulative preference stock, without par value; 10,000,000 shares authorized; none issued.

Common stock, par value $3.125; authorized 120,000,000 shares at December 31, 1974 and 1973; issued 88,674,610 shares at December 31, 1974 and 1973.

THE MAY DEPARTMENT STORES COMPANY (JAN)

Consolidated Statements of Stockholders' Investment

	Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Earnings Retained in the Business
	(Thousands of Dollars, except per share)			
Balance at February 3, 1973	$13,641	$37,662*	$32,392	$375,329
Net earnings	—	—	—	48,186
Cash dividends paid				
Preferred stock	—	—	—	(497)
Common stock ($1.60 per share)	—	—	—	(24,064)
Treasury shares applied to—				
Profit Sharing and Savings Plan	—	83	1,322	—
Stock option plans	—	45	355	—
Shares acquired for treasury	(1)	(465)	(5,142)	—
Balance at February 2, 1974	$13,640	$37,325*	$30,927	$398,954
Net earnings	—	—	—	46,775
Cash dividends paid				
Preferred stock	—	—	—	(497)
Common stock ($1.60 per share)	—	—	—	(23,883)
Treasury shares applied to—				
Profit Sharing and Savings Plan	—	128	1,162	—
Stock option plans	—	50	341	—
Shares acquired for treasury	—	(363)	(2,874)	—
Balance at February 1, 1975	$13,640	$37,140*	$29,556	$421,349

*Net of $875, $1,213 and $1,398 for stock in treasury at February 3, 1973, February 2, 1974, and February 1, 1975, respectively.

	Common Stock
Share Information (Preferred stock columns omitted for presentation purposes)	
Par value	$2.50
Redemption price	—
Annual shares for sinking fund requirements	—
Authorized shares	20,000,000
Balance at February 3, 1973	15,065,024**
Treasury shares applied to—	
Profit Sharing and Savings Plan	33,245
Stock option plans	17,887
Shares acquired for treasury	(186,000)
Balance at February 2, 1974	14,930,156**
Treasury shares applied to—	
Profit Sharing and Savings Plan	51,271
Stock option plans	19,897
Shares acquired for treasury	(145,200)
Balance at February 1, 1975	14,856,124**

**Net of 350,133, 485,001 and 559,033 shares held in treasury at February 3, 1973, February 2, 1974, and February 1, 1975, respectively.

JOY MANUFACTURING COMPANY (SEP)

Notes to Consolidated Financial Statements

Shareholders' Equity—Changes in the shareholders' equity accounts exclusive of retained earnings are shown below:

($000)	Par value of common stock issued	Paid-in capital	Treasury stock
At September 29, 1972	$5,222	$41,471	$(1,218)
Stock options exercised	1	28	
1,775 shares issued under deferred compensation plan		(4)	53
Tax benefits arising from stock transactions		54	
At September 28, 1973	5,223	41,549	(1,165)
Stock options exercised	14	403	
1,057 shares issued under deferred compensation plan		(10)	32
Tax benefits arising from stock transactions		52	
At September 27, 1974	$5,237	$41,994	$(1,133)

Under a stock option plan, qualified and nonqualified options may be granted to officers and key employees. Changes in stock options are shown below:

	Shares	Purchase price per share
Outstanding at September 29, 1972	82,150	$26.62 to $67.81
Granted	59,550	30.69 to 30.75
Exercised	(950)	30.00
Cancelled or expired	(17,500)	28.62 to 63.62
Outstanding at September 28, 1973	123,250	26.62 to 67.81
Granted	137,100	26.31 to 42.62
Exercised	(13,440)	26.62 to 43.81
Cancelled or expired	(19,850)	26.62 to 67.81
Outstanding at September 27, 1974	227,060	26.31 to 67.81
Exercisable at September 27, 1974	67,999	28.75 to 67.81
Reserved for granting:		
September 28, 1973	20,626	
September 27, 1974	153,376	

Treasury shares amounting to 29,516 at September 27, 1974 were required to satisfy obligations to certain key employees under the deferred compensation plan.

BLUE BELL, INC. (SEP)

Notes to Financial Statements

Note 5: Capital Stock and Additional Paid-In Capital—Authorized capital consists of 300,000 shares of $100 par value preferred stock, issuable in series, and 15,000,000 shares of $3.33⅓ par value common stock. Changes in the common stock and additional paid-in capital accounts during the years ended September 30, 1974 and 1973 were as follows:

	Common Stock Issued		
	Number of Shares	Par Value	Paid-In Capital
Balance, October 1, 1972	6,013,008	$20,043,360	$30,227,250
Issued in acquisitions accounted for as purchases	60,928	203,091	1,763,687
Exercise of stock options	2,000	6,667	30,583
Other	—	—	(10,480)
Balance, September 30, 1973	6,075,936	20,253,118	32,011,040
Issuance to profit-sharing fund	73,662	245,538	869,933
Balance, September 30, 1974	6,149,598	$20,498,656	$32,880,973

The Company's contribution for the year ended September 30, 1974 to the profit-sharing fund for its employees was made by the issuance of the Company's common stock in October and November 1974. Retroactive effect has been given to the issuance of these shares in the common stock and additional paid-in capital accounts as of September 30, 1974.

Public Offering of Stock

BEMIS COMPANY, INC. (DEC)

Notes to Financial Statements

Note 10: Stockholders' Equity—Changes in stockholders' equity during the two years ended December 31, 1974 and 1973, were as follows:

	Common Stock	First Preferred Stock	Series 1974 8½% Preferred Stock	Capital in Excess of Par Value	Treasury Common Stock	Retained Income
Balance at December 31, 1972	$42,732,000	$133,000		$13,040,000	$ (1,000)	$55,024,000
Net income for the year 1973						12,863,000
Cash dividends declared:						
First preferred stock, $5 per share						(7,000)
Series preferred stock, $5 per share						(680,000)
Common stock, $.80 per share						(3,519,000)
Common stock issued for acquisition of minority interest in Pervel Industries, Inc.	1,244,000			775,000		
Treasury common stock purchased					(24,000)	
Treasury common stock issued for incentive awards					5,000	
Excess of proceeds over book value of common stock issued by a subsidiary				18,000		
Proceeds from common stock issued under the Company's stock option plan	29,000			15,000		
Balance at December 31, 1973	44,005,000	133,000		13,848,000	(20,000)	63,681,000
Net income for the year 1974						19,325,000
Cash dividends declared:						
First preferred stock, $5 per share						(6,000)
Series preferred stock, $5 per share						(680,000)
Series 1974 8½% preferred stock						(535,000)
Common stock, $.90 per share						(3,959,000)
Redemption of first preferred stock at a discount		(14,000)		2,000		
Proceeds from series 1974 8½% preferred stock issued in 1974			$10,000,000			
Proceeds from common stock issued under the Company's stock option plan	2,000					
Balance at December 31, 1974	$44,007,000	$119,000	$10,000,000	$13,850,000	$(20,000)	$77,826,000

In 1974, the Company entered into a long-term private placement of $10,000,000 (100,000 shares) of 8½% series preferred stock redeemable at $108,50 per share commencing in 1975 and decreasing in equal amounts to $100.00 per share in 1994. The Company is required to retire 6,500 shares each year beginning in 1980 and with a final retirement of 9,000 shares in 1994.

The 135,928 shares of outstanding series preferred stock are convertible into 458,498 shares of common stock and redeemable in various amounts beginning in 1974 at a price of $105.00 per share, decreasing to $100.00 per share in following years. All preferred stock, except the series 1974 preferred, has equal voting rights with common stock.

THE RUCKER COMPANY (DEC)

Consolidated Statements of Changes in Shareholders' Equity

	Preferred Stock	Common Stock	Capital in Excess of Stated Value	Retained Earnings (Deficit)	Treasury Stock at Cost
Balance, January 1, 1973	$5,000,000	$3,203,878	$ 7,754,496	$ (5,569,062)	$(475,477)
Conversion of preferred stock	(5,000,000)	496,000	4,456,201		47,799
Net income for the year				3,869,301	
Balance, December 31, 1973	—	3,699,878	12,210,697	(1,699,761)	(427,678)
300,000 shares issued in public offering		300,000	1,977,348		
4,450 shares issued under employee stock option plan		4,450	34,662		
Net income for the year				13,846,885	
Balance, December 31, 1974	—	$4,004,328	$14,222,707	$ 12,147,124	$(427,678)

Reduction Of Stated Capital

METRO-GOLDWYN-MAYER INC. (AUG)

Consolidated Statements of Stockholders' Equity

	Common Stock Issued			Treasury Stock		
	Number of Shares	Stated Value	Retained Earnings	Number of Shares	At Cost	Total Stockholders' Equity
Balance August 31, 1972	5,970,298	$85,727,000	$16,973,000	(65,473)	($1,408,000)	$101,292,000
Stock options exercised	—	(91,000)	—	13,500	290,000	199,000
Net income for year	—	—	9,267,000	—	—	9,267,000
Balance August 31, 1973	5,970,298	85,636,000	26,240,000	(51,973)	(1,118,000)	110,758,000
Net income for year	—	—	26,837,000	—	—	26,837,000
Cash dividend—$1.75 per share paid December 17, 1973	—	—	(10,357,000)	—	—	(10,357,000)
Stated value allocated to common stock acquired by exchange offer (Note 4)	—	(18,616,000)	—	—	—	(18,616,000)
Common stock received and deemed retired by exchange offer (Note 4)	(1,049,057)	—	—	—	—	—
Balance August 31, 1974	4,921,241	$67,020,000	$42,720,000	(51,973)	($1,118,000)	$108,622,000

Note 4: Reduction of Stated Capital—In August, 1974, the Company acquired and retired 1,049,057 shares of its Common Stock in exchange for the issuance of new 10% Subordinated Debentures due 1994 together with the payment of cash. The Board of Directors has authorized reduction of the stated capital of the Company upon filing of the required documentation with the Secretary of State of the State of Delaware. As of August 31, 1974, the information necessary to file the required certification of reduction was not yet available. Accordingly, the Company has allocated that portion of stated value applicable to the exchanged Common Stock in the stockholders' equity section of the accompanying consolidated financial statements and stated value will be reduced as soon as the information becomes available and the certification can be filed.

Spin-Off

PENNZOIL COMPANY (DEC)

Consolidated Shareholders' Equity

	1974 Shares	1974 Amount	1973 Shares	1973 Amount
	(Expressed in thousands except shares)			
Capital Stock				
Preferred, $1.00 par—authorized 10,000,000 shares $8.00 Cumulative Series—$100 per share liquidating preference				
Outstanding at beginning of year	650,000	$ 650	—	$ —
Issued—1973	—	—	650,000	650
Outstanding at end of year	650,000	650	650,000	650
Preference Common, $.83⅓ par (no liquidating preference) — authorized 28,414,845 shares in 1974 and 40,000,000 shares in 1973				
$1.33⅓ Cumulative—				
Outstanding at beginning of year	5,796,916	4,831	6,800,511	5,667
Conversion into Common Shares	(5,250,830)	(4,376)	(1,003,595)	(836)
Outstanding at end of year	546,086	455	5,796,916	4,831
$1.58⅓ Cumulative—				
Outstanding at beginning of year	373,610	311	418,750	349
Conversion into Common Shares	(373,610)	(311)	(45,140)	(38)
Outstanding at end of year	—	—	373,610	311
Common, $.83⅓ par—authorized 75,000,000 shares				
Outstanding at beginning of year	23,968,701	19,974	22,094,643	18,412
Conversion of Cumulative Preference Common Shares	8,083,353	6,735	1,509,592	1,258
Conversion of 5¼% Convertible Subordinated Debentures due 1996	7,846	7	—	—
Issued for acquired company	—	—	364,466	304
Exercise of stock options and other	33,149	28	—	—
Outstanding at end of year	32,093,049	26,744	23,968,701	19,974
Additional Capital				
Balance at beginning of year		192,258		127,419
Conversion of Cumulative Preference Common Stock		(2,049)		(384)
Conversion of 5¼% Convertible Subordinated Debentures due 1996		294		—
$8.00 Cumulative Preferred Stock sold		—		63,063
Additional capital of acquired company		—		2,194
Other		450		(34)
Balance at end of year		190,953		192,258
Retained Earnings				
Balance at beginning of year		409,842		349,642
Net income		127,450		83,661
Cash dividends				
$8.00 Cumulative Preferred Stock		(5,200)		(3,683)
$1.33⅓ Preference Common Stock		(1,157)		(8,380)
$1.58⅓ Preference Common Stock		(147)		(606)
Common Stock		(33,096)		(18,602)
Spin-off of United Gas Pipe Line Company, including $100,000,000 reserve for cancellation of 9¾% Cumulative First Preferred Stock (Note 2)		(201,516)	—	
Retained earnings of acquired company		—		7,810
Balance at end of year		296,176		409,842
Common Stock in treasury at end of year, at cost—1973, 853 shares		—		(28)
Total		$514,978		$627,838

Note 2 (in part): Termination of Affiliation with Pipe Line—In March 1974, Pennzoil received from Pipe Line $100,000,000 of 9¾% Cumulative First Preferred Stock. Shortly thereafter Pennzoil distributed to its common shareholders all of the common stock of Pipe Line. This transaction was accounted for as a spin-off with Pennzoil retaining the preferred stock and a $25,000,000 demand note. The purpose of this spin-off was to terminate the affiliation of Pipe Line, a natural gas transmission company, with Pennzoil and its oil and gas subsidiaries. In May 1974, the Federal Power Commission (FPC) initiated an investigation of the spin-off under the Natural Gas Act and raised issues relating to the validity of the preferred stock as well as a number of issues relating to the spin-off and prior transactions involving Pipe Line and Pennzoil or one or more of Pennzoil's subsidiaries. In 1975, the Boards of Directors of Pennzoil and Pipe Line approved a proposed settlement of the issues raised in this proceeding. The settlement is subject to approval by the FPC.

Principal provisions of the settlement include, among the other things, (1) the transfer by Pennzoil to Pipe Line for cancellation of all the preferred stock, (2) an affirmation of the disaffiliation of Pennzoil and its subsidiaries from Pipe Line, (3) resolution of the issue (which is pending in several FPC rate proceedings) of the pricing of so-called old gas sold by Producing to Pipe Line through a commitment by Producing to expend $120,000,000 over a five-year period in an effort to find and develop reserves in Pipe Line's service area, of which a minimum of $40,000,000 would be expended in an effort to develop onshore gas reserves for sale, subject to certain conditions, to Pipe Line in interstate commerce on competitive terms (if such expenditures are not made, up to $40,000,000 is refundable to Pipe Line for refund to its customers), (4) the treatment of Pennzoil and its subsidiaries, in their dealings with Pipe Line, as "independent producers" of "independent production" for rate and regulatory purposes and (5) an agreement by Pennzoil that it would not, and would not permit any subsidiary to, sell gas to any person other than Pipe Line from leases now owned or acquired prior to July 1, 1979 in Pipe Line's onshore service area or in Federal waters in the Gulf of Mexico, unless such gas had first been offered for sale to Pipe Line. Under this last provision, Pipe Line would have, in effect, a right of first refusal to purchase gas on terms no less favorable to the seller than the seller could obtain from another buyer, but Pennzoil's obligations would be subject to the condition that no adverse rate or regulatory treatment would impact upon the seller in dealing with Pipe Line, as opposed to another buyer. The settlement also provides that Pennzoil would not demand payment of the $25,000,000 demand note prior to December 1, 1975.

Pursuant to the proposed settlement agreement, Pennzoil has adjusted its original entries recording the spin-off of Pipe Line by creating a $100,000,000 reserve for cancellation of the Pipe Line preferred stock. A summary of the charge to retained earnings reflecting the distribution of Pipe Line common stock to Pennzoil shareholders is as follows:

Investment in Pipe Line common stock (including $25,962,000 of excess cost of predecessor company stock over underlying book value applicable to Pipe Line) at cost plus equity in undistributed earnings at January 1, 1974	$187,713,000
Capital contribution to Pipe Line immediately prior to spin-off	15,000,000
Pipe Line's 1974 net income during Pennzoil's ownership period in 1974	6,630,000
Amount received as preferred stock dividends from Pipe Line to December 31, 1974	(7,827,000)
	$201,516,000

Amounts received or accrued as dividends from Pipe Line to the final settlement date will be credited to retained earnings as a further adjustment of retained earnings.

OLIN CORPORATION (DEC)

Statements of Consolidated Shareholders' Equity

	Common Stock Shares	Common Stock Par Value	Treasury Stock Shares	Treasury Stock Cost	Additional Paid-in Capital	Retained Earnings	Equity of Olinkraft, Inc.
Balance at December 31, 1972	24,143,653	$120,718,000	457,282	$(7,562,000)	$132,316,000	$278,522,000	$ —
Net income	—	—	—	—	—	61,281,000	—
Cash dividends	—	—	—	—	—	(20,683,000)	—
Stock options exercised	11,621	58,000	—	—	120,000	—	—
Treasury stock purchased	—	—	320,800	(5,196,000)	—	—	—
Other transactions	77,494	388,000	1,583	(35,000)	(366,000)	—	—
Balance at December 31, 1973, as previously reported	24,232,768	121,164,000	779,665	(12,793,000)	132,070,000	319,120,000	—
Adjustments to reflect recapitalization:							
Retirement of treasury stock	(758,811)	(3,794,000)	(758,811)	12,446,000	(4,105,000)	(4,547,000)	—
Reclassification and exchange of common stock	(11,736,979)	(105,633,000)	(10,250)	—	105,633,000	—	—
Segregation of equity of Olinkraft, Inc., at December 31, 1973	—	—	(354)	11,000	(89,908,000)	(41,627,000)	131,524,000
Balance at December 31, 1973, as restated	11,736,978	11,737,000	10,250	(336,000)	143,690,000	272,946,000	131,524,000
Net income	—	—	—	—	—	83,913,000	—
Segregation of change in equity of Olinkraft, Inc., for the five months ended May 31, 1974	—	—	—	—	—	(6,961,000)	6,961,000
Distribution of Olinkraft, Inc., as of May 31, 1974, to shareholders	—	—	—	—	—	—	(138,485,000)
Cash dividends	—	—	—	—	—	(17,078,000)	—
Other transactions	3,201	3,000	(10,250)	336,000	(69,000)	(122,000)	—
Balance at December 31, 1974	11,740,179	$ 11,740,000	—	$ —	$143,621,000	$332,698,000	$ —

Statement of Accounting Policies

Basis of Presentation—The consolidated financial statements include all significant subsidiaries other than Olin-American, Inc., a 95%-owned real estate subsidiary, which is accounted for on the equity basis. Investments in 20-50%-owned companies are carried at equity.

On May 31, 1974, Olin's investment in Olinkraft, Inc., a wholly owned subsidiary, was transferred to Olin shareholders. In accordance with Accounting Principles Board Opinion No. 30, the results of operations of Olinkraft, Inc., prior to its spin-off, have been segregated from the consolidated amounts and shown as discontinued operations. The 1973 financial statements have been restated to reflect Olinkraft's operations as discontinued and to present the company's investment in Olinkraft, Inc., on the equity basis. Such restatements had no effect on net income or total shareholders' equity.

Notes to Financial Statements

Reclassification and Exchange of Common Stock—On May 23, 1974, the shareholders approved a plan to (a) 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, (b) reclassify the then issued and outstanding common shares into $1 par value new common shares, and (c) exchange each outstanding share for ½ share of Olin common and ⅓ share of Olinkraft, Inc., common. The exchange resulted in Olinkraft, Inc.'s becoming a separate publicly held company.

In connection with the reclassification and exchange, Olin made a $15,000,000 capital contribution to Olinkraft, Inc., which assumed an additional $37,964,000 of Olin's long-term debt. The consolidated financial statements as of and for the year ended December 31, 1973, have been restated to give effect to the foregoing transactions.

The condensed consolidated financial position of Olinkraft, Inc., at December 31, 1973, is summarized as follows:

(000 omitted)	
Cash	$ 16,909
Receivables	20,943
Inventory	30,424
Property and equipment	155,954
Other assets	7,786
	$232,016
Current liabilities	29,786
Long-term debt	57,723
Other noncurrent liabilities	12,983
	100,492
Olin's equity	131,524
	$232,016

The net sales of Olinkraft, Inc., excluded from the respective captions on the income statement, amounted to $121,463,000 for the five months ended May 31, 1974, and $246,128,000 for the year 1973. Income tax provisions included in discontinued operations for the five months of 1974 and the year 1973 amounted to $7,917,000 and $15,058,000, respectively.

Adjustment Resulting From Capital Transaction of 53% Owned Consolidated Subsidiary

THE SUPERIOR OIL COMPANY (DEC)

Consolidated Statements of Retained Earnings and Additional Paid-In Capital (in part)

	1974	1973
Additional Paid-In Capital		
Balance at beginning of year, as previously reported	$ 831,000	$ 831,000
Add cumulative adjustment attributable to Canadian Superior Oil Ltd.'s issuance of capital stock (Note 5)	721,000	264,000
Balance at beginning of year, as restated	1,552,000	1,095,000
Excess of issue price of stock option shares over par value of Canadian Superior Oil Ltd. capital stock issued under stock option plan (Note 5)	84,000	457,000
Balance at end of year	$1,636,000	$1,552,000

Note 5 (in part): Stock Option and Stock Bonus Plans:

Canadian Superior Oil Ltd.—Under Canadian Superior's stock option plan, options have been granted to certain of its officers and key employees to purchase shares of Canadian Superior capital stock at prices which were not lower than 90 percent of the market value at date of grant. During 1974 options on 45,000 common shares were issued at $20.70 (Canadian) and options previously issued on 27,800 shares were submitted for cancellation. Options on 5,000 shares were exercised during the year. At December 31, 1974 options to purchase 46,530 shares, the majority of which expire in 1984, were outstanding and 51,700 shares were available for future grants. The effect of the transactions applicable to Superior's interest in Canadian Superior has been reflected in the additional paid-in capital account of Superior.

Income Tax Benefit from Issuance of Stock to Employees

TEXAS INSTRUMENTS INCORPORATED (DEC)

Notes to Financial Statements

Shareowners' Equity

	Shares 1974	Shares 1973	Thousands of Dollars 1974	Thousands of Dollars 1973
Cumulative preferred stock, $25 par value; authorized 750,000 shares			$ —	$ —
Common stock, $1 par value:				
Authorized	30,000,000	30,000,000		
Issued	22,940,704	22,852,392	22,941	22,852
Additional paid-in capital			99,491	94,302
Retained earnings			418,940	352,183
			$541,372	$469,337

Issued shares include 70,391 at year-end 1974 and 85,510 at year-end 1973 purchased in 1973 and prior years for awards under the company's incentive compensation plan. The cost of such shares held at year-end 1974 and year-end 1973, respectively, was $4,823,000 and $5,696,000, and is included in other assets and deferred charges.

	Thousands of Dollars 1974	1973
Paid-in capital at beginning of year	$ 94,302	$ 75,478
Excess over par on stock issued on exercise of stock options (88,312 shares in 1974; 625,726 shares in 1973)	4,244	23,951
Tax benefit resulting from disqualifying disposition by employees of stock purchased under stock option plans, from the exercise of nonqualified stock options, and from the distribution of stock to employees under the incentive compensation plan	1,085	5,704
Difference between market and cost of treasury shares estimated to be awarded in January of the following year as a part of incentive compensation accrued	(140)	631
Transfer of par value of common stock issued as a result of two-for-one split in April, 1973 (11,389,918 shares)	—	(11,390)
Expenses associated with two-for-one split	—	(72)
Paid-in capital at end of year	$ 99,491	$ 94,302

Warrants

TELEDYNE, INC. (DEC)

Consolidated Statements of Capital Stock, Additional Paid-in Capital and Treasury Stock

	Preferred Stock ($1 Par Value)	Common Stock ($1 Par Value)	Additional Paid-In Capital	Treasury Stock
Balance, October 31, 1972	$714,000	$32,303,000	$419,758,000	$186,473,000
Common stock dividend (691,268 shares)	—	—	(77,000)	(13,815,000)
Stock option and purchase plans (Note 6)	—	35,000	700,000	(1,357,000)
Redemption of Series C preferred stock	(21,000)	—	(2,071,000)	—
Conversion of preferred stock	(1,000)	1,000	—	—
Purchase of common stock (557,700 shares)	—	—	—	7,943,000
Balance, October 31, 1973	692,000	32,339,000	418,310,000	179,244,000
Purchase of Series B preferred stock (10,000 shares)	—	—	—	402,000
Balance, December 31, 1973	692,000	32,339,000	418,310,000	179,646,000
Purchase of common stock (1,678,990 shares)	—	—	—	24,050,000
Exchange of debentures for common stock (3,963,014 shares)	—	—	—	53,776,000
Common stock dividend (647,512 shares)	—	—	(3,778,000)	(12,196,000)
Conversion of preferred stock	—	1,000	—	—
Stock purchase plan (168,571 shares)	—	—	(979,000)	(2,930,000)
Exercise of warrants (16,221 shares—Note 6)	—	—	(166,000)	(306,000)
Balance, December 31, 1974	$692,000	$32,340,000	$413,387,000	$242,040,000

Note 6: Stock options and warrants—At December 31, 1974, 352,464 shares of common stock were reserved for issuance under outstanding options at prices from $12 to $19 per share (options for 284,006 shares were exercisable) and 619,921 shares of common stock were reserved for the granting of additional options. At October 31, 1973, 404,406 shares of common stock were reserved for issuance under outstanding options and 567,979 shares of common stock were reserved for the granting of additional options. During 1974, no options to purchase shares of common stock were granted or exercised and options covering 51,942 shares were canceled.

At December 31, 1974, 374,037 shares of common stock were reserved for issuance under warrants, each of which provides for the purchase of 10.87 shares at $46.06 per share until October, 1978. In addition, 1,528 shares were reserved for issuance under other warrants.

Purchase Method—Additional Stock Payments

SPENCER COMPANIES, INC. (MAY)

Consolidated Statement of Changes in Stockholders' Equity

	Common Stock $1 Par Value	Capital In Excess of Par Value	Retained Earnings	Treasury Stock	Net
Balance, June 3, 1972	$1,797,453	$3,689,884	$7,960,297	($177,898)	$13,269,736
Issued on earnouts and price guarantees	115,875	(31,992)	—	—	83,883
4% stock dividend	75,221	557,644	(635,879)	—	(3,014)
Purchase of 11,906 shares	—	—	—	(71,969)	(71,969)
Net income	—	—	2,223,482	—	2,223,482
Balance, June 2, 1973	1,988,549	4,215,536	9,547,900	(249,867)	15,502,118
Issued on earnouts	80,464	(80,464)	—	—	—
Used for debt settlement—14,000 shares	—	(98,168)	—	126,168	28,000
Net loss	—	—	(641,303)	—	(641,303)
Balance, June 1, 1974	$2,069,013	$4,036,904	$8,906,597	($123,699)	$14,888,815

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.

PRESENTATION IN ANNUAL REPORT

Table 5-1 shows the placement of Statements of Changes in Financial Position in relation to other financial statements. The "other" category in Table 5-1 refers usually to those instances where the Statement of Changes in Financial Position came after the Balance Sheet and Income Statement but before the statement or statements showing changes in shareholder equity accounts.

TABLE 5-1: PRESENTATION IN ANNUAL REPORT

	1974	1973	1972	1971
Final statement (*137,538, 762)	444	442	443	466
Between income statement and balance sheet (*25,611,639)	52	51	46	54
First statement (*1,168, 230)	11	13	20	22
Other (*11,323,532)	92	89	86	52
Statement separated from other financial statements	1	5	5	3
Total Companies	**600**	**600**	**600**	**597**

*Refer to Company Appendix Section.

TITLE

Paragraph 8 of *Opinion No. 19 states:*

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.

Practically all of the survey companies (594 in 1974, 590 in 1973, 580 in 1972, and 526 in 1971) use the recommended title.

FORMAT

Paragraph 11 of *Opinion No. 19* states:

Provided that these guides are met, the Statement may take whatever form gives the most useful portrayal of the financing and investing activities and the changes in financial position of the reporting entity. The Statement may be in balanced form or in a form expressing the changes in financial position in terms of cash, of cash and temporary investments combined, of all quick assets, or of working capital. The Statement should disclose all important changes in financial position for the period covered; accordingly types of transactions reported may vary substantially in relative importance from one period to another.

The survey companies, with very few exceptions, showed changes in working capital or cash and cash equivalents in one of three forms—as a balancing amount added to either sources and application; as the statement's final amount; or as an addition to a beginning balance to obtain an ending balance. Table 5-2 summarizes the frequency of the presentation of the three above mentioned forms.

Sources Equal Uses

GENERAL SIGNAL CORPORATION (DEC)

Consolidated Statement of Changes in Financial Position

	1974	1973
	($000)	
Resources Provided:		
Resources provided from operations:		
Net earnings	$20,645	$18,993
Add (deduct) items not causing inflow or outlay of current period working capital:		
Depreciation and amortization	8,508	7,590
Provision for deferred income taxes—non-current	592	602
Equity in earnings of non-consolidated affiliates	(731)	(906)
Total resources provided from operations	29,014	26,279
Long-term revolving credit agreement	—	15,000
Issue of 8.875 percent sinking fund debentures due May 1, 1999	40,000	—
Dividends received from non-consolidated affiliates	120	230
Sale of stock under stock option plans	549	1,110
Sale and retirement of property, plant and equipment	1,488	859
Decrease in patents and intangibles	—	221
Increase in other non-current liabilities	—	75
Other	45	49
Total resources provided	$71,216	$43,823
Resources Applied:		
Addition to property, plant and equipment:		
Net assets of purchased companies	$ —	$ 806
Other capital expenditures	17,560	19,522
Redetermination of pension costs resulting from acquisition	—	1,121
Dividends declared	5,445	5,011
Increase in other assets	507	446
Decrease in other non-current liabilities	460	—
Increase in working capital	47,244	16,917
Total resources applied	$71,216	$43,823

APCO OIL CORPORATION (DEC)

Consolidated Statements of Changes in Financial Position

	1974	1973
	($000)	
Source of working capital:		
Net earnings (loss)	$ 8,027	(5,717)
Amounts included in net earnings (loss) which had no effect on working capital:		
Depreciation, depletion and amortization	13,504	11,057
Reduction in carrying value of foreign properties	—	10,982
Retirements	1,009	2,574
Deferred income taxes	(48)	(1,198)
Other	(271)	(367)
Working capital derived from operations	22,222	17,330
Long-term debt issued	23,783	2,112
Proceeds from sale of property, plant and equipment	2,045	1,032
Other, net	537	139
Decrease in working capital	2,754	80
	$51,343	20,695
Application of working capital:		
Capital expenditures	37,322	16,872
Additions to investments and advances	7,555	750
Reduction of long-term debt	6,464	3,072
	$51,343	20,695

TABLE 5-2: FORMAT

	1974	1973	1972	1971
Changes in Working Capital:				
Sources equal uses (*68,375,724)	75	87	101	117
Increase (decrease) in working capital (*157,310,459)	404	404	390	346
Ending working capital (*31,505,686)	89	77	80	95
Subtotal	**568**	**568**	**571**	**558**
Changes in Cash:				
Sources equal uses (*367,502)	6	9	5	9
Increase (decrease) in cash or cash and cash equivalent (*64,451,529)	15	13	11	16
Ending cash or cash and cash equivalent (*32,35)	11	10	13	12
Miscellaneous other forms	—	—	—	2
Subtotal	**32**	**32**	**29**	**39**
Total Companies	**600**	**600**	**600**	**597**

*Refer to Company Appendix Section.

MARTIN MARIETTA CORPORATION (DEC)

Statement of Changes in Financial Position

	1974	1973
	($000)	
Sources:		
From operations:		
Net earnings	$ 80,801	$ 56,649
Items in earnings not affecting working capital:		
Depreciation, depletion, and amortization	57,878	52,873
Noncurrent deferred income taxes	8,910	7,780
Minority interest in earnings of a subsidiary	2,688	549
Equity in net earnings of non-consolidated companies less dividends received	(1,122)	(466)
Amortization of deferred charges	3,653	1,645
Other items	1,607	420
Working capital provided by operations	154,415	119,450
Increase in long-term debt	4,361	72,224
Issuance of common stock under stock options	754	540
Issuance of common stock from treasury in connection with merger	27,911	—
Decrease in property, plant, and equipment	6,182	5,182
Decrease in investments and intangibles	—	10,466
Decrease in working capital	2,908	5,548
	$196,531	$213,410
Applications:		
Cash dividends declared:		
Common and preferred shareowners	$ 27,818	$ 26,114
Minority shareowners of a subsidiary	287	550
Additions to property, plant, and equipment	86,994	70,787
Decrease in long-term debt	37,071	76,279
Redemption of preferred stock	1,150	1,168
Purchase of common stock for treasury	—	30,245
Increase in investments and intangibles	7,016	—
Increase in other assets	2,366	7,490
Decrease in minority interest and other liabilities	33,829	777
	$196,531	$213,410

UNITED STATES TOBACCO COMPANY (DEC)

Statement of Changes in Financial Position

	1974	1973
	($000)	
Sources of Funds		
Net earnings	$13,594	$11,683
Charges (credits) not affecting working capital:		
Depreciation	1,945	1,380
Deferred federal income taxes	(651)	577
Losses on disposal of replaced manufacturing facilities	2,066	—
Total from operations	$16,954	$13,640
Issuance of common stock for pooled company	—	100
Proceeds from exercise of stock options—net	453	324
Proceeds from issuance of long-term debt	—	1,500
Decrease in working capital	—	3,424
	$17,407	$18,988
Utilization of Funds		
Dividends paid	$ 6,716	$ 5,496
Additions to property, plant and equipment	5,295	12,117
Acquisition of shares retained in treasury	—	183
Reduction of long-term debt	1,107	102
Increase in other assets	507	1,090
Increase in working capital	3,782	—
	$17,407	$18,988

Increase (Decrease) in Working Capital or Cash

THE GRAND UNION COMPANY (FEB)

Consolidated Statements of Changes in Financial Position

	1974	1973
	($000)	
Funds Provided:		
Income before extraordinary items	$ 2,309	$ 8,991
Charges to income not affecting working capital:		
Depreciation and amortization	15,775	13,938
Deferred income taxes and investment tax credit	305	497
Provision for stamp redemptions (non-current portion)	3,700	3,000
Other	375	362
Working capital provided from operations	22,465	26,789
Extraordinary items affecting working capital	—	(612)
Long term borrowings	45,000	—
Book value of securities sold	—	2,673
Book value of property sales and reductions	2,539	6,173
	70,005	35,024

Funds Used:		
Dividends	5,185	5,189
Property additions	29,947	22,331
Reduction in long term debt	—	1,300
Purchases of company's preferred and common stocks	15	1,706
Non-current portion of stamp reserve becoming current	3,000	2,800
Other changes, net	481	856
	38,629	34,183
Increase in working capital	$31,375	$ 840

PENN FRUIT CO., INC. (AUG)

Consolidated Statement of Changes in Financial Position

	1974	1973
	($000)	
Financial resources were provided by:		
Continuing operations:		
Loss from continuing operations	$(1,008)	$(2,930)
Charges (credits) not affecting working capital:		
Depreciation and amortization	2,933	2,955
Equity in losses of affiliates	265	136
Deferred taxes on income		(296)
	2,189	(134)
Discontinued operations:		
Loss from discontinued operations	(1,956)	(410)
Charges not affecting working capital:		
Depreciation and amortization	143	103
Reserve for future lease costs and loss on disposal of store equipment	917	
	(895)	(307)
Working capital provided by (used for) operations	1,293	(442)
Decrease in advances to affiliates		1,659
Proceeds from sales of property and equipment	992	1,997
	2,286	3,214
Financial resources were used for:		
Acquisition of property and equipment	3,276	5,126
Reduction of long-term debt	1,506	810
Long-term receivable resulting from disposal of discontinued operations	673	
Additional investment in and advances to affiliates	558	
Repurchase of and dividends on preferred stock	145	122
Other	36	241
	6,197	6,301
Decrease in working capital	$(3,910)	$(3,086)

SAV-A-STOP INCORPORATED (AUG)

Consolidated Statements of Changes in Financial Position

	1974	1973
	($000)	
Working capital provided by:		
Operations:		
Earnings (loss) from continuing operations	$(452)	2,752
Charges to operations not requiring use of working capital:		
Depreciation and amortization	2,932	2,925
Loss on abandonment of fixtures and equipment.	374	—
Deferred Federal income taxes	424	312
Total working capital provided by continuing operations	3,278	5,990
Loss from discontinued operations	(378)	(576)
Loss on abandonment of fixtures and equipment of discontinued operations	128	—
Total working capital provided by operations	3,027	5,414
Disposal of property, plant and equipment	1,713	649
Increase in deferred service contract income	—	223
Proceeds from sales under stock option plan	—	18
Proceeds from loans	24,162	297
Reduction of equipment held for future use	—	116
Decrease in other assets	298	—
Total working capital provided	29,201	6,721
Working capital applied to:		
Cash dividends	554	1,108
Additions to property, plant and equipment	6,741	5,901
Additions to equipment held for future use	437	—
Increase in other assets	—	503
Reductions of long-term debt	15,752	471
Decrease in deferred service contract income	94	—
Total working capital applied	23,580	7,986
Increase (decrease) in working capital	$5,621	(1,265)

End of Year Working Capital or Cash

AIRCO, INC. (DEC)

Statement of Changes in Consolidated Financial Position

	1974	1973
	($000)	
Sources of Working Capital		
From Operations		
Net Income	$ 32,820	$ 19,111
Charges Not Requiring (Credits Not Providing) Working Capital		
Depreciation and Amortization	45,386	27,530
Deferred Income Taxes	(6,137)	7,801
Working Capital Provided from Operations	72,069	54,442
Proceeds from Sale of a Foreign Investment	2,620	—
Proceeds from Long-Term Debt	—	18,310
Sales of Stock to Officers and Employees	1,700	1,799
Unrealized Gains from Foreign Exchange	1,828	924
All Other Sources—Net	3,644	(447)
Total Sources of Working Capital	81,861	75,028
Uses of Working Capital		
Capital Expenditures for Property, Plant and Equipment	45,900	28,800
Dividends on Common Stock	9,576	9,227
Reduction in Long-Term Debt	31,809	28,505
Purchase of Stock for Treasury	3,088	8,230
Total Uses of Working Capital	90,373	74,762
(Decrease) Increase in Working Capital During Year	(8,512)	266
Working Capital at Beginning of Year	174,028	173,762
Working Capital at End of Year	$165,516	$174,028

WHEELING-PITTSBURGH STEEL CORPORATION (DEC)

Consolidated Statement of Changes in Financial Position

	1974	1973
	(In Thousands)	
Financial resources were provided by:		
Net income	$ 73,418	$ 6,661
Charges to income which did not require outlay of funds:		
Depreciation	28,461	30,072
Other	550	60
Working capital provided by operations for the year	102,429	36,793
Increase in long-term debt	25,685	798
	128,114	37,591
Financial resources were used for:		
Dividends	5,633	3,070
Plant additions and improvements	54,147	27,672
Reduction of long-term debt	53,007	15,065
Investments and advances—associated and other companies	5,913	842
Other items	(3,447)	649
	115,253	47,298
Increase (decrease) in working capital	12,861	(9,707)
Working capital at beginning of year	134,858	144,565
Working capital at end of year	$147,719	$134,858

ACTION INDUSTRIES, INC. (JUN)

Consolidated Statement of Changes in Financial Position

	1974	1973
	($000)	
Sources of Working Capital		
Net income	$ 1,155	$ 1,098
Add: Expenses not requiring outlay of working capital in the current period		
Depreciation and amortization	406	359
Deferred income taxes	94	43
Loss on sale of equipment	16	1
Write down of investment in foreign subsidiaries	182	—
	1,854	1,503
Less: Gain on sale of equipment	2	—
Working capital provided from operations for the period	1,851	1,503
Increase in long-term debt	44	784
Net proceeds from issuance of common stock	—	11
Proceeds from sale of equipment	15	3
Reduction of deposits	40	36
	1,952	2,340
Uses of Working Capital		
Acquisition and construction of property, plant and equipment	177	765
Investment in foreign subsidiaries	—	72
Reduction of long-term debt	234	589
Increase in cash value—officers' life insurance	16	20
Purchase of treasury stock	12	—
Reduction in minority interest in subsidiary	2	1
Registration of shares reserved for employee stock options	—	1
Other—net	1	83
	444	1,534
Increase in working capital	1,507	806
Working Capital—beginning of year	19,236	18,430
Working Capital—end of year	$20,744	$19,236

WORKING CAPITAL OR CASH PROVIDED FROM OR USED IN OPERATIONS

Paragraph 10 of *Opinion No. 19* states:

The ability of an enterprise to provide working capital or cash from operations is an important factor in considering its financing and investing activities. Accordingly, the Statement should prominently disclose working capital or cash provided from or used in operations for the period, and the Board believes that the disclosure is most informative if the effects of extraordinary items . . . are reported separately from the effects of normal items. The Statement for the period should begin with income or loss before extraordinary items, if any, and add back (or deduct) items recognized in determining that income or loss which did not use (or provide) working capital or cash during the period. Items added and deducted in accordance with this procedure are not sources or uses of working capital or cash, and the related captions should make this clear, e.g., "Add—Expenses not requiring outlay of working capital in the current period." An acceptable alternative procedure, which gives the same result, is to begin with total revenue that provided working capital or cash during the period and deduct operating costs and expenses that required the outlay of working capital or cash during the period. In either case the resulting amount of working capital or cash should be appropriately described, e.g., "Working capital provided from (used in) operations for the period, exclusive of extraordinary items." This total should be immediately followed by working capital or cash provided or used by income or loss from extraordinary items, if any; extraordinary income or loss should be similarly adjusted for items recognized that did not provide or use working capital or cash during the period.

Table 5-3 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.

TABLE 5-3: WORKING CAPITAL OR CASH PROVIDED FROM OPERATIONS-COMPONENTS

	1974	1973	1972
Net Income or Loss			
Net income or loss (no extraordinary items)	530	467	395
Income or loss before extraordinary items (effect of extraordinary item on working capital or cash shown immediately after working capital or cash from operations)	58	122	139
Income or loss before extraordinary items (effect of extraordinary item not presented immediately after subtotal for operations)	12	11	66
Companies Presenting Statement	**600**	**600**	**600**
Other Frequent Components			
Depreciation and/or amortization and/or depletion..	599	599	599
Deferred taxes and/or deferred investment credit	467	456	439
Equity in earnings or losses of investees	181	170	158
Minority interest............	68	65	62

Calculation Includes Net Income

KENNECOTT COPPER CORPORATION (DEC)

Consolidated Statements of Changes in Financial Position

		1974 ($000)	1973
Funds provided by:			
Operations:			
Income before extraordinary credit..		$168,597	$159,406
Noncash charges to income before extraordinary credit:			
Depreciation, depletion and amortization		91,284	80,554
Deferred U.S. and foreign taxes on income		33,000	52,700
Increase in minority interests......		5,999	6,060
Funds provided by operations, exclusive of extraordinary credit		298,880	298,722
Extraordinary credit:			
Chilean expropriation recovery	$42,305		
U.S. income taxes, net of foreign tax credits ..	25,694		
	68,000		
Less, State of Chile and Sociedad Minera El Teniente notes	61,500	6,500	—
		305,380	298,722
Disposals of property, plant and equipment		13,844	16,672
Increase in accounts payable, accrued expenses and taxes		35,235	42,098
Decrease (increase) in accounts receivable		433	(13,614)
Net change in other accounts...........		3,097	(92)
Total funds provided............		357,991	342,786
Funds expended for:			
Distributions to stockholders............		76,136	56,285
Expenditures for property, plant and equipment		155,944	133,332
Capitalized mining costs..................		61,897	52,288
Increase in inventories		71,199	8,358
Increase in deferred mine development		4,794	6,589
Decrease in notes payable..............		2,231	2,097
Decrease in long-term debt.............		6,548	71,798
Total funds expended		378,750	330,749
Net (decrease) increase in cash and short-term investments		($ 20,759)	$ 13,036

INTERNATIONAL HARVESTER COMPANY (OCT)

Statement of Changes in Financial Position

	1974	1973
	($000)	
Source of Financial Resources		
Income before extraordinary item..	$117,929	$106,890
Items not affecting working capital:		
Depreciation and amortization...	75,515	77,664
Undistributed earnings of non-consolidated companies.....	(23,357)	(30,779)
Deferred income taxes..........	636	(5,671)
Other	(2,247)	1,744
Financial resources provided from operations before extraordinary item.......	168,476	149,848
Extraordinary income...............	6,124	7,406
Total financial resources provided from operations...	174,600	157,254
Additions to long-term debt.........	181,002	55,319
Property disposals..................	20,183	7,801
Issuance of treasury stock..........	—	13,689
Total source of financial resources................	375,785	234,063
Application of Financial Resources		
Capital expenditures................	180,578	106,481
Cash dividends......................	44,447	41,462
Reduction of long-term debt........	52,769	23,334
Increase in investments............	23,933	10,492
Other	15,497	8,919
Total application of financial resources................	317,224	190,688
Increase in Working Capital	58,561	43,375
Working Capital		
At beginning of the year...........	888,716	845,341
At end of the year..................	$947,277	$888,716

ELI LILLY AND COMPANY (DEC)

Statement of Changes in Consolidated Financial Position

	1974	1973
	($000)	
Sources of Working Capital		
From operations:		
Net income for the year	$178,807	$155,520
Charges to income not involving working capital:		
Depreciation	27,694	26,439
Amortization of intangible assets................	385	385
Taxes deferred.............	4,675	4,294
Working capital provided from operations..	211,561	186,638
Proceeds from sales of common stock under option plans....	6,089	10,072
Carrying amount of property and equipment sold or retired...	2,761	1,881
Additions to long-term debt......	4,690	1,523
Sundry credits to additional paid-in capital	363	833
	225,464	200,947
Use of Working Capital		
Cash dividends...................	66,957	54,490
Additions to property and equipment	82,126	39,637
Increase in other assets..........	10,214	6,064
Reductions of long-term debt....	5,577	5,997
	164,874	106,188
Increase in Working Capital	$ 60,590	$ 94,759

P. R. MALLORY & CO. INC.

Consolidated Statements of Changes in Financial Position

	1974	1973
	(in thousands of dollars)	
Funds became available from:		
Earnings before cumulative effect on prior years (to December 31, 1973) of change to full absorption inventory valuation methods	$ 7,019	$ 9,452
Charges (credits) to earnings not affecting funds:		
Depreciation and amortization	6,303	5,561
Equity in earnings of unconsolidated foreign subsidiaries and affiliates, net of dividends received	(2,757)	(1,228)
Minority interests in earnings of consolidated subsidiaries......................	699	444
Funds provided by operations exclusive of cumulative effect on prior years (to December 31, 1973) of change to full absorption inventory valuation methods	11,264	14,229
Cumulative effect on prior years (to December 31, 1973) of change to full absorption inventory valuation methods..	1,225	—
Funds provided by operations...........	12,489	14,229
Issuance of notes pursuant to revolving credit agreement....	—	20,000
Disposals of property, plant and equipment	610	958
	13,099	35,187
These funds were used for:		
Additions to property, plant and equipment	7,194	7,400
Dividend payments to common shareholders	3,878	3,799
Investments in and advances to unconsolidated foreign subsidiaries and affiliates, net.	435	1,423
Other, net	718	420
	12,225	13,042
Resulting in increase in working capital	$ 874	$22,145

MASONITE CORPORATION (AUG)

Consolidated Statement of Changes in Financial Position

	1974	1973
	($000)	
Source of Funds:		
Net income	$30,262	$33,045
Expenses (income) not affecting working capital—		
Depreciation	15,883	13,728
Investment tax credits amortized	(860)	(655)
Depletion	684	690
Foreign equity (income) net of $247,000 in dividends in 1974, and $212,000 in 1973	(1,195)	(985)
Deferred federal income taxes	4,045	2,311
Working capital provided from operations	$48,819	$48,134
Long-term financing	2,781	1,518
Disposition of property, plant and equipment	2,289	3,130
Investment tax credits deferred	2,900	1,562
Common stock issued under option plans	943	997
Sale of treasury stock	283	954
Redemption of preferred stock of a foreign affiliate	1,200	—
	$59,215	$56,295
Disposition of Funds:		
Property, plant and equipment additions	$49,656	$33,476
Cash dividends	8,252	6,932
Long-term debt maturities	754	1,048
Other long-term assets	2,267	908
	$60,929	$42,364
Increase (decrease) in working capital	$(1,714)	$13,931

POTLATCH CORPORATION (DEC)

Statements of Changes in Financial Position

	1974	1973
	($000)	
Source of funds:		
Net earnings	$45,288	$33,979
Current charges (credits) to income not involving outlay of funds:		
Depreciation, amortization, and cost of fee timber harvested	20,114	18,593
Deferred taxes on income, net noncurrent	2,771	(696)
Abandonments of plant and properties	1,188	381
Net gain on disposition of plant and properties	(614)	(533)
Equity in loss of nonconsolidated subsidiaries	1,699	1,727
Write-off of goodwill (note 1 as to $1,434,031) less other credits	—	1,169
Funds provided by operations	70,448	54,621
Proceeds from capital stock issued under options	—	110
Decrease in noncurrent receivables	3,250	2,922
Disposition of plant and properties	1,801	906
Proceeds from new long-term debt	—	16,500
	$75,499	$75,060
Application of funds:		
Cash dividends paid	$ 9,126	$ 7,664
Additions to lands other than timberlands, buildings, and equipment	49,081	31,400
Additions to timber, timberlands, and related logging facilities	10,727	5,854
Reduction of long-term debt	7,094	4,427
Increase in investments	6,908	5,032
Other	1,456	413
Increase (decrease) in working capital	(8,895)	20,267
	$75,499	$75,060

SPERRY RAND CORPORATION (MAR)

Consolidated Statements of Changes in Financial Position

	1974	1973
	(in thousands of dollars)	
Source of Working Capital		
Net income	$112,558	$ 90,057
Add income charges not affecting working capital		
Depreciation, amortization and obsolescence:		
Rental machines	112,430	135,920
Other property, plant and equipment	37,363	34,894
	149,793	170,814
Increase in deferred income taxes	34,500	30,300
	184,293	201,114
Deduct income credits not affecting working capital		
Net income of Sperry Rand Financial Corporation	13,327	13,120
Equity adjustment applicable to other companies, less dividends received: 1974, $968; 1973, $611	6,213	5,085
	19,540	18,205
Working capital provided from operations	277,311	272,966
Proceeds from sale of stock under stock option plans	3,754	1,082
Increases in long-term liabilities	36,557	67,368
Total	317,622	341,416
Application of Working Capital		
Expenditures for property, plant and equipment:		
Rental machines, net of sales and retirements: 1974, $36,739; 1973, $40,407	82,918	80,190
Other property, plant and equipment, net of sales and retirements: 1974, $6,860; 1973, $4,957	52,740	35,909
	135,658	116,099
Increase in long-term receivables	60,165	71,952
Cash dividends declared on common stock	22,725	20,611
Decreases in long-term liabilities	19,500	19,741
Additional investments in companies accounted for by the equity method	121	4,152
Increase in other assets	9,878	7,048
Total	248,047	239,603
Increase in Working Capital	$ 69,575	$101,813

TWENTIETH CENTURY-FOX FILM CORPORATION (DEC)

Statements of Changes in Consolidated Financial Position

	1974	1973
	(in thousands)	
Financial Resources Provided by		
Earnings from continuing operations before extraordinary items	$ 12,360	$ 8,661
Add (deduct) items not affecting working capital		
Depreciation and amortization of non-current assets	4,429	3,777
Changes in long-term network receivables	3,188	11,544
Gain on purchase of convertible debentures	(1,779)	—
Other	(2,205)	3,937
Working capital provided by continuing operations	15,993	27,919
Discontinued Operations:		
Loss from discontinued operations	(4,491)	(983)
Add (deduct) items not affecting working capital		
Depreciation and amortization	515	696
Write-off goodwill and write down of assets to estimated realizable value	5,127	—
Other	(242)	216
Working capital provided (absorbed) by discontinued operations	909	(71)
Working capital provided by operations excluding extraordinary items	16,902	27,848
Working capital provided by extraordinary items	3,083	3,071
Working capital provided by operations	19,985	30,919
Disposition of investments and property and equipment	3,592	3,053
Increase in mortgages payable and other long-term liabilities	2,863	12,232
Working capital provided by reduction of non-current inventories	66,022	56,598
	92,462	102,802
Financial Resources Used For		
Excess of cost over value of assets acquired	1,057	—
Additions to non-current inventories	82,683	57,405
Additions to property and equipment	9,626	23,885
Reduction of bank borrowings and other long-term liabilities	—	7,301
Payments of cash dividends and purchase of Company's common stock	10,633	1,603
Purchase of convertible debentures	1,497	—
	105,496	90,194
Increase (decrease) in working capital	$(13,034)	$ 12,608

UNIFI, INC. (JUN)

Statement of Changes in Financial Position

	1974	1973
	($000)	
Sources of Working Capital:		
From operations:		
Income from continuing operations	$ 3,351	$ 2,241
Add expenses not requiring outlay of working capital in current period:		
Depreciation	1,062	540
Amortization of deferred charges	93	75
Deferred income taxes and, in 1973, charge equivalent to tax benefits of an acquired business	664	861
Working Capital Provided From Continuing Operations	5,171	3,718
Loss from discontinued operations and loss on disposals	(502)	(403)
Deduct expenses (income) not requiring (providing) outlay of working capital in the current period:		
Depreciation	198	350
Amortization and write-off of deferred charges	206	264
Gain on sale of property and equipment	(80)	—
Working capital provided from (used in) discontinued operations and loss on disposals	(179)	184
Working Capital Provided from Operations	4,992	3,903
Sale of dyeing and finishing plant—$4,650,000 less $1,150,000 note receivable	3,500	—
Sale of common stock	—	2,107
Increase in long-term debt	4,192	3,939
Fixed equipment reclassified to equipment held for resale	—	1,053
Other	9	7
Total	12,694	11,010
Uses of Working Capital:		
Additions to property, plant and equipment	2,127	6,039
Reductions of long-term debt	5,614	1,595
Deferred start-up costs and debt expense	—	101
Purchase and retirement of common stock	2,300	—
Other	—	76
Total	10,042	7,813
Increase in Working Capital	$ 2,652	$ 3,196

WARNER COMMUNICATIONS INC. (DEC)

Consolidated Statement of Changes in Financial Position

	1974	1973
	($000)	
Souces of funds:		
Operations:		
Net income	$ 48,470	$ 47,353
Income charges (credits) not affecting working capital:		
Depreciation and amortization	19,856	17,104
Deferred income taxes	(4,415)	2,360
Equity in income in excess of dividends received from Garden State National Bank and National Kinney Corp.	(3,127)	(1,932)
Writedown of certain cable television systems	6,000	—
Working capital provided from operations	66,784	64,885
Increase in long-term debt	—	155,000
Increase in deferred income taxes	4,691	3,079
Decrease in non-current inventories	13,508	4,866
Decrease (increase) in accounts and notes receivable due after one year	12,191	(6,255)
Increase (decrease) in accounts payable due after one year	6,913	(2,773)
Disposal of property, plant and equipment	2,969	1,320
Capital stock issued	293	1,097
Other, net	1,670	2,455
Total funds provided	109,019	223,674
Applications of funds:		
Increase in marketable securities	4,427	73,269
Additions to property, plant and equipment	34,222	45,171
Decrease in long-term and convertible debt	35,515	54,396
Purchase of Warner Communications Inc. stock for treasury	13,814	53,297
Increase (decrease) in amounts due from National Kinney Corp.	4,891	(58)
Increase in other assets	914	10,412
Increase in investments—other	2,820	1,628
Conversions of Preferred stock	250	679
Cash dividends	9,613	9,878
Total funds applied	106,466	248,672
Increase (decrease) in working capital	$ 2,553	$ (24,998)

XEROX CORPORATION (DEC)

Consolidated Statements of Changes in Financial Position

	1974	1973
	(Dollars in thousands)	
Working Capital Provided by		
Operations		
Net income	$ 331,083	$300,484
Charges not affecting working capital		
Depreciation of rental equipment	409,744	339,384
Depreciation of buildings and equipment	85,673	64,055
Amortization of goodwill, patents and licenses	3,632	5,408
Outside shareholders' interests in income	77,217	66,153
Noncurrent deferred income taxes	22,213	171
Deferred investment tax credits	10,764	6,030
Other	19,941	14,669
Working capital provided by operations	960,267	796,354
New long-term debt	507,399	141,050
Common stock issued upon exercise of stock options	6,355	14,703
Working capital provided	1,474,021	952,107
Working Capital Used For		
Additions to rental equipment and related inventories	864,845	597,570
Additions to land, buildings and equipment	251,937	192,834
Payments made or due within one year on long-term debt	45,302	18,706
Dividends declared—Xerox Corporation shareholders	79,232	71,156
Dividends declared—outside shareholders	12,576	21,317
Deferred pre-production expenditures	18,148	7,931
Other	37,294	9,503
Working capital used	1,309,334	919,017
Working Capital Increased	$ 164,687	$ 33,090

Calculation Includes Net Loss

FDI, INC. (NOV)

Consolidated Statement of Changes in Financial Position

	1974	1973
	($000)	
Working Capital Provided by:		
Net income (loss)	$(9,694)	$ 2,521
Items not requiring (providing) working capital currently:		
Depreciation and amortization of plant and equipment	1,940	1,596
Deferred income taxes	(766)	457
Amortization and charge off of excess cost over net assets acquired	613	—
Working Capital Provided from (used in) Operations	(7,906)	4,575
Proceeds from exercise of preferred stock warrants	—	52
Additions of long-term debt	7,299	12,571
Market value of stock issued to acquire subsidiaries including contingent shares	2,812	253
Long-term debt of subsidiaries at date of acquisition	3,240	275
Common and preferred stock issued in exchange for convertible debt	—	1,200
Other	1,074	70
Total Working Capital Provided	6,519	18,998
Working Capital Applied to:		
Dividends	18	17
Net additions to property, plant and equipment	1,725	4,653
Reduction of long-term debt including $1,200,000 conversion to stock in 1973	2,439	2,363
Increase in excess of cost of investment in subsidiaries over equity in net assets	4,424	796
Property, plant and equipment of subsidiaries at time of acquisition	614	275
Other	17	1,795
Total Working Capital Applied	9,239	9,902
Net Increase (Decrease) in Working Capital	$(2,720)	$ 9,095

BAYUK CIGARS INCORPORATED (DEC)

Statement of Changes in Consolidated Financial Position

	1974	1973
	($000 omitted)	
Financial resources were provided by:		
Operations		
Net income (loss)	$(1,873)	$ 1,130
Expenses not affecting working capital		
Depreciation and amortization	641	673
Working capital provided by (used for) operations	(1,232)	1,803
Sale of investment securities	6,792	5,124
Other	(17)	30
	5,543	6,957
Financial resources were used for:		
Repayment of long-term debt	—	1,000
Additions to plant and equipment, net of retirements	652	292
Purchase of investment securities	6,212	9,202
Payment of dividends	524	463
Purchase of common stock for treasury	716	560
	8,104	11,517
Decrease in working capital	$(2,561)	$(4,560)

FALSTAFF BREWING CORPORATION (DEC)

Statement of Changes in Consolidated Financial Position

	1974	1973
	($000)	
Resources were derived from:		
Net (Loss)	$(3,870)	$(5,837)
Charges (credits) to income which did not require current expenditures of working capital:		
Depreciation and amortization of property	5,978	6,501
Amortization of licenses and trademarks	164	143
Provision for deferred income taxes (credit)	(109)	(410)
Property disposals	2,958	564
Total from operations	5,121	960
Miscellaneous—net	(676)	388
Total	4,445	1,349
Resources were used for:		
Additions to property	1,249	2,362
Reduction of long-term debt	3,100	3,100
Reduction of other non-current liabilities	162	199
Long-term note on sale of San Francisco Property	2,500	—
Total	7,011	5,661
Decrease in Working Capital	$ 2,566	$ 4,312

LITTON INDUSTRIES, INC. (JUL)

Consolidated Statement of Changes in Financial Position

	1974	1973
	(thousands of dollars)	
Working Capital was Provided by:		
Current operations:		
Earnings (loss) from continuing operations	$(14,715)	$ 46,097
Loss from discontinued operations	(14,451)	(4,512)
Gain (loss) on disposal of segments of business	(10,640)	1,445
Items not requiring (providing) working capital:		
Depreciation, principally straight-line (includes $3,071 and $5,656 for discontinued operations)	72,808	72,824
Deferred national taxes on income	1,239	(4,321)
Earnings of unconsolidated finance subsidiaries	(2,209)	(3,420)
Cost of businesses purchased over corresponding net assets	4,522	13,345
Disposition of and provision for write-off of property, plant and equipment	11,527	53,469
Working capital provided from operations	48,081	174,927
Incurrence of long-term liabilities (1974 includes $90,000 term notes under 1974 revolving credit and term loan arrangement)	132,421	16,395
Incurrence of other subordinated debt	25,000	
Other items	3,110	4,155
	208,612	195,477
Working Capital was Applied to:		
Payments made or due within one year on long-term liabilities and debentures	46,821	52,055
Decrease in future principal payments for leased facility	2,895	2,760
Additions to property, plant and equipment, less depreciated cost of disposals (1974 — $12,821; 1973 — $9,023)	75,639	69,230
Cash dividends on preferred stock	5,952	6,042
Purchase of treasury shares	22,393	9,946
Increase in long-term investments and assets, principally future credits for national taxes on income	28,357	
Other items	9,496	3,891
	191,553	143,924
Increase in working capital	$ 17,059	$ 51,553

THE VENDO COMPANY (DEC)

Consolidated Statement of Changes in Financial Position

	1974	1973
	($000)	
Working Capital Provided by (Used in) Operations:		
Net income (loss)	$(2,954)	$2,618
Charges (credits) not affecting working capital in the current period—		
Depreciation and amortization	1,274	1,317
Increase (decrease) in deferred income taxes	(594)	233
Minority interest in earnings (losses) of subsidiaries	(173)	218
Earnings of VFC Acceptance Corporation (Note 3)	(17)	—
Provided by (used in) operations	$(2,466)	$4,387
Other Sources of Working Capital:		
Proceeds from long-term borrowings	$ 727	$ —
Net book value of plant assets sold (Note 10)	195	—
Noncurrent accounts of division sold (Note 10)	116	—
Issuance of 1,740 shares of treasury stock in 1973	—	20
Provided by other than operations	$1,039	$ 20
Applications of Working Capital:		
Acquisition of plant and equipment, net	$1,419	$ 239
Cash dividends declared	790	1,062
Retirement of long-term debt	1,016	1,537
Investment in VFC Acceptance Corporation	1,000	—
Acquisition of treasury stock, 6,800 shares in 1974 and 22,200 in 1973	48	185
Increase in prepayments and other, net	183	3
Total working capital applied	$ 4,459	$3,028
Increase (Decrease) in Working Capital	$(5,886)	$1,378

NATIONAL TEA CO. (DEC)

Consolidated Statement of Changes in Financial Position

	1974	1973
	($000)	
Working capital provided by:		
Net loss	$(2,634)	$(15,356)
Non-cash items not requiring working capital—		
Depreciation and amortization	12,996	9,231
Deferred taxes	—	12
Working capital provided by (used in) operations	$ 10,361	$ (6,113)
Dispositions of property and equipment	1,604	563
Proceeds from 10% subordinated notes	—	16,919
Proceeds from equipment purchase obligations	—	1,773
Other, net	819	1,125
Total working capital provided	$ 12,785	$ 14,268
Working capital used for:		
Additions to property and equipment	$ 20,765	$ 15,469
Maturities of long-term debt	6,980	2,524
Maturities of reserve for lease payments on closed stores	1,158	3,308
Total working capital used	$ 28,904	$ 21,302
Decrease in working capital	$(16,118)	$(7,034)

SOURCES AND USES

Paragraph 14 of *Opinion No. 19* states:

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).

Tables 5-4 and 5-5 summarize sources and uses, respectively, disclosed in the statements of the survey companies. Examples of sources and uses follow.

Property

AMERICAN MAIZE-PRODUCTS COMPANY (DEC)

Consolidated Statements of Changes in Financial Position

	1974	1973
	($000)	
Sources of working capital:		
Net income	$ 9,214	$ 4,376
Add expenses not requiring outlay of funds:		
Depreciation and amortization	3,042	2,956
Deferred federal income taxes	(748)	142
Deferred incentive compensation	2,610	529
Working capital provided from operations	14,118	8,003
Disposal of equipment, exclusive of gains or losses included in net income	294	235
Total sources of working capital	14,412	8,238
Uses of working capital:		
Reduction of long-term debt	1,149	1,133
Purchase acquisitions, less working capital acquired of $3,437,028, consisting of:		
Property, plant and equipment....$ 841,990		
Long-term debt ... (607,554)		
Other, net.......... 75,463	309	—
Cash dividends paid	1,481	1,292
Expenditures for property, plant and equipment	6,234	2,099
Reduction of minority interest in subisidary	1,225	—
Other, net	509	288
Total uses of working capital	10,909	4,813
Increase in working capital	3,503	3,424
Working capital, beginning of year	44,604	41,179
Working capital, end of year	$48,107	$44,604

ARDEN-MAYFAIR, INC. (DEC)

Statements of Changes in Financial Position

	1974	1973
	($000)	
Source of working capital:		
Income (loss) before extraordinary item	$ 1,174	$(17,970)
Items not requiring (providing) working capital:		
Undistributed earnings of unconsolidated subsidiary	(273)	(298)
Loss on exchange of security investments	680	
Gain on sale of Los Angeles office and warehouse	(1,790)	
Depreciation	4,591	5,455
Deferred income tax write-off		3,375
Accrued interest on income debentures	1,317	1,085
Increase (decrease) in reserve for future lease costs and loss on planned disposals	(204)	4,790
Total working capital provided from (used in) operations	5,494	(3,561)
Extraordinary item	1,210	
	6,704	(3,561)
Decrease in advances to unconsolidated subsidiary	748	705
Decrease in noncurrent receivables	209	1,420
Transfer property for resale to current assets	111	1,079
Proceeds from sale of Los Angeles office and warehouse	4,175	
Retirement or sale of property, plant, and equipment	5,789	2,618
Decrease in licenses, buying deposits and other	589	1,440
Increase in other long-term liabilities		890
Other transactions, net	178	134
Decrease in working capital		2,897
	$18,506	$ 7,626
Use of working capital:		
Investment in property, plant, and equipment	$ 4,693	$ 4,469
Increase in security investments (conversion of note receivable)	879	
Decrease in long-term debt	6,316	2,228
Decrease in reserves for future lease costs and loss on planned disposals	2,679	657
Repurchase of preferred stock		50
Cash dividends		220
Increase in working capital	3,937	
	$18,506	$ 7,626

BRENCO INCORPORATED (DEC)

Consolidated Statement of Changes in Financial Position

	1974	1973
	($000)	
Sources of Working Capital:		
Net Income	$5,383	$4,046
Expenses Not Requiring Working Capital:		
Depreciation	1,826	1,739
Cost of Treasury Stock Issued Under Stock Participation Plans	27	15
From Operations	$7,236	$5,801
Sale of Treasury Stock under Stock Option Plan	75	—0—
Total	$7,312	$5,801
Uses of Working Capital:		
Purchase of Property and Equipment:		
Land and Grading	$ 58	$ —0—
Property Improvements	74	11
Addition to Plant Buildings	680	131
Machinery and Equipment	2,489	734
Office Equipment	92	13
Cash Dividends Declared	1,663	1,277
Purchase of Treasury Stock	146	237
Total	$5,205	$2,405
Increase in Working Capital	$2,107	$3,396

TABLE 5-4: SOURCES OF WORKING CAPITAL OR CASH

		Number of Presentations	
	1974	1973	1972
Sale, disposal, or retirement of property	405	509	392
Issuance of Capital Stock	296	339	396
Issuance of Long-Term Debt	497	218	221
Other Noncurrent Liabilities	85	83	119
Investments	112	85	86
Noncurrent Receivables	56	45	43

TABLE 5-5: USES OF WORKING CAPITAL OR CASH

		Number of Presentations		
	1974	1973	1972	1971
Property	626	567	559	579
Purchase, redemption, or retirement of capital stock	258	288	211	211
Long-term Debt	566	562	594	591
Other noncurrent liabilities	76	60	91	94
Dividends	539	524	518	526
Investments	219	187	145	183
Intangibles	49	46	48	56
Noncurrent receivables	34	32	33	48

EX-CELL-O CORPORATION (NOV)

Consolidated Statement of Changes in Financial Position

	1974	1973
	($000)	
Working Capital Provided:		
Net earnings	$18,789	$17,199
Add (deduct) items included in earnings not affecting working capital:		
Depreciation of property, plant and equipment	7,872	7,801
Depreciation of rental machines	7,356	9,186
Deferred income taxes	2,091	2,420
Equity in undistributed earnings of affiliated companies	(1,128)	(892)
Working capital provided by operations	34,981	35,714
Decrease in sundry receivables	2,565	2,613
Increase in deferred rental income	2,276	1,553
Proceeds from sale of property, plant and equipment and rental machines (net of gains of $1,959,298 in 1974, $3,317,234 in 1973)	1,001	2,708
Other items, net	3	2,172
	40,829	44,762
Working Capital Applied:		
Additions to property, plant and equipment	10,912	6,604
Additions to rental machines	11,330	6,823
Dividends declared	7,833	7,252
Decrease in long-term debt	1,533	1,768
Acquisition of treasury shares	3,937	2,634
	35,548	25,083
Increase in working capital	$ 5,280	$19,679

SPARTON CORPORATION (JUN)

Consolidated Statement of Changes in Financial Position

	1974	1973
	($000)	
Source of working capital:		
Operations:		
Net income	$2,445	$2,057
Charges against (credits to) income not involving working capital in the current period:		
Depreciation and depletion.	812	696
Provision for deferred compensation	98	91
Non-current portion of deferred income tax	(27)	98
Other	18	7
Total from operations	3,347	2,950
Net cost of property retirements	575	249
Proceeds of common shares sold upon exercise of stock options	8	14
Common stock issued in exchange for oil and gas leaseholds	—	1,368
	3,931	4,582
Disposition of working capital:		
Additions to property, plant and equipment:		
Non-producing oil and gas leasehold properties	156	1,615
Producing oil and gas properties	248	293
Manufacturing property, plant, and equipment	1,675	1,106
Increase in miscellaneous receivables and other assets	4	265
Dividends	456	456
Current maturity of long-term lease obligation	17	16
Cost of common stock acquired for treasury	6	54
	2,566	3,809
Increase in working capital	$1,365	$ 773

Investments

ALLIS-CHALMERS CORPORATION

Statement of Changes in Financial Position

	1974	1973
	($000)	
Source of working capital		
Net income	$ 22,104	$ 16,289
Charges (credits) to income not affecting working capital—		
Depreciation of plants and equipment	20,969	23,333
Allowance for loss from discontinued product facilities	6,136	—
Deferred income taxes, non-current	6,020	4,917
Equity in income of unconsolidated subsidiaries and affiliates	(5,640)	(7,188)
Working capital provided from operations	49,589	37,352
Proceeds from 9¼% long-term promissory notes	58,000	—
Cash received from formation of joint ventures	48,003	—
Decrease (increase) in investments in subsidiaries and affiliates	6,343	(934)
Disposals of property, plants and equipment	3,070	1,375
Dividends from unconsolidated subsidiaries	5,296	—
Other—net additions (reductions)	5,642	(2,132)
Total Source of Working Capital	175,946	35,660
Use of working capital		
Contribution of working capital to joint ventures	80,694	—
Cost of companies acquired, excluding working capital—		
Property, plants and equipment	16,459	—
Deferred charges and other assets	2,643	—
Deferred income taxes	(2,177)	—
Long-term debt	(4,729)	—
Additions to property, plants and equipment	39,585	38,639
Reduction of long-term debt	40,245	15,393
Dividends declared on preferred and common stock	4,598	4,253
Total Use of Working Capital	177,320	58,285
(Decrease) in Working Capital	(1,374)	(22,625)
Working Capital—Beginning of Year	235,338	257,963
Working Capital—End of Year	$233,963	$235,338

CARNATION COMPANY (DEC)

Consolidated Statement of Changes in Financial Position

	1974	1973
	($000)	
Financial resources were provided by:		
Net income	$ 79,660	$ 64,871
Add (deduct) items not affecting working capital—		
Depreciation and amortization (including excess purchase price)	27,850	23,166
Deferred income taxes and investment tax credits	2,165	3,616
Other items	(1,934)	(320)
Working capital provided by operations	107,742	91,333
Sale of plant assets	5,555	3,611
Proceeds from long-term borrowings	54,023	28,801
Decrease in non-current receivables and miscellaneous investments	887	364
Decrease in investments in and advances to affiliated companies	5,495	
Proceeds from exercise of employee stock options and stock purchase warrants of pooled company		1,364
Other	2,165	(395)
	175,871	125,079
Financial resources were used for:		
Purchase of plant assets	60,553	35,610
Cash dividends	20,428	16,777
Payments on long-term debt	6,089	8,550
Increase in investments in and advances to affiliated companies		7,509
Excess of purchase price of companies acquired over net assets at date of acquisition	9,042	5,592
Purchase of treasury shares	5,767	
Purchase of treasury shares by pooled company		564
Decrease in statutory severance pay		1,585
Increase in working capital	73,989	48,889
	$175,871	$125,079

THE CLEVELAND-CLIFFS IRON COMPANY (DEC)

Statement of Changes in Consolidated Financial Position

	1974	1973
	($000)	
Source of Funds		
From operations:		
Net income	$25,796	$20,807
Charges (credits) to operations not requiring (providing) working capital:		
Depreciation and depletion, including $1,943,000 (1973—$1,646,000) of certain associates	5,363	5,043
Deferred income taxes	5,478	2,808
Deferred investment tax credit, net of amortization	3,814	156
Equity in net income of associates in excess of distributions from associates	(1,240)	—0—
Total From Operations	39,211	28,814
Proceeds received upon exercise of stock options	1,733	988
Increase in other long-term liabilities	665	186
Distributions from associates in excess of equity in net income	—0—	575
Carrying value of listed securities sold	712	—0—
Other, including property retirements	3,759	1,709
	46,080	32,272
Application of Funds		
Capital expenditures	10,927	3,353
Capital advances to and additional investments in associates	14,870	5,460
Loans to associates in connection with the development of the Tilden Mine	17,900	—0—
Retirement of long-term debt	1,000	6,000
Cash dividends	8,223	6,786
Retirement of Preferred Shares	1,433	934
Other	593	2,564
	54,946	25,097
Increase (Decrease) in Working Capital	$ (8,866)	$ 7,175

ESMARK, INC. (OCT)

Consolidated Statement of Changes in Financial Position

	1974	1973
	(in thousands of dollars)	
Sources of working capital and other changes in financial position:		
Operations—		
Net earnings	$ 68,066	$ 48,802
Charges (credits) not involving working capital:		
Depreciation and depletion, including $1,000 ($7,223 in 1973) for unrecoverable costs of oil and gas properties	44,886	47,244
Deferred income taxes (noncurrent portion)	1,674	2,933
Other noncurrent amounts, principally pensions	(2,253)	945
Nonconsolidated subsidiaries and affiliated companies	(716)	1,132
Minority interests in subsidiaries' earnings	3,995	1,280
Other—net	1,014	377
Total from operations	116,666	102,713
Long-term borrowings	55,234	839
Exploration and development advance	24,365	
Property and operating facility disposals	7,727	4,274
Common share issuances	64	1,069
Total	204,056	108,895
Dispositions of working capital and other changes in financial position:		
Property and operating facility additions	113,574	102,279
Additional investment in TransOcean Oil, Inc.—$42,424 applicable to acquired minority interests' equity and $12,806 assigned to oil and gas properties	55,230	
Long-term debt reductions	14,131	10,056
Dividend payments	13,616	10,862
Treasury stock purchases	10,427	208
Investments in and advances to nonconsolidated subsidiaries and affiliated companies	1,603	(110)
Other—net	4,320	1,486
Total	212,901	124,781
Decrease in working capital	$ 8,845	$ 15,886

LEAR SIEGLER, INC. (JUN)

Consolidated Statement of Changes in Financial Position

	1974	1973
	($000)	
Sources of funds		
Net earnings	$ 20,055	$ 17,033
Charges to earnings not requiring use of working capital:		
Depreciation and amortization of property, plant and equipment	10,269	10,051
Amortization of goodwill, patents and debenture discount	112	189
Non-current deferred income taxes	900	3,804
Total from operations	31,337	31,079
Additions to long-term debt	26,707	—
Dispositions of property, plant and equipment	3,318	3,572
Decrease in long-term receivables	217	1,846
Decrease in long-term real estate held for sale	467	3,582
Decrease (increase) in investments in affiliates	5,616	(298)
Decrease (increase) in sundry other assets	175	(394)
	67,842	39,388
Dispositions of funds		
Additions to property, plant and equipment	18,045	10,692
Reduction of long-term debt	11,171	12,688
Cash dividends	9,028	8,260
Purchase of common treasury shares	1,295	432
Decrease (increase) in other deferred liabilities	2,245	(1,845)
Decrease in minority interests in subsidiaries	854	91
Other	8	29
	42,648	30,349
Increase in Working Capital	25,193	9,039
Working capital at beginning of year	136,956	127,917
Working capital at end of year	$162,150	$136,956

Debt

WALT DISNEY PRODUCTIONS (SEP)

Consolidated Statement of Changes in Financial Position

	1974	1973
	($000)	
Financial Resources Were Provided by:		
Operations		
Net income	$ 48,328	$ 47,768
Expenses not affecting working capital		
Depreciation	29,601	26,553
Amortization of preopening costs	2,429	2,429
Amortization of film production costs, non-current	2,761	3,932
Deferred taxes on income and investment credits	11,973	16,453
Working capital provided from operations	95,092	97,135
Increase in long term liabilities		
Bank borrowing	36,000	
Other	970	3,425
Proceeds from exercise of stock options and tax benefits	1,187	1,488
Increase in unearned deposits and rentals		929
	133,249	102,977
Financial Resources were used for:		
Additions to entertainment attractions, facilities, and other depreciable assets and construction in progress, principally Walt Disney World	67,241	85,752
Additions to non-current film production costs	22,220	19,949
Less transfer to current film production costs	(14,303)	(16,038)
Reduction of long term liabilities		
Bank borrowing	20,000	12,000
Other	576	576
Cash dividends	3,483	3,429
Decrease in unearned deposits and rentals	739	
Other	1,253	2,116
	101,209	107,784
Increase (Decrease) in working capital	$ 32,040	$ (4,807)

THE STANDARD OIL COMPANY (AN OHIO CORPORATION) (DEC)

Statement of Changes in Financial Position

	1974	1973
	Thousands of Dollars	
Source of Funds		
Operations		
Income before extraordinary items	$125,911	$ 74,127
Items not requiring outlays of working capital		
Depreciation, depletion, and loss on property disposals	76,879	70,042
Deferred income taxes, net of investment credit carryforwards	(37)	10,013
Other	5,775	2,283
Total from operations, excluding extraordinary items	208,528	156,465
Extraordinary items	21,600	15,258
Items not requiring outlays of working capital		
Deferred income taxes	—0—	8,405
Loss on property disposals.	—0—	8,762
Total from operations	230,128	188,890
Sales of property, plant, and equipment (including $100-million sale to American Petrofina, Inc., in 1973)	14,210	111,208
Issuance of long-term debt		
Guaranteed note	169,500	—0—
Revolving credit notes	160,000	—0—
Commercial paper and other	65,675	876
Obligations under lease agreements (industrial revenue bonds)	—0—	34,800
Sales of common stock under option plans	1,974	5,195
Sales of future coal and crude oil production	82,392	2,399
Unexpended pollution-control funds held by trustee	21,335	(26,628)
Other transactions—net	3,509	(4,457)
	748,723	312,283
Application of Funds		
Cash dividends to stockholders	37,488	37,212
Expenditures for property, plant, and equipment		
Alaska	500,681	82,690
Other	199,731	109,907
Long-term receivables and advances	10,671	19,823
Prepaid expenses and deferred charges	18,399	(2,604)
Reduction of long-term debt	3,730	27,004
Reduction of deferred revenue	4,018	4,467
	774,718	278,499
Working Capital Increase (Decrease)	$ (25,995)	$ 33,784

BRUNSWICK CORPORATION (DEC)

Changes in Financial Position

	1974	1973
	($000)	
Source of Funds:		
From operations—		
Net earnings	$ 36,934	$ 39,742
Adjustments for non-cash items:		
Equity in undistributed earnings of Nippon Brunswick	(1,931)	(6,580)
Minority shareholders' equity in Sherwood Medical	1,754	1,437
Depreciation	22,210	18,689
Provision for deferred income taxes	1,500	2,600
Funds provided from operations	60,467	55,888
Borrowings (Note 8)—		
Revolving credit	128,000	55,000
Notes payable to banks, due 1982	—	18,000
Notes payable to banks, foreign borrowings	818	8,568
Mortgages and other secured notes	9,000	861
Debt assumed of company acquired (Note 1):		
Debentures, due 1987	6,734	—
Other	21,630	—
	166,182	82,429
Other sources—		
Common stock issued:		
For companies acquired	13,220	175
Under stock option plans	303	1,283
Sale and transfer of land investments	4,824	—
Change in deferred unrealized gain on currency translation	(3,473)	2,779
Increase in accounts payable, accrued expenses, income taxes, etc.	1,440	10,687
	16,314	14,924
	242,963	153,241
Disposition of Funds:		
Reduction of debt (Note 8)—		
Notes payable, 5¾%, due 1974	15,836	15,439
Debentures	1,236	1,868
Debt of company acquired	20,430	—
Other	4,378	1,478
	41,880	18,785
Additions to property and equipment, less sales, retirements, etc. of $2,666 in 1974 and $2,954 in 1973—		
Capital expenditures, net	59,422	45,390
Acquired by purchase of companies (Note 1)	16,214	4,441
Purchase of common stock for treasury	—	30,698
Cash dividends paid	5,695	4,245
Acquired goodwill and investments in foreign affiliates	—	6,423
Increase in net receivables	24,802	3,467
Increase in inventories	72,170	38,854
Increase in other assets	2,787	1,429
	222,970	153,732
Increase (Decrease) in Funds	19,993	(491)
Cash and bank time deposits—		
Beginning of year	19,551	20,042
End of year	$ 39,544	$ 19,551

ALLIED CHEMICAL CORPORATION (DEC)

Consolidated Statement of Changes in Financial Position

	1974	1973
	($000)	
Financial resources were provided by		
Net income	$150,816	$ 95,071
Add—Expenses not requiring outlay of working capital		
Depreciation, depletion and amortization	115,450	108,945
Deferred U.S. and foreign income taxes	18,722	13,967
Loss on foreign investment	—	6,280
Working capital provided from operations	284,988	224,263
Proceeds from property, plant and equipment retired or sold	17,097	22,756
Proceeds from pollution control revenue bond and note obligations	21,493	21,420
	323,578	268,439

Financial resources were used for		
Additions to property, plant and equipment	305,844	184,518
Increase in investments	24,403	14,650
Cash dividends	42,547	35,569
Reduction in long-term debt	7,650	29,628
Cost of shares of Common Stock reacquired, less proceeds from exercise of stock options	(3,807)	(2,844)
Other—net	13,500	16,626
	390,137	278,147
Net decrease in working capital	$ (66,559)	$ (9,708)

Capital Stock

ALBERTSON'S, INC. (JAN)

Consolidated Changes in Financial Position

	1975	1974
	($000)	
Source of Funds:		
Operations:		
Net earnings	$11,701	$ 9,138
Add charges (credits) not requiring funds:		
Depreciation and amortization	7,911	6,966
Amortization of deferred costs	2,078	1,968
Increase (decrease) in deferred income taxes	1,112	(321)
Amortization of deferred investment credit	(359)	(313)
Working capital provided from operations	22,444	17,438
Proceeds from long-term borrowings	6,462	8,142
Disposals of land, buildings and equipment	2,911	2,107
Issuance of treasury stock to acquire assets	1,029	
Additions to deferred investment credit	1,015	837
Proceeds from employee stock options exercised	86	22
	33,950	28,548
Disposition of Funds:		
Capital expenditures	26,286	16,650
Additions to deferred costs	3,148	2,216
Reduction of long-term debt	2,375	1,441
Cost of treasury shares purchased	413	70
Increase (decrease) in other assets	746	(61)
Cash dividends	3,331	2,660
	36,302	22,976
Increase (Decrease) in Working Capital	($ 2,352)	$ 5,572

AMERICAN BAKERIES COMPANY

Consolidated Statements of Changes in Financial Position

	1974	1973
	(In Thousands)	
Sources of Working Capital:		
Net loss for the year	$ (1,698)	$ (2,019)
Add (deduct) items not affecting working capital—		
Depreciation and amortization (Note 1)	7,280	7,114
Deferred income taxes (Notes 1 and 2)	(1,500)	(1,135)
Provisions for closed plants and idle equipment	1,315	372
Working capital provided from operations	$ 5,397	$ 4,332
Property dispositions	1,431	2,023
Increase in long-term liabilities (Note 4)	4,502	2,200
	$11,330	$ 8,555
Applications of Working Capital:		
Reduction of long-term debt	$ 4,474	$ 1,411
Additions to plant and equipment	8,945	6,461
Dividends declared	883	934
Purchase of stock, since retired (Note 7)		
Cumulative prior preferred, $1.80 series	79	103
5% cumulative convertible preferred	342	451
Purchase of common stock for the treasury (Note 7)	1,176	642
Redemption of cumulative prior preferred, $1.80 convertible series	125	—
Charges incurred relating to closed plants	1,010	1,164
Other items, net	1,039	941
	$18,073	$12,107
Decrease in Working Capital	$ (6,743)	$ (3,552)
Working Capital:		
Beginning of year	17,239	20,791
End of year	$10,496	$17,239

CHICAGO BRIDGE & IRON COMPANY (DEC)

Consolidated Statements of Changes in Financial Position

	1974	1973
	($000)	
Sources of funds:		
Net income for the year	$28,459	$29,411
Add items not requiring outlay of working capital in current period:		
Equity in losses of unconsolidated affiliates	2,426	1,251
Cost of properties sold in real estate operations	10,496	12,316
Provisions for depreciation and amortization	11,572	10,132
Income taxes not payable currently including reclassification from current liabilities in 1974 of $3,420,000	5,474	2,664
Other	362	1,516
Working capital provided from operations	$58,789	$57,290
Proceeds from sale of common stock	5,994	15,092
Total working capital provided	$64,783	$72,382
Application of funds:		
Additions to other assets		
Investments in unconsolidated affiliates	$ 3,493	$ 1,708
Real estate operations	8,494	9,125
Other	2,586	1,801
Additions to property and equipment	40,648	20,810
Reduction of long term debt	2,967	3,460
Cash dividends	11,670	9,527
Cost of treasury stock acquired	6,292	5,964
Total working capital applied	$76,150	$52,395
Increase (decrease) in working capital	$(11,367)	$19,987

DEERE & COMPANY (OCT)

Statement of Changes in Consolidated Financial Position

	1974	1973
	($000)	
Source of Funds:		
From operations:		
Net income	$164,311	$168,479
Non-fund transactions:		
Provision for depreciation	42,806	38,195
Increase in deferred income taxes	3,012	782
Undistributed earnings of unconsolidated subsidiaries	(15,489)	(14,382)
Other	193	253
Total from operations	194,833	193,327
Increase in long-term debt of overseas subsidiaries	27,433	
Proceeds on exercise of stock options:		
New shares issued	2,837	3,816
Additional credit relating to stock options	711	1,115
Treasury shares used for and gain on conversion of convertible debentures	3,634	4,130
Other	100	
	229,548	202,388
Use of Funds:		
Additions to property and equipment, less net retirements	126,325	53,798
Cash dividends declared	45,937	41,091
Principal amount of debentures purchased for retirement, converted to common stock or transferred to current maturity	10,588	21,021
Decrease in long-term debt of overseas subsidiaries		7,497
Contribution to capital of John Deere Credit Company	25,000	
Investments in insurance subsidiaries		5,372
Other		4,147
	207,850	133,106

GAF CORPORATION (DEC)

Consolidated Statement of Changes in Financial Position

	1974	1973
	($000)	
Funds Provided		
From operations:		
Net income	$ 32,493	$ 28,924
Charges (credits) not affecting working capital:		
Depreciation	24,212	23,200
Gain on reacquisition of 5% convertible notes	(5,523)	(6,359)
Phase-out of Linden dyestuff manufacturing (Note 5)	—	5,942
Office relocation expenses (non-current portion) (Note 3)	1,858	—
Deferred income taxes	1,351	1,769
Amortization of deferred investment tax credit	(591)	(591)
Amortization of deferred charges and other assets	569	387
Other	114	794
Funds provided from operations	54,483	54,066
Issuance of long-term debt	70,235	57,530
Increase (decrease) in net deferred foreign currency translation gains	(1,998)	2,166
Book value of property, plant and equipment dispositions	4,643	2,395
Proceeds from exercise of stock options and sale of restricted stock to key employees	27	672
Other	560	210
Total	127,950	117,039
Funds Applied		
Additions to property, plant and equipment	39,288	25,933
Reacquisition of $18,500,000 and $23,200,000 principal amount of 5% convertible notes less related gains of $5,523,000 and $6,359,000 in 1974 and 1973, respectively	12,977	16,841
Other reductions in long-term debt	6,278	19,930
Cash dividends	9,923	9,452
Acquisition of common stock for treasury	3,718	2,434
Acquisition of preferred stock for treasury	932	—
Total	73,116	74,590
Increase in Working Capital	54,834	42,449
Working Capital, January 1	250,708	208,259
Working Capital, December 31	$305,542	$250,708

UV INDUSTRIES, INC. (DEC)

Consolidated Statement of Changes in Financial Position

	1974	1973
	(in thousands)	
Source of working capital:		
Net income	$30,284	$22,109
Elements not requiring working capital:		
Minority interests in earnings of subsidiaries	2,423	1,594
Depreciation, depletion and amortization	10,695	9,028
Provision for deferred income taxes	(511)	239
Amortization of deferred charges and cost in excess of equity of business acquired	3,614	2,539
Other non-cash items		1,201
Working capital provided from operations	46,505	36,710
Issuance of Common Stock upon conversion of debentures and preferred stock	2,729	1,240
Issuance of Common Stock upon the exercise of employee stock options	310	180
Disposal of capital assets	1,565	518
Other, net	1,194	225
	52,303	38,873
Use of Working Capital:		
Decrease in minority interests in consolidated subsidiaries	251	280
Decrease in non-current portion of long-term debt	5,740	2,492
Purchase of treasury stock	768	5,652
Cash dividends	5,346	4,226
Additions to properties, plants and equipment	20,183	18,261
Expenditures for mine development	2,386	4,404
	34,674	35,315
Change in working capital from prior year	$17,629	$ 3,558

Dividends

DART INDUSTRIES INC. (DEC)

Statement of Changes in Financial Position

	1974	1973
	($000)	
Working Capital Provided by:		
Net earnings	$ 67,290	$ 62,290
Items not affecting working capital—		
Depreciation and amortization	44,033	38,703
Deferred income taxes	(2,500)	2,900
Loss on sale of resort development project	21,356	
Loss on marketable securities	16,145	
Provided by operations	146,324	103,893
Increase in long term debt	1,392	696
Sale or reclassification of marketable securities	48,003	510
Sale of properties and other investments	2,644	3,482
Sale of resort development project	4,500	
Exercise of stock options		2,834
Other	784	307
Total Working Capital Provided	203,647	111,722
Working Capital Used for:		
Properties and other assets purchased	74,534	68,815
Equity in unconsolidated finance subsidiaries	73	77
Cash dividends paid—		
Preferred Stock	5,913	5,913
Common Stock	9,334	6,538
Investment in resort development	12,351	23,888
Investment in marketable securities		37,260
Decrease in long term debt	6,104	7,743
Discounted rental obligations	1,386	1,479
Total Working Capital Used	109,695	151,713
Working Capital Increase (Decrease)	$ 93,952	$(39,991)

GENERAL REFRACTORIES COMPANY (DEC)

Consolidated Statements of Changes in Financial Position

	1974	1973
	(dollars in thousands)	
Working Capital Provided by:		
Operations:		
Income before extraordinary items	$ 9,765	$ 3,310
Add (deduct) items not involving working capital:		
Depreciation and depletion	8,246	8,982
Deferred income taxes	1,227	(700)
Increase in equity in undistributed net income of associated foreign companies	(213)	(260)
Other, principally provision for non-current liabilities	3,015	789
Working capital provided from operations	22,040	12,121
Extraordinary items	2,400	800
Proceeds from disposal of assets net of gains included in net income:		
Property, plant and equipment	717	612
Investments in associated companies	375	4,910
Additions to long-term debt	8,991	8,242
Decrease in advances to associated companies	—	1,225
Deferred foreign currency translation gains	2,912	2,890
Total working capital provided	37,435	30,800
Working Capital Applied to:		
Acquisition of property, plant and equipment	17,624	11,467
Reduction of long-term debt	1,864	7,662
Increase in long-term investments	1,731	1,170
Cash dividends:		
Preferred shares	453	340
Common shares	379	—
Preferred stock reacquired	221	299
Other, principally increase in other assets and deferred charges	1,626	70
Total working capital applied	23,898	21,008
Increase in working capital	$13,537	$ 9,792

KAISER INDUSTRIES CORPORATION (DEC)

Consolidated Statements of Changes in Financial Position

	1974	1973
	(thousands of dollars)	
Funds provided by:		
Earnings before extraordinary items	$ 30,746	$ 45,121
Add (deduct) items not affecting working capital:		
Depreciation, depletion and amortization	54,974	52,187
Deferred income taxes	6,953	13,440
Equity in undistributed earnings of unconsolidated companies	(39,564)	(15,089)
Carrying amount of Hamersley investment sold	—	15,345
Minority interest in earnings of consolidated companies	28,293	24,137
Loss on settlement of construction claims	13,865	—
Write-off intangible assets relating to broadcasting business	8,781	—
Loss on discontinuance of portion of sand and gravel business	4,637	—
Loss on discontinuance of glass fiber business	4,200	—
Write-offs of other noncurrent assets	2,304	—
Funds provided by operations	115,189	135,141
Net funds from extraordinary items	11,755	—
Additions to long-term debt	4,555	13,255
Proceeds from sale of Kaiser Resources common stock	—	27,394
Other—net	10,599	12,154
Total funds provided	142,098	187,944
Funds applied to:		
Additions to property, plant and equipment	58,878	38,389
Reduction of long-term debt	47,499	77,345
Additions to investments	7,756	857
Additions to program licenses	3,344	9,981
Purchase of preferred stock	1,955	1,955
Dividends on common and preferred stock	6,995	3,970
Purchase of preferred stock of Kaiser Steel	998	984
Dividends paid to minority stockholders of Kaiser Steel	4,011	1,251
Total funds applied	131,436	134,732
Net increase in working capital	10,662	53,212
Working capital at beginning of year	121,566	68,354
Working capital at end of year	$132,228	$121,566

UNITED AIRCRAFT CORPORATION

Consolidated Statement of Changes in Financial Position

	1974	1973
	(In Thousands of Dollars)	
Sources of Working Capital:		
Operations:		
Net income	$104,705	$ 58,136
Items not requiring (or providing) working capital:		
Depreciation	78,468	59,111
Change in accounts and notes receivable due after one year	(1,820)	(8,451)
Change in deferred investment tax credit	998	(1,421)
Net income of unconsolidated finance subsidiary	(1,593)	—
Other	(675)	—
Total from operations	$180,083	$107,375
Proceeds from exercise of stock options	—	288
Sale of long-term accounts and notes receivable to finance subsidiary	71,078	—
Reduction (increase) in investments in other companies	790	(2,040)
Working capital of Essex acquired (A)	246,197	—
Miscellaneous	—	3,309
	$498,148	$108,932
Uses of Working Capital:		
Investment in and advances to unconsolidated finance subsidiary	$ 46,036	$ —
Additions to fixed assets	94,403	46,806
Long-term debt maturing	48,186	4,500
Cash dividends:		
Common Stock	22,909	21,185
Preferred Stock	21,552	—
Purchase of Common Stock	—	16,852
Purchase of $8.00 Preferred Stock	96,963	—
Purchase of Subordinated Debentures	15,172	6,878
Miscellaneous	2,309	—
	$347,530	$ 96,221
Increase in working capital	$150,618	$ 12,711

(A) In connection with the acquisition of Essex (Note 2 of Notes to Financial Statements) the Corporation issued Preferred Stock with a market value of $320,094,000. The net assets acquired comprised working capital—$246,197,000, fixed assets—$154,627,000, other assets—$28,075,000 and long-term debt—$108,805,000. During the year $39,152,000 of Essex Convertible Subordinated Debentures were converted into $8.00 Preferred Stock.

Discontinued Operations

ADAMS-MILLS CORPORATION (DEC)

Statements of Changes in Consolidated Financial Position

	1974	1973
	($000)	
Additions		
Earnings from continuing operations	$ 917	$2,208
Add (deduct) items not affecting working capital in current period:		
Provision for depreciation	2,307	2,211
Adjustment of carrying value of:		
Certron Corp. stock—Note B	311	168
Note receivable—noncurrent		138
Deferred income taxes—noncurrent	(316)	280
Minority interest in net earnings of subsidiary	63	66
Total from continuing operations	3,283	5,075
(Loss) from discontinued operations	(6,770)	(871)
Add (deduct) items not affecting working capital in current period		
Provision for depreciation	592	847
Provision for loss on property disposals	3,500	
Deferred income taxes—noncurrent	(291)	176
Proceeds from property disposals	75	
Total (to) From Discontinued Operations	(2,893)	151
Total from operations	389	5,227
Disposition of machinery and equipment, less gains included in earnings from continuing operations	342	175
Total Additions	732	5,402
Deductions		
Cash dividends	341	455
Acquisition of property, plant and equipment	3,362	2,845
Reduction in long-term debt	1,505	755
Dividends paid to minority interest	30	30
Miscellaneous	15	72
Total Deductions	5,255	4,160
Increase (decrease) in working capital	$(4,523)	$1,242

INSILCO CORPORATION (DEC)

Changes in Financial Position

	1974	1973
	($000)	
Financial Resources Were Provided By:		
Continuing operations:		
Earnings from continuing operations	$19,300	$14,989
Charges (credits) not affecting working capital—		
Depreciation	6,840	6,617
Gain on debenture exchange	(8,202)	—
Swiss franc exchange loss	5,700	—
Amortization of intangible assets and deferred charges	1,320	1,907
Deferred income tax provision—noncurrent	187	2,579
Other	63	8
Working capital provided by continuing operations	25,208	26,100
Discontinued operations:		
Loss from operations	(710)	(281)
Gain (loss) on disposals	(3,573)	43
Charges (credits) not affecting working capital—		
Losses relating to disposal of noncurrent assets	4,839	(43)
Deferred income tax provision (credit) — noncurrent	(1,143)	110
Other	561	241
Working capital provided by (used for) discontinued operations	(26)	70
Working capital provided by continuing and discontinued operations—net	25,182	26,170
Issuance of long-term debt in exchange for Convertible Subordinated Debentures, less related expenses of issuance of $531,000 (Note 9)	18,797	—
Issuance of long-term debt for cash, less related expenses of issuance of $96,000 in 1974	10,293	1,833
Proceeds from sales of subsidiaries, less working capital (1974 —$12,728,000, less $6,834,000 and 1973 —$16,737,000, less $10,204,000)	5,894	6,533
Proceeds on disposals of fixed assets	842	317
Proceeds on sales of other investments	1,012	606
Payments on long-term receivables	926	291
Other	83	20
	$63,029	$35,770

Financial Resources Were Used For:		
Dividends on common and preferred stock	$ 7,232	$ 7,320
Expended for fixed assets	9,341	12,220
Long-term receivables included in proceeds from sales of subsidiaries	7,850	9,862
Convertible Subordinated Debentures exchanged, less amount not requiring use of financial resources (Note 9)	19,328	—
Other reductions in long-term debt	4,189	9,221
Purchase of treasury shares	325	4,758
Other investments and noncurrent assets	1,064	2,005
	49,329	45,386
Increase (Decrease) in Working Capital:		
Cash	(2,421)	(13,208)
Accounts receivable	3,960	8,827
Inventories	8,999	944
Other current assets	(242)	(417)
Notes payable	(2,810)	(3,752)
Current portion of long-term debt	3,071	(131)
Other current liabilities	815	(3,126)
Income taxes	2,328	1,247
	13,700	(9,616)
	$63,029	$35,770

Purchase Method Business Combination

ACME-CLEVELAND CORPORATION (SEP)

Statement of Changes in Consolidated Financial Position

	1974	1973
	($000)	
Source of Funds:		
From Operations:		
Net earnings	$ 5,708	$ 6,687
Items not requiring outlay of working capital		
Depreciation	3,706	3,234
Deferred federal income taxes	586	127
Total from Operations	10,001	10,049
Disposals of property, plant and equipment	370	483
Increase in long-term debt	48,125	1,358
Issuance of Preferred and Common Shares for the acquisition of LaSalle Machine Tool, Inc.	8,450	—0—
	66,946	11,890
Application of Funds		
Purchase of Common Shares for Treasury	—0—	284
Dividends paid	3,985	3,148
Additions to property, plant and equipment	5,968	5,023
Reduction of long-term debt	12,836	507
Other	598	403
Non-current net assets of LaSalle Machine Tool, Inc.		
Property, plant and equipment	10,264	—0—
Other assets	668	—0—
Excess of cost over net assets	825	—0—
Long-term debt	(6,107)	
Foreign severance indemnity	(1,707)	—0—
	27,332	9,367
Increase in Working Capital	$39,614	$ 2,522

	Acquired From LaSalle Machine Tool, Inc. July 1, 1974	Total Change	
Changes in the Components of Working Capital			
Current assets—increase (decrease):			
Cash	$ 702	$ 1,422	$ 829
Trade notes and accounts receivable	21,996	24,435	6,521
Net costs on uncompleted contracts	16,516	17,125	—0—
Inventories	3,520	17,405	6,608
Current liabilities — increase (decrease)			
Notes payable to banks	(23,374)	(4,467)	(1,891)
Accounts payable and accrued expenses	(8,525)	(12,449)	(3,586)
Salaries, wages, other compensation and payroll taxes	(1,737)	(2,460)	(2,514)
Billings in excess of costs and estimated earnings	(3,338)	(5,506)	—0—
Income taxes	(67)	1,774	(625)
Current portion of long-term debt	(1,185)	2,336	(2,818)
Increase in Working Capital	$ 4,507	$39,614	$ 2,522

MEDUSA CORPORATION (DEC)

Statements of Changes in Financial Position

	1974	1973
	($000)	
Funds provided from:		
Operations:		
Net earnings for the year.....	$ 5,799	$ 8,406
Items not requiring outlay of current funds:		
Depreciation and depletion.	12,223	10,628
Income tax and investment credit deferments....	1,562	763
Other	85	93
Total from operations ...	19,669	19,890
Increase in long-term debt:		
Issuance of debt securities....	7,946	12,896
Less portion representing refinancing	—0—	(5,100)
Financing for purchase of businesses:		
Market value of common and preferred shares issued under purchase agreements..............	2,850	986
Long-term debt issued and assumed	1,332	2,007
Sundry sources...................	482	565
	32,279	31,244
Funds used for:		
Property, plant and equipment expenditures	13,107	19,568
Reduction of long-term debt.....	3,848	3,208
Cash dividends...................	3,678	3,369
Purchase of businesses (excluding working capital):		
Property, plant and equipment	4,340	2,381
Cost of businesses in excess of net assets acquired and other.....................	893	1,811
Purchase of common shares for treasury	—0—	1,508
Sundry purposes	195	353
	26,061	32,198
Increase (decrease) in working capital	6,218	(954)
Working capital at beginning of year..........................	25,480	26,434
Working capital at end of year.....	$31,698	$25,480

R. J. REYNOLDS INDUSTRIES, INC. (DEC)

Consolidated Statements of Changes in Financial Position

	1974	1973
	(Dollars in Thousands)	
Working capital was provided by:		
Net earnings	$310,698	$263,569
Add items not involving working capital in the current period:		
Depreciation, depletion and amortization	116,905	86,800
Deferred income taxes...........	22,908	42,818
Other	22,890	6,843
Total from operations	473,401	400,030
Proceeds from long-term debt......	16,441	216,408
Proceeds from issuance of Company's stocks...............	7,244	6,301
Sale of certain transportation operations:		
Property, plant and equipment..	61,764	—
Carrying value of cost in excess of net assets attributable to operations sold..............	15,000	—
Long-term portion of notes received in exchange..........	(66,923)	—
Net decrease in long-term assets	9,841	—
Other disposals of property, plant and equipment	4,289	5,042
	511,216	627,781
Working capital was used for:		
Capital expenditures.................	125,832	339,729
Cash dividends.......................	130,964	126,833
Long-term debt becoming currently payable	40,677	101,100
Retirement of Preferred Stock upon conversion........................	2,351	1,515
Acquisition of Macdonald Tobacco Inc.:		
Property, plant and equipment..	22,628	—
Other assets.......................	92,231	—
Liabilities assumed................	(64,350)	—
Cost in excess of net assets acquired	24,136	—
Total acquisition cost............	74,645	—
Less working capital at date of acquisition....................	25,599	—
Net increase in long-term assets	49,046	—
Other (principally other assets and deferred charges)................	55,012	18,201
	403,882	587,378
Increase in working capital	$107,334	$ 40,403

Transactions Not Affecting Working Capital

SEABOARD ALLIED MILLING CORPORATION

Consolidated Statements of Changes in Financial Position

	1974	1973
	($000)	
Funds provided:		
Net earnings	$2,632	$2,281
Items which do not use (provide) working capital:		
Depreciation of plant and equipment (including depreciation included in discontinued operations of $20,511 and $29,014, respectively)	970	998
Amortization of debt discount and intangible assets	66	72
Equity in net earnings of 50%-owned joint ventures and domestic subsidiary, not consolidated	(286)	(267)
Reduction in carrying value of investment in foreign subsidiaries	1,700	—
Depreciated value of property, plant and equipment abandoned	—	339
Working capital provided by operations	5,083	3,425
Depreciated value of property, plant and equipment sold	188	168
Increase in long-term debt	4,000	3,397
Noncurrent assets of the textile division exchanged for long-term receivables	677	—
Other	33	—
	$9,983	$6,991
Funds used:		
Dividends	$ 403	$ 403
Investments in and advances to subsidiaries not consolidated	922	2,541
Additions to property, plant and equipment	3,293	1,887
Retirement of long-term debt	482	324
Long-term receivables received in exchange for the net assets of the textile division	1,312	—
Increase in noncurrent trade receivables	1,414	—
Funds committed to construction	1,288	—
Other	—	159
Increase in working capital	865	1,674
	$9,983	$6,991

METRO-GOLDWYN-MAYER INC. (AUG)

Consolidated Statements of Changes in Financial Position

	1974	1973
	($000)	
Sources of Working Capital		
Income before extraordinary items	$ 26,837	$ 2,071
Items which did not affect working capital—		
Depreciation, amortization, etc.	30,547	16,911
Deferred income taxes, noncurrent portion	7,271	(1,499)
Costs related to disposal of discontinued music operations and theatre and distribution assets, net	13,131	—
Working capital provided from operations, exclusive of extraordinary items	77,786	17,483
Working capital provided from extraordinary items, net	—	11,086
Working capital provided from operations and extraordinary items	77,786	28,569
Completion of motion pictures	4,534	27,093
Issuance of Bonds—		
9% Collateral Trust Bonds (to partially finance hotel)	—	50,000
10% Subordinated Debentures exchanged for Convertible Debentures	4,870	—
10% Subordinated Debentures exchanged together with cash for Common Stock	14,960	—
Cash advances from distributors	8,000	—
Reduction (Increase) in long-term receivables, net	(3,177)	2,305
Increase in long-term notes payable to banks	12,800	2,354
Advances received on television license agreements, net	10,679	—
Other	2,055	87
	132,507	110,408
Utilization of Working Capital		
Additions to—		
Motion picture inventories	14,217	31,989
Plant and equipment	35,851	67,350
Pre-opening and development expenses	2,582	—
Retirement of Convertible Debentures	10,083	—
Retirement of Common Stock (note 4)	18,616	—
Cash dividend	10,357	—
Reduction in—		
Long-term notes payable to banks	8,415	3,973
Deferred television income, net	12,505	10,855
Cash advances from distributors	5,917	—
Other long-term liabilities	1,138	6,624
	119,681	120,791
Increase (Decrease) in Working Capital	$ 12,826	($ 10,383)

STANDARD OIL COMPANY (INDIANA) (DEC)

Consolidated Statement of Changes in Financial Position

	1974	1973
	($000)	
Source of Funds		
Net income	$ 970,266	$ 511,249
Expenses not requiring outlay of working capital:		
Depreciation, depletion, amortization, and retirements and abandonments	562,011	448,240
Deferred income taxes—noncurrent	27,056	11,542
Funds provided from operations	1,559,333	971,031
Capital stock issued upon conversion of debentures	245,783	2,630
New borrowings	496,349	255,953
Dispositions of property	70,979	34,093
Total	$2,372,444	$1,263,707
Application of Funds		
Capital expenditures	$1,511,297	$ 900,799
Dividends paid	233,876	180,304
Debentures converted to capital stock	245,783	2,630
Other reduction of long-term debt	58,338	79,715
Increase (decrease) in long-term receivables and sundry assets	3,662	(23,408)
Increase (decrease) in treasury shares held excluding shares issued upon conversion of debentures	(11,656)	7,228
Increase in investments held for operating purposes	29,698	10,855
Other	26,440	12,736
Increase in working capital	275,006	92,848
Total	$2,372,444	$1,263,707

TABLE 5-6: REFERENCES TO CASH FLOW

	1974	1973	1972	1971
Location of Reference				
President's letter or financial review	41	36	56	59
Operating summaries or statistics	4	17	34	37
Highlights	7	10	19	27
Chart	8	11	17	16
Statement of Changes in Financial Position	1	1	1	1
Total References	***61**	****75**	*****127**	******140**

*Four companies referred to cash flow in two locations; two in three.

**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.

CASH FLOW

Paragraph 15 of *Opinion No. 19* states:

> 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.

Table 5-6 shows a continuing decrease in the number of survey companies making references to cash flow.

ANALYSIS OF CHANGES IN WORKING CAPITAL ELEMENTS

Paragraph 12 of *Opinion No. 19* states:

> 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 5-7 shows the manner in which the survey companies disclosed details of this information. Of the 44 companies listed as including an analysis of working capital ele-

TABLE 5-7: ANALYSIS OF CHANGES IN WORKING CAPITAL ELEMENTS PRESENTATION

	1974	1973	1972	1971
Analysis included as part of statement of changes in financial position.........	44	43	41	46
Analysis presented in a tabulation at bottom of statement of changes in financial position.........	536	530	525	487
Analysis presented in a tabulation apart from statement of changes in financial position.............	20	27	30	26
Total Companies..................	**600**	**600**	**596**	**559**

TABLE 5-8: TITLES IDENTIFYING ANALYSIS OF WORKING CAPITAL ELEMENTS

	1974	1973	1972	1971
Change in working capital..	254	251	228	207
Increase (decrease) in working capital...............	229	190	186	146
Analysis of changes in working capital...............	49	65	53	48
Summary of changes in working capital..........	17	28	29	25
Other titles..................	7	23	59	87
Subtotal............................	**556**	**557**	**555**	**513**
Analysis included in statement of changes in financial position.............	44	43	41	46
Total Companies..................	**600**	**600**	**596**	**559**

ments as part of the statement of changes in financial position, 32 presented a statement format accounting for cash or cash equivalents.

Table 5-8 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.

Analysis Included as Part of Statement

SCOVILL MANUFACTURING COMPANY (DEC)

Consolidated Statement of Changes in Financial Position

	1974	1973
	($000)	
Sources of Funds		
Net earnings	$14,878	$20,453
Items not affecting working capital in the current period:		
Depreciation	17,210	15,520
Deferred income taxes, undistributed income of fifty percent owned companies, and other—net	1,746	1,473
Total from operations	33,834	37,446
Issuance of long-term debt	2,094	41,632
Increase in short-term debt.........	9,429	—
Decrease in accounts receivable ...	4,801	—
Increase in accounts payable, accrued wages, and other expenses	—	13,971
Decrease in prepaid expenses, insurance deposits and sundry other assets.....................	—	282
Increase in accrued federal, foreign and state taxes on income......	—	1,678
Disposals of property, plant and equipment	660	1,772
Sale of Common and Preferred Stocks through exercise of stock options...........................	—	13
Decrease in investments	944	—
Issuance of Common Stock upon conversion of Preferred Stock $555,000 in 1974 and $1,062,000 in 1973...........	—	—
Other	1,487	—
	$53,249	$96,794
Uses of Funds		
Additions to property, plant and equipment:		
Buildings, machinery and equipment	$15,522	$19,774
Tools and dies	5,002	3,514
Property of acquired companies.	—	655
Reduction of long-term debt........	2,837	34,204
Decrease in short-term debt........	—	2,690
Cash dividends......................	9,446	7,892
Purchase of Common Stock for treasury	—	88
Increase in cash	2,099	2,501
Increase in accounts receivable	—	12,853
Increase in inventories	9,471	8,483
Increase in prepaid expenses, insurance deposits and sundry other assets.....................	106	—
Decrease in accrued federal, foreign and state taxes on income...........................	282	—
Decrease in accounts payable, accrued wages, and other expenses	8,018	—
Increase in investments	—	1,669
Increase in excess of cost over net tangible assets of businesses purchased	466	1,771
Other	—	700
	$53,249	$96,794

GULF OIL CORPORATION (DEC)

Consolidated Statement of Changes in Financial Position

	1974	1973
	(Millions of Dollars)	
Funds Provided by:		
Net income	$1,065	$ 800
Income charges (credits) not affecting funds:		
Depreciation, depletion, amortization and retirements	609	610
Minority interests	44	36
Loss of affiliates and associates including nuclear partnership	188	122
Deferred income taxes	(81)	12
Other	(28)	(20)
Funds from operations	1,797	1,560
Proceeds from sales of properties and investments	222	106
Reductions of investments and long-term receivables	56	149
Net proceeds from divestment of operations discontinued in 1972	—	56
Increases in current liabilities:		
Notes payable and current long-term debt	67	—
Accounts payable	1,107	407
Lease bonus payable to U. S. Government	—	139
Accrued United States and foreign income taxes	241	268
Other current liabilities	342	160
Other—net	2	(1)
	3,834	2,844
Funds Used For:		
Properties and business investments	1,406	823
Reduction of long-term debt	243	397
Treasury stock purchases	—	344
Dividends	307	296
Increases in current assets:		
Receivables	725	543
Inventories	419	2
Prepaid expenses	2	19
Decreases in current liabilities:		
Notes payable and current long-term debt	—	62
Lease bonus payable to U.S. government	97	—
	3,199	2,486
Increase in Cash and Securities before New Financing	635	358
New Financing	75	60
Total increase in cash and marketable securities	$ 710	$ 418
Cash and Marketable Securities at End of Year	$1,766	$1,056

HUDSON PULP & PAPER CORP. (DEC)

Consolidated Statements of Changes in Financial Position

	1974	1973
	($000)	
Funds Provided By:		
Net income and, in 1973, income before extraordinary credit	$14,872	$ 5,568
Charges to income not affecting funds:		
Depreciation and depletion	6,501	6,050
Deferred Federal income taxes	164	159
Total from operations exclusive, in 1973, of extraordinary credit	21,537	11,777
Extraordinary credit, net of tax	—	6,294
Construction costs for water pollution treatment facility, reimbursed by trustee	91	153
Decrease in receivables	1,951	—
Decrease in other current assets	—	232
Increase in accounts payable and accrued expenses	3,644	2,433
Increase in current portion of long-term debt	2,584	—
Increase in Federal income taxes	—	4,023
Increase in dividends payable	411	293
Book amount of properties sold	73	694
Other items—net	1,136	340
Total funds provided	31,431	26,243
Funds Used For:		
Additions to plant assets and timber resources	12,114	7,640
Dividends	1,828	587
Capital stock acquired	708	928
Decrease in long-term debt	4,631	2,046
Decrease in current portion of long-term debt	—	17
Increase in receivables	—	928
Increase in inventories	5,655	1,385
Increase in other current assets	420	—
Decrease in Federal income taxes	401	—
Total funds used	25,760	13,535
Increase in cash and short-term investments	5,671	12,708
Cash and short-term investments at beginning of year	23,047	10,338
Cash and short-term investments at end of year	$28,718	$23,047

EASTMAN KODAK COMPANY (DEC)

Consolidated Statement of Changes in Financial Position

Funds Provided by:	1974	1973
	(in thousands)	
Net earnings	$ 629,519	$ 653,475
Charges to earnings not requiring cash outlay:		
Depreciation	209,482	192,106
Plant and equipment retired, less accumulated depreciation	6,826	11,126
Provision for deferred income taxes, net	19,700	4,750
Amortization of excess cost of investments in subsidiaries over net assets acquired	1,742	1,680
Total from earnings	867,269	863,137
Decrease in long-term receivables and other noncurrent assets	4,127	4,624
Increase in: Payables	65,325	106,873
Taxes payable	—	19,124
Dividends payable		
Increase in other long-term liabilities	7,959	4,685
Total funds provided	955,987	1,032,330
Funds Used for:		
Dividends to shareowners	321,048	291,978
Additions to properties	553,377	358,138
Increase in: Receivables	91,129	113,303
Inventories	200,337	88,513
Decrease in taxes payable	4,171	—
Excess cost of investment in subsidiary over net assets acquired	—	1,899
Other items, net	7,903	5,088
Total Funds Used	1,177,965	858,919
Increase (decrease) in cash and marketable securities	(221,978)	173,411
Cash and marketable securities, beginning of year	1,035,790	862,379
Cash and marketable securities, end of year	$ 813,812	$1,035,790

Analysis Presented in a Tabulation at Bottom of Statement

BIRD & SON, INC. (DEC)

Consolidated Statement of Changes in Financial Position

	1974	1973
	($000)	
Financial resources were provided by:		
Net earnings	$14,414	$ 9,612
Add income charges not affecting working capital in the period:		
Depreciation	2,911	2,581
Deferred income taxes	69	256
Loss on disposal of plant assets	31	—
Working capital provided by operations for the period	17,425	12,449
Proceeds from plant asset disposals	80	49
Decrease (increase) in deferred pension charges	145	(495)
Other	(7)	29
	17,643	12,032
Financial resources were used for:		
Acquisition of plant assets	8,700	6,614
Reduction of long-term liabilities	96	80
Purchase of treasury stock	1,020	3,127
Declaration of dividends	3,738	2,206
	13,554	12,027
Increase in working capital	$ 4,089	$ 5
Analysis of Changes in Consolidated Working Capital		
Increase (decrease) in current assets:		
Cash	$ (392)	$ (188)
Certificates of deposit	(3,900)	1,400
Marketable securities, at cost	6,279	(3,961)
Accounts and notes receivable	(763)	4,516
Inventories	11,193	1,159
Other	554	20
	12,971	2,946
(Increase) decrease in current liabilities:		
Accounts payable and accrued expenses	(2,519)	(1,318)
Advance payments on sales contracts	(3,313)	(2,775)
Current portion of long-term liabilities	(11)	(1)
Pension contribution payable	391	(168)
Federal income taxes	(3,207)	1,364
Dividend payable	(223)	(43)
	(8,882)	(2,941)
Increase in working capital	$ 4,089	$ 5

ELECTRIC HOSE AND RUBBER COMPANY (AUG)

Statements of Changes in Financial Position

	1974	1973
	($000)	
Working Capital Provided By Operations		
Net income	$ 766	$1,378
Expenses (income) not requiring current outlay of working capital		
Depreciation and amortization	1,381	1,173
Deferred taxes on income	75	359
Gain on sale of property, net of tax		(196)
Working capital provided from operations	2,223	2,715
Cash received on sale of property, net of tax		378
Additions to long-term debt		2,153
Utilization of construction funds in escrow	520	1,456
	2,744	6,703
Working Capital Used For		
Property additions	1,125	2,989
Cash dividends paid	581	436
Reduction of long-term debt	878	862
Construction funds in escrow		1,962
Deferred plant start-up costs	83	382
Other	86	119
	2,755	6,751
Decrease in working capital, as below	(11)	(47)
Working capital		
At beginning of year	9,720	9,768
At end of year	$9,708	$9,720
Increase (Decrease) in Components of Working Capital		
Cash	$ (13)	$ (97)
Marketable securities		(500)
Accounts receivable	1,311	872
Recoverable federal income taxes	229	
Inventories	(315)	1,512
Prepaid expenses	(49)	118
Accumulated deferred income tax prepayments	79	
Demand notes payable to banks	(2,000)	
Accounts payable	658	(1,099)
Current instalments of long-term debt	(16)	(173)
Federal and state income taxes payable	682	(624)
Accrued liabilities	(578)	(56)
	$ (11)	$ (47)

S. S. KRESGE COMPANY (JAN)

Consolidated Statements of Changes in Financial Position

	1975	1974
	($000)	
Financial Resources Were Provided by:		
Net income for the year	$104,772	$138,251
Add (deduct) income charges (credits) not affecting working capital—		
Depreciation and amortization	39,910	35,377
Increase in deferred U. S. and foreign income taxes	6,168	5,293
Undistributed net income from unconsolidated insurance operations	(2,471)	(2,209)
Other	(1,026)	(192)
Working capital provided by operations	147,353	176,520
Proceeds from sale of fixed assets—		
Properties sold and leased back, including deferred gain of $9,268,000 in 1973	9,000	31,690
Other properties	6,416	2,641
Sales of common stock under stock option and purchase plans	13,750	10,813
Sale of 6% convertible subordinated debentures, less related expenses of $2,250,000	197,750	
Other	1,368	4,970
	375,637	226,634
Financial Resources Were Used for:		
Additions to fixed assets	120,533	74,566
Cash dividends declared	26,434	23,630
Increase in investment in and advances to unconsolidated insurance operations	14,508	2,250
Reduction in long-term debt	9,382	2,336
Other	3,041	3,914
	173,898	106,696
Increase in Working Capital	$201,739	$119,938

Analysis of Changes in Working Capital:		
Increase (decrease) in current assets—		
Cash and certificates of deposit	$ 11,531	$ (6,343)
Marketable securities	43,754	(5,302)
Accounts receivable	(1,414)	13,646
Federal income taxes receivable	26,000	
Merchandise inventories	70,384	224,476
Operating supplies and prepaid expenses	5,357	4,378
	155,612	230,855
(Increase) decrease in current liabilities—		
Long-term debt due within one year	1,550	(363)
Notes payable	35,775	33,396
Accounts payable—trade	11,351	(120,504)
Accrued taxes, other than U.S. and foreign income taxes	(623)	(11,340)
Accrued payrolls and other liabilities	(10,436)	891
Dividends payable	(630)	(932)
U. S. and foreign income taxes	9,140	(12,065)
	46,127	(110,917)
Increase in Working Capital	$201,739	$119,938

SCOPE INDUSTRIES (JUL)

Consolidated Statement of Changes in Financial Position

	1974	1973
	($000)	
Source of Funds		
Income	$ 485	$ 251
Items not requiring (providing) working capital in the current period		
Deferred income taxes	23	42
Depreciation, amortization and depletion	1,534	1,550
Write-down of production payments and deep-rights	390	—
Loss on disposition of property and equipment	65	30
Other	(2)	46
Working capital provided from operations	2,496	1,921
Proceeds from		
Sale of auto rental fleet units	1,099	314
Issuance of revolving notes	2,653	623
Issuance of long-term debt	—	43
Sale of property and equipment	179	54
Production payments	135	38
Other	—	24
	6,564	3,019
Application of Funds		
Additions to auto rental fleet	2,867	630
Repayment of revolving notes	1,132	457
Purchase of property and equipment	1,760	741
Purchase of debentures	48	123
Reduction of long-term secured notes	181	274
Reduction in deferred income taxes	—	33
Purchase of treasury stock	177	207
Other	31	—
	6,199	2,469
Increase in Working Capital (a)	$ 364	$ 550
(a) Working capital increase (decrease) reflected in the following changes		
Current assets		
Cash	$ (129)	$ (1)
Short-term commercial paper	1,000	—
Refundable income taxes	—	(143)
Notes and accounts receivable	660	918
Inventories	61	(79)
Prepaid expenses	(171)	(15)
	1,421	678
Current liabilities		
Bank loans secured by equipment	650	300
Accounts payable	(887)	(192)
Accrued liabilities	(564)	(185)
Income taxes	(325)	(193)
Long-term debt due within one year	70	142
	(1,057)	(128)
	$ 364	$ 550

Analysis Presented in a Tabulation Apart from Statement

WHITE MOTOR CORPORATION (DEC)

Statements of Changes in Financial Position

	1974	1973
	(In Thousands)	
Source of Working Capital		
From operations:		
Income before extraordinary items	$22,564	$21,383
Items not affecting working capital:		
Depreciation and amortization	10,402	9,237
Noncurrent deferred income taxes	886	1,782
Net income of unconsolidated finance subsidiaries	(5,219)	(4,428)
Interest on and additions to noncurrent liability for unfunded pensions and employee benefits	2,529	1,550
Total from operations before extraordinary items	31,162	29,524
Extraordinary items	—	2,302
Total from Operations	31,162	31,826
Sale of Common Stock	1,290	515
Long-term borrowings	26,352	—
Disposals of property, plant and equipment	1,305	5,099
Decrease in other assets	—	1,580
	60,109	39,020
Use of Working Capital		
Reduction of long-term debt	4,780	7,376
Reduction of unfunded pensions and employee benefits	3,833	948
Preferred Stock current redemption requirements	3,153	—
Increase in other assets—net	1,603	—
Additions to property, plant and equipment	53,288	22,948
Cash dividends	4,362	1,064
Purchases of Common Stock for treasury	1,141	303
	72,160	32,639
(Decrease) Increase in Working Capital—Note L	$(12,051)	$ 6,381

Note L: Working Capital Changes—A summary of changes in components of working capital follows:

	1974	1973
	(In Thousands)	
Increase (decrease) in current assets:		
Cash	$31,030	$ (661)
Trade receivables	10,140	16,542
Inventories	111,194	37,543
Deferred income taxes	3,425	(2,293)
Prepaid expenses	456	(263)
(Increase) decrease in current liabilities:		
Short-term borrowings	(132,369)	(12,028)
Current portion of long-term debt	1,495	(692)
Trade payables	(35,717)	(44,045)
Accrued expenses and other liabilities	(18,370)	7,111
Due finance subsidiaries	13,866	4,402
Taxes	2,789	765
(Decrease) Increase in Working Capital	$(12,051)	$ 6,381

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 on 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* were in turn superseded by *Statement on Auditing Standards No. 2* which, except as to piecemeal opinions, was effective with respect to Auditors' Reports issued on financial statements for periods ending on or after December 31, 1974. With regard to piecemeal opinions which *SAS No. 2* considers inappropriate in any situation, *SAS No. 2* was effective with respect to Auditors' Reports issued on financial statements for periods ending on or after January 31, 1975.

LOCATION AND TITLE OF AUDITORS' REPORT

Table 6-1 summarizes the placement of the Auditors' Report in the 1974 annual reports of the survey companies. Table 6-2 shows the descriptive titles used by the survey companies to identify the Auditors' Report.

TABLE 6-1: LOCATION OF AUDITORS' REPORT IN RELATION TO FINANCIAL STATEMENTS

	1974	1973	1972	1971
Follows all financial statements and notes (*111,120,606)	461	440	444	432
Follows all financial statements, but precedes notes (*39,204,474)	31	40	46	52
Precedes all financial statements and notes (*110,528,680)	54	55	54	60
Intermediate position (*36,455,548)	54	65	56	56
Total Companies	**600**	**600**	**600**	**600**

*Refer to Company Appendix Section.

ADDRESSEE OF THE AUDITORS' REPORT

Paragraph 8 of *Statement on Auditing Standards No. 2* states:

> The report may be addressed to the company whose financial statements are being examined or to its board of directors or stockholders. A report on the financial statements of an unincorporated entity should be addressed as circumstances dictate, for example, to the partners, to the general partner, or to the proprietor. Occasionally, an auditor is retained to examine the financial statements of a company that is not his client; in such a case, the report customarily is addressed to the client and not to the directors or stockholders of the company whose financial statements are being examined.

TABLE 6-2: TITLE OF AUDITORS' REPORT

	1974	1973	1972
Accountants' report	158	160	157
Auditors' report	125	122	117
Independent accountants' report	106	104	94
Certified public accountants' report	42	43	42
Independent certified public accountants' report	27	28	22
Accountants' opinion	28	29	45
Independent accountants' opinion	15	14	36
Auditors' opinion	11	10	5
Independent certified public accountants' opinion	9	9	10
Other Titles	30	31	18
No title	49	50	54
Total Companies	**600**	**600**	**600**

TABLE 6-3: ADDRESSEE OF AUDITORS' REPORT

	1974	1973	1972	1971
The Directors (Board of Directors) and Stockholders (Shareowners)...........	403	398	402	384
The Directors.................	92	97	96	106
The Stockholders.............	83	83	81	84
The Company.................	17	17	18	21
Other, or no addressee	5	5	3	5
Total Companies	**600**	**600**	**600**	**600**

Table 6-3 summarizes the addressee mentioned in the Auditors' Reports of the survey companies. The various forms of address used by auditors in presenting their opinions may be observed from the Auditors' Reports presented as examples throughout this section.

TABLE 6-4: FORMAT OF AUDITORS' REPORT

	1974	1973	1972	1971
Standard Auditors' Report ...	**293**	**333**	**324**	**296**
Variations to Standard Auditors' Report				
Sentence in scope paragraph referring to:				
Prior year examination...	71	92	101	120
Examination by other accountants..............	67	67	69	76
Other......................	14	22	27	28
Middle paragraph between scope and opinion paragraphs referring to:				
Matter for which opinion qualified	118	15	26	25
Other......................	10	12	16	16
Sentence or paragraph following opinion paragraph	21	11	11	13
Total Variations..................	***301**	***219**	***250**	***278**
Modified Auditors' Report				
Two sentences only— "In our opinion. ." and "Our examination was made. . ."	56	75	65	69
Sentence between "In our opinion. ." and "Our examination was made. . ."	2	1	4	3
Sentence or paragraph following "Our examination was made"..............	4	7	5	6
Total Reports......................	**62**	**83**	**74**	**78**
Number of Companies Presenting:				
Standard Auditors' report ...	538	518	526	522
Modified Auditors' report ...	62	82	74	78
Total	**600**	**600**	**600**	**600**

*Some Auditors' reports had more than one variation.

AUDITORS' STANDARD REPORT

The auditors' standard report outlines in general terms the scope of the auditors' examination and states concisely the auditors' opinion as to whether the financial statements fairly present, in conformity with generally accepted accounting principles, the information included therein. Table 6-4, which summarizes the format of auditors' reports included in the 1974 annual reports of the survey companies, shows that occasionally a modified form of auditors' report is presented. A modified form of auditors' report differs from the standard form auditors' report in that the opinion and scope are combined in a single paragraph with the opinion sentence appearing first. The auditors' standard report, as illustrated in paragraph 7 of *Statement on Auditing Standards No. 2* follows:

> We have examined the balance sheet of X Company as of (at) December 31, 19XX, and the related statements of income, 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 financial statements referred to above present fairly the financial position of X Company as of (at) December 31, 19XX, 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.

With regard to comparative financial statements which the SEC now requires to be included in annual reports to stockholders, the following auditors' standard report would be appropriate:

> We have examined the balance sheets of X Company as of December 31, 19xx, and December 31, 19xl, and the related statements of income and retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.
>
> In our opinion, the financial statements referred to above present fairly the financial position of X Company as of December 31, 19xx and December 31, 19xl, and 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.

Paragraph 9 of *SAS No. 2* lists circumstances which require a departure from the auditors' standard report. Paragraph 9 states:

> The circumstances that result in a departure from the auditor's standard report are as follows:
>
> a. The scope of the auditor's examination is affected by conditions that preclude the application of one or more auditing procedures he considers necessary in the circumstances.
>
> b. The auditor's opinion is based in part on the report of another auditor.
>
> c. The financial statements are affected by a departure from a generally accepted accounting principle.
>
> d. The financial statements are affected by a departure from an accounting principle promulgated by the body designated by the AICPA Council to establish such principles.
>
> e. Accounting principles have not been applied consistently.
>
> f. The financial statements are affected by uncertainties concerning future events, the outcome of which is not susceptible of reasonable estimation at the date of the auditor's report.
>
> g. The auditor wishes to emphasize a matter regarding the financial statements.

Examples of auditors' reports relating to items b, e, f, and g are included in this section.

SCOPE LIMITATIONS

Paragraphs 10-13 of *Statement on Auditing Standards No. 2* and sections 542.05-.06 of *Statement on Auditing Standards No. 1* discuss scope limitations. The substance of paragraphs 10-13 and sections 542.05-.06 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 each year by the survey companies to scope limitations—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. Two references to scope limitations—1) the auditors did not examine a long term investment and 2) the auditors did not obtain adequate financial information as to the magnitude of contingent liabilities—appear in the 1974 survey company reports.

Paragraph 10 of *SAS No. 2* states:

> The auditor can determine that he is able to express an unqualified opinion only if his examination has been conducted in accordance with generally accepted auditing standards and if he therefore has been able to apply all the procedures he considers necessary in the circumstances. Restrictions on the scope of his examination, whether imposed by the client or by circumstances such as the timing of his work, the inability to obtain sufficient competent evidential matter, or an inadequacy in the accounting records, may require him to qualify his opinion or to disclaim an opinion. In such instances, the reasons for the auditor's qualification of opinion or disclaimer of opinion should be described in his report.

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 refers to the work of other independent auditors, states in part:

> .07 When the principal auditor decides that he will make reference to the examination of the other auditor, his report should indicate clearly, in both the scope and opinion paragraphs, the division of responsibility as between that portion of the financial statements covered by his own examination and that covered by the examination of the other auditor. The report should disclose the magnitude of the portion of the financial statements examined by the other auditor. This may be done by stating the dollar amounts or percentages of one or more of the following: total assets, total revenues, or other appropriate criteria, whichever most clearly reveals the portion of the financial statements examined by the other auditor. The other auditor may be named but only with his express permission and provided his report is presented together with that of the principal auditor.

Table 6-5 summarizes the scope of work done by other auditors as disclosed in the reports of the principal auditors. Examples of such disclosures follow.

Consolidated Subsidiaries

Board of Directors
The Black and Decker Manufacturing Company
Towson, Maryland

We have examined the consolidated statements of financial condition of The Black and Decker Manufacturing Company and subsidiaries as of September 29, 1974 and September 30, 1973, 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

TABLE 6-5: REFERENCES TO OTHER AUDITORS

	1974	1973	1972	1971
Examination by Other Auditors Covers:				
Statements for branch or consolidated subsidiary..	43	51	51	62
Statements for investee only	18	20	11	7
Statements for prior year only	8	9	15	16
Total Companies	**69**	**80**	**77**	**85**

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 32%, respectively, of the 1974 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 29, 1974 and September 30, 1973, 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 Stockholders and Board of Directors of
Granger Associates

We, or the predecessor firm, have examined the consolidated balance sheets of Granger Associates and Subsidiaries as of August 31, 1974 and 1973, and the related consolidated statements of income, stockholders' equity, 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. We did not examine the financial statements of Granger Associates Limited, a consolidated foreign subsidiary, which statements reflect total assets and revenues constituting 25% and 38%, respectively, for fiscal 1974, and 29% and 27%, respectively, for fiscal 1973, of the related consolidated totals. These statements were examined by other auditors whose report thereon has been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for Granger Associates Limited, is based solely upon the report of the other auditors.

In our opinion, based upon our examinations and the report of other auditors, the financial statements identified above present fairly the financial position of Granger Associates and Subsidiaries consolidated at August 31, 1974 and 1973, 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.— *Accountants' Report*.

To the Shareholders of
PPG Industries, Inc.:

We have examined the financial statements of PPG Industries, Inc. and its consolidated subsidiaries for the years ended December 31, 1974 and 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. We did not examine the financial statements of three consolidated Canadian subsidiaries, which statements reflect total assets and revenues constituting approximately 7 percent and 8 percent, respectively, of the related consolidated totals for each of the years. We were furnished with reports of other auditors on their examinations of the financial statements of these companies for the years ended December 31, 1974 and 1973. Our opinion expressed below, insofar as it relates to the amounts included for these 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 accompanying consolidated balance sheet and statements of consolidated earnings and retained earnings and source and use of funds present fairly the financial position of PPG Industries, Inc. and consolidated subsidiaries at December 31, 1974 and 1973, and the results of their operations and sources and uses of their funds for the years then ended, in conformity with generally accepted accounting principles consistently applied except for the change, with which we concur, to the LIFO method of inventory valuation as described in Note 1 to the financial statements.— *Accountants' Opinion.*

To the Shareholders of
H. H. Robertson Company:

We have examined the financial statements of H. H. Robertson Company and its subsidiaries for the years ended December 31, 1974 and 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. We did not examine the financial statements of certain consolidated overseas subsidiaries, which statements reflect total assets and revenues constituting approximately 8% of each of the related consolidated totals in 1974 and 1973. We were furnished with the reports of other auditors on their examinations of the financial statements of these subsidiaries for the years ended December 31, 1974 and 1973. Our opinion expressed below, insofar as it relates to amounts included for these subsidiaries, is based solely upon the reports of the other auditors.

In our opinion, based on our examination and the reports of other auditors, the accompanying consolidated balance sheet and statements of consolidated income and retained earnings, and of consolidated changes in financial position present fairly the financial position of H. H. Robertson Company and its subsidiaries at December 31, 1974 and 1973 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 except for the change in accounting, with which we concur, to the last-in, first-out (LIFO) inventory pricing method for certain inventories as described in the note on inventories of the Notes to Financial Statements.— *Accountants' Opinion*.

To the Shareholders of
St. Joe Minerals Corporation:

We have examined the consolidated balance sheet of St. Joe Minerals Corporation and consolidated subsidiaries as of December 31, 1974 and 1973 and the related statements of consolidated income, consolidated other capital 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. We did not examine the financial statements of CanDel Oil Ltd. for 1974 and 1973 and A. T. Massey Coal Company, Inc. for 1973, which statements reflect total assets constituting 9% and 29%, and revenues constituting 2% and 39%, of the respective consolidated totals for 1974 and 1973. 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 these consolidated subsidiaries, is based solely upon the reports of the other auditors.

In our opinion, based upon our examination and the reports of other auditors, the aforementioned consolidated financial statements present fairly the financial position of St. Joe Minerals Corporation and consolidated subsidiaries at December 31, 1974 and 1973 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 in 1974, with which we concur, in the method of determining cost of raw material and coal inventories described in Note 1.—*Accountants' Opinion*.

Investees

The Stockholders and the Board of Directors of
Kaiser Aluminum & Chemical Corporation:

We have examined the consolidated balance sheet of Kaiser Aluminum & Chemical Corporation and its consolidated subsidiary companies as of December 31, 1974 and 1973 and the related statements of consolidated income, consolidated stockholders' equity, and changes in consolidated financial position for each of 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 companies representing 45% and 46% of the investments accounted for by the equity method at December 31, 1974 and 1973. The statements of these companies were examined by other accountants whose reports thereon have been furnished to us and our opinion expressed below, insofar as it relates to amounts included for these companies for the years 1974 and 1973, is based solely upon the reports of the other accountants.

In our opinion, based upon our examination and the reports of other accountants, the above-mentioned financial statements present fairly the financial position of Kaiser Aluminum & Chemical Corporation and its consolidated subsidiary companies at December 31, 1974 and 1973 and the results of their operations and the changes in their financial position for each of the years then ended, in conformity with generally accepted accounting principles which, except for the change in 1974, with which we concur, in the method of valuation of certain inventories as explained in Note 2 to financial statements, have been applied on a consistent basis.

To the Board of Directors and Shareholders of
Phelps Dodge Corporation

We have examined the accompanying statements of consolidated financial position of Phelps Dodge Corporation and its subsidiaries as of December 31, 1974 and 1973, and the related statements of consolidated income, consolidated 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 financial statements of Conalco, Inc. were examined by other independent accountants, whose report thereon was furnished to us, and our opinion expressed herein, insofar as it relates to amounts included for Conalco, Inc., is based solely upon the report of the other independent accountants. Phelps Dodge Corporation's equity in net assets of Conalco, Inc. at December 31, 1974 and 1973 amounts to 4.6% and 4.4%, respectively, of the Corporation's consolidated total assets; equity in net income amounts to $18,970,000 in 1974 and a loss of $3,639,000 in 1973.

During 1974, Conalco, Inc., with the concurrence of its independent accountants, changed its method of accounting for inventories as described in Schedule E to the accompanying consolidated financial statements and the report of Conalco, Inc.'s independent accountants was accordingly qualified as to consistent application of accounting principles.

In our opinion, based upon our examinations and the report of other independent accountants, the accompanying financial statements appearing on pages 22-29, inclusive, of this Annual Report present fairly the financial position of Phelps Dodge Corporation and its subsidiaries at December 31, 1974 and 1973, 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 except for the change referred to in the preceding paragraph.—*Report of Independent Accountants*.

To the Shareholders and Board of Directors
Teledyne, Inc.:

We have examined the consolidated balance sheets of Teledyne, Inc. (a Delaware corporation) and subsidiaries as of October 31, 1973 and December 31, 1974 and the related statements of income, capital stock, additional paid-in capital and treasury stock, retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The consolidated financial statements of Unicoa Corporation and subsidiaries (Note 12) were examined by other auditors whose reports thereon have been furnished to us. Our opinion expressed herein, insofar as it relates to the amounts included for Unicoa Corporation and subsidiaries, is based solely upon the reports of the other auditors. Teledyne's investment in Unicoa was 15% in 1973 and 18% in 1974 of consolidated assets and its equity in Unicoa's net income, after allocated expenses as described in Note 11, was 19% in 1973 and 38% in 1974 of consolidated net income.

In our opinion, based upon our examinations and the reports of other auditors referred to above, the accompanying consolidated financial statements present fairly the consolidated financial positoin of Teledyne, Inc. and subsidiaries as of October 31, 1973 and December 31, 1974, and the results of their operations and changes in their financial position for the years then ended, all in conformity with generally accepted accounting principles which, except for the change (with which we concur) to the last-in, first-out method of determining the cost of certain inventories as indicated in Note 4 to the consolidated financial statements, were consistently applied during the periods.— *Auditors' 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, 1975 and 1974, 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 20% (22% in fiscal 1973) and 18% (28% in fiscal 1973), 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

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, 1974 and 1973, 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 September 30, 1973 financial statements of Milchem Incorporated, a consolidated subsidiary, whose statements reflect total assets and revenues constituting 23 percent and 26 percent, respectively, of the related consolidated totals. These statements were examined by other accountants, whose report thereon has been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for Milchem Incorporated, is based solely upon that report.

In our opinion, based upon our examination and, for 1973, the report of other accountants, the above-mentioned financial statements present fairly the financial position of the companies at September 30, 1974 and 1973, 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*.

To the Shareholders and Board of Directors
The LTV Corporation
Dallas, Texas

We have examined the statements of financial position, long-term debt, and shareholders' equity of The LTV Corporation (Parent Company) and of The LTV Corporation and subsidiaries as of December 31, 1974, and December 31, 1973, and the related statements of operations, capital surplus and retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the 1973 financial statements of two subsidiaries (Jones & Laughlin Steel Corporation and LTV Wilson Industries, Inc.), investments in which were carried at $701 million at December 31, 1973, including $521 million carried in the statement of financial position of the parent company. The assets and liabilities of such subsidiaries included in the 1973 consolidated statement of financial position constituted approximately 65 percent of the aggregate total of consolidated assets and liabilities, and their operating revenues and costs and expenses represented approximately 85 percent of the aggregate total of 1973 consolidated operating revenues and costs and expenses. The 1973 financial statements of these subsidiaries 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 accountants.

In our opinion, based upon our examinations and, as to 1973, the aforementioned reports of other independent accountants, the financial statements referred to above present fairly the respective financial positions of The LTV Corporation (Parent Company) and The LTV Corporation and subsidiaries at December 31, 1974, and December 31, 1973, and the respective results of their operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.— *Accountants' Report*.

Board of Directors
Reliance Electric Company
Cleveland, Ohio

We have examined the consolidated balance sheets of Reliance Electric Company and subsidiaries as of October 31, 1974 and 1973, and the related statements of consolidated earnings, stockholders' equity, and changes in financial position for the years then ended. Our examinations were made in accordance wtih generally 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 consolidated financial statements of Lorain Products Corporation and its subsidiaries, which statements reflect total assets and net sales constituting approximately 7 percent and 6 percent, respectively, of the related consolidated totals. These statements were examined by other independent accountants whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Lorain Products Corporation and its subsidiaries, is based solely upon their report.

In our opinion, based upon our examinations and, for 1973, the report of such other independent accountants, the accompanying statements identified above present fairly the consolidated financial position of Reliance Electric Company and subsidiaries at October 31, 1974 and 1973, 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.— *Report of Independent Accountants*.

To the Shareholders of
G. D. Searle & Co.:

We have examined the consolidated balance sheet of G. D. Searle & Co. (a Delaware corporation) and subsidiaries as of December 31, 1974 and 1973, and the related consolidated 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. We did not examine the consolidated financial statements of Will Ross, Inc. and subsidiaries for the year ended December 31, 1973, which are included in the accompanying consolidated financial statements for that year as discussed in Note 1 and which reflect total assets and net sales constituting 22 percent and 31 percent, respectively, of the related consolidated totals for 1973. These statements were examined by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the Will Ross companies for 1973, is based solely upon the report of the other auditors.

In our opinion, based upon our examination and the report of other auditors referred to above, the accompanying consolidated financial statements present fairly the financial position of the companies as of December 31, 1974 and 1973, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.— *Auditors' Report*.

QUALIFIED OPINIONS

Statement on Auditing Standards No. 2 states in part:

29. A qualified opinion states that, "except for" or "subject to" the effects of the matter to which the qualification relates, the financial statements present fairly financial position, results of operations and changes in financial position in conformity with generally accepted accounting principles consistently applied. Such an opinion is expressed when a lack of sufficient competent evidential matter or restrictions on the scope of the auditor's examination have led him to conclude that he cannot express an unqualified opinion, or when the auditor believes, on the basis of his examination, that

a. the financial statements contain a departure from generally accepted accounting principles, the effect of which is material,

b. there has been a material change between periods in accounting principles or in the method of their application, or

c. there are significant uncertainties affecting the financial statements,

and he has decided not to express an adverse opinion or to disclaim an opinion.

32. When the auditor intends to express a qualified opinion, he should disclose all the substantive reasons in a separate explanatory paragraph(s) of his report, and should include, in the opinion paragraph, the appropriate qualifying language and a reference to the explanatory paragraph(s). The requirement for an explanatory paragraph does not apply when the opinion paragraph has been modified because of a change in accounting principle (see paragraph 20).

33. The explanatory paragraph(s) should disclose the principal effects of the subject matter of the qualification on financial position, results of operations and changes in financial position, if reasonably determinable. If the effects are not reasonably determinable, the report should so state. If such disclosures are made in a note to the financial statements, the explanatory paragraph(s) may be shortened by referring to it. The explanatory paragraph(s) also should make clear whether the matter is (a) one as to which there is a difference of opinion between the auditor and his client and for which the auditor believes an adjustment should be made or (b) one involving an uncertainty that cannot presently be resolved because the outcome depends on future events. If an auditor wishes to emphasize a matter or disclosure regarding the financial statements but does not intend to qualify his opinion (see paragraph 27), he should not refer to this information in the opinion paragraph of his report.

Table 6-6 shows the various reasons for which the auditors' opinions included in the survey company annual reports were qualified. None of the survey company annual reports included an auditors' opinion qualified because of a departure from generally accepted accounting principles.

UNCERTAINTIES

Statement on Auditing Standards No. 2 states in part:

22. In certain instances, the outcome of matters that may affect the financial statements or the disclosures required therein is not susceptible of reasonable estimation; such matters are to be regarded as uncertainties for purposes of this Statement. When such uncertainties exist, it cannot be determined whether the financial statements should be adjusted, or in what amount.

23. There may be uncertainties with respect to specific matters whose possible effects on the financial statements can be isolated and therefore readily understood. Examples are the recoverability of a deferred cost or the likelihood that a material amount will become collectible or payable because of income tax adjustments or litigation. Also, there may be multiple uncertainties or uncertainties whose possible effects are complex and whose impact on the financial statements consequently is difficult for a reader to assess. Examples of conditions indicating the existence of uncertainties of the latter kind are recurring operating losses, serious deficiencies in working capital, an inability to obtain financing sufficient for continued business operations, and failure to comply with the terms of loan agreements. In some situations an adverse outcome of matters in either category could imperil the continued existence of the entity. In any event, if the effects of the matters on the financial statements could be material, their nature and their possible effects should be disclosed in the statements.

25. In cases involving uncertainties, the auditor should be able to form an opinion whether the financial statement items affected have been stated in conformity with generally accepted accounting principles in all respects other than those contingent on the outcome of the uncertainties. If he is satisfied that they have been so stated, he may appropriately express an opinion qualified by reason of the uncertainties (see paragraphs 35 and 39). If the auditor believes that the financial statement items affected by uncertainties reflect the application of accounting principles that are not generally accepted, he also should modify his report to state his reservations regarding departures from generally accepted accounting principles.

Examples of auditors' opinions qualified because of uncertainties follow.

TABLE 6-6: QUALIFIED OPINIONS

	1974	1973	1972	1971
Uncertainties				
Litigation	32	25	32	20
Valuation or realization of assets	16	13	18	23
Tax or renegotiation liability	11	10	8	15
Discontinued operations	9	6	14	7
Contract claims	4	6	2	6
Other	4	3	6	4
Total Uncertainties	**76**	**63**	**80**	**75**
Total Companies	**62**	**52**	**61**	**60**
Accounting Changes				
LIFO adopted	192	7	—	3
Research and development expenditures	22	N/C	N/C	N/C
Classification of accounts to conform with APB Opinion No. 30	14	10	—	—
Consolidation policy	8	10	15	19
Change to conform with AICPA industry guides	6	10	—	—
Depreciation	4	3	6	10
Inventory other Than LIFO change	4	2	5	8
Other	19	45	78	85
Total Changes	**269**	**87**	**104**	**125**
Total Companies	**239**	**74**	**88**	**108**

N/C—Not Compiled.

Litigation

To the Stockholders and Board of Directors of
American Bakeries Company:

We have examined the consolidated balance sheets of American Bakeries Company (a Delaware corporation) and Subsidiaries as of December 28, 1974, and December 29, 1973, and the consolidated statements of operations, retained earnings 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.

As discussed further in Note 5, a number of legal actions have been filed by the Company and against the Company claiming substantial damages as a result of alleged violations of anti-trust laws during prior years. The Company is in the process of litigating these actions, but the ultimate outcome is uncertain at this time.

In our opinion, subject to the effect on the consolidated financial statements of any adjustments that may result from the litigation mentioned in the preceding paragraph, the accompanying financial statements present fairly the financial position of American Bakeries Company and Subsidiaries as of December 28, 1974, and December 29, 1973, and the results of their operations and the changes in their financial position for the fiscal years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.— *Auditors' Report*.

Notes to Consolidated Financial Statements

Note 5: Contingencies—The Company is one of a number of defendants in several actions arising out of its baking business. Such suits are often filed against the Company and its major competitors by purchasers of its baking products and other competitors; these suits typically seek large amounts of damages. Management believes that the Company has meritorious defenses and is vigorously opposing each action and in several cases has filed counterclaims, but management is unable at this time to estimate the ultimate aggregate liability or recovery, if any, of the Company therefrom.

During 1974, the Company settled an action for $50,000, which amount applies to 1971 and, accordingly retained earnings has been restated.

The Company is the plaintiff in an antitrust action arising out of the purchase of ingredients for its baking business, and counterclaims are pending therein against the Company. Management believes that the Company will prevail and could receive a substantial award of damages, but is unable at this time to estimate the ultimate recovery, if any, of the Company therefrom.

The Company has also responded to inquiries and investigations of Federal government agencies, none of which relate to the protection of the environment.

To the Board of Directors and Shareholders of Armada Corporation:

We have examined the consolidated balance sheet of Armada Corporation and Subsidiaries as of December 31, 1974 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 previously examined and reported upon the financial statements for the year ended December 31, 1973.

As described in Note 11, the Company has been named as defendant in legal actions seeking damages in connection with the acquisition of the minority interest in Hoskins Manufacturing Company. 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 matter referred to in the preceding paragraph, the aforementioned financial statements present fairly the consolidated financial position of Armada Corporation and Subsidiaries at December 31, 1974 and 1973, 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.— *Auditors' Report*.

Notes to Consolidated Financial Statements

Note 11: Contingent Liability–Shareholder Suits: The Company has been named as a defendant in two class action lawsuits instituted by persons holding approximately 36,000 shares of Hoskins Manufacturing Company prior to the merger with Armada. The actions allege, among other things, violations of federal securities laws and breach of fiduciary duties in connection with the acquisition of the minority interest in Hoskins. The cases have been consolidated for purposes of trial. There has been no determination by the court as to whether the case may proceed as a class action. While no express monetary amount of damages is stated in the joint petition, plaintiffs and the class they purport to represent contend entitlement to substantial damages. As a result of the merger, holders of 670,581 shares of Hoskins received 851,253 shares of Armada common stock, which shares had an aggregate market value of approximately $6,065,000 on the date of the merger announcement.

Should certification of the case as a class action be denied, the Company would incur no material liability. Should damages be awarded, either in cash or in additional shares of Armada common stock, the amount would be accounted for as additional cost of the Hoskins acquisition and allocated to intangible assets. Future income and income per share would be reduced by the amortization of the increased cost over a 40-year period, financing costs, if any, and by an increase in the number of shares outstanding should the issuance of additional shares be required.

Counsel for the Company have advised that as the action is in its early stages and discovery has been limited, it is not presently possible to render an opinion as to the ultimate outcome of the litigation.

The Board of Directors and Shareholders
The Budd Company:

We have examined the consolidated balance sheets of The Budd Company and its consolidated domestic and Canadian subsidiaries as of December 31, 1974 and 1973, and the related statements of earnings, 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.

The resolution of potential claims and counterclaims, as described in Note 11, related to the production of railcars delivered in 1968 and 1969, is pending. The final outcome of the matter is not presently determinable and no provision has been made in the financial statements for the effect, if any.

In our opinion, subject to the effect, if any, on the financial statements of the ultimate resolution of the matter discussed in the preceding paragraph, the aforementioned financial statements present fairly the financial position of The Budd Company and its consolidated domestic and Canadian subsidiaries at December 31, 1974 and 1973 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 to the last-in, first-out method of accounting for certain inventories, with which we concur, as described in Note 3 to the consolidated financial statements.— *Accountants' Report*.

Notes to Consolidated Financial Statements

Note 11: Railway Division—The Company completed in 1968 the production of 49 complex high-speed railcars for Penn Central Transportation Company which were delivered in 1968 and 1969.

At December 31, 1974 and 1973, there was approximately $5 million due from customers on the delivered and accepted cars including spare parts. The Company has instituted suit against Lease Financing Corporation, to which the cars were sold, to recover a substantial portion of that amount. Penn Central, which is a joint and several obligor with Lease Financing under the contracts on which the suit has been brought, is in reorganization. Lease Financing has brought Penn Central and the Trustees of Penn Central into this litigation as additional defendants. In order to protect fully its rights under the reorganization, the Company filed a proof of claim with the trustees prior to June 1, 1971 which included the above unpaid balance, as well as other claims. During 1972 it was determined prudent to reduce the receivable to approximately $2.8 million.

The above contract involved new and complex propulsion and control systems as well as other new sub-systems purchased by the Company from recognized industry suppliers. Performance deficiencies in certain systems and delays in the receipt of certain components were experienced on this contract.

The Company may have substantial claims based upon deficiencies and delays from causes beyond its control which have caused unanticipated added cost and expense. The amount and merit of such claims and any claims and counterclaims against the Company for deficiencies or delays in delivery, if asserted, cannot be determined. While management believes it has provided for all anticipated identifiable losses with respect to the completion of this contract, no reasonable prediction can be made as to the resolution of any potential claims and counterclaims.

To the Shareholders and Board of Directors of Pfizer Inc.

We have examined the consolidated statement of financial position of Pfizer Inc. and subsidiary companies as of December 31, 1974 and 1973 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.

As discussed in the notes to consolidated financial statements under Legal Matters, the Company is involved in a number of suits alleging violation of antitrust laws, as well as a civil action brought by the United States. The Company denies all charges that it violated the antitrust laws and is vigorously contesting all charges of antitrust violation, as well as the demage claims involved. Since the outcome of the litigation cannot presently be determined, no provision for any liability that may result has been made in the financial statements.

In our opinion, subject to the effects, if any, on the financial statements of the ultimate resolution of the litigation discussed in the preceding paragraph, such financial statements present fairly the financial position of Pfizer Inc. and subsidiary companies at December 31, 1974 and 1973, 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 with which we concur, in the method of valuing certain domestic inventories as referred to in the notes to consolidated financial statements.— *Accountants' Report*.

Notes to Consolidated Financial Statements

Legal Matters—Activity continued during 1974 with respect to litigation brought against Pfizer and other defendants alleging violations of the United States antitrust laws relating to broad spectrum antibiotic products. Settlement of suits brought by the states of California, Hawaii, Kansas, Oregon, Utah and Washington became final in 1974. In June, the suit by the State of North Carolina was decided in favor of Pfizer and the other four defendants through the dismissal of all charges after trial. That case is now on appeal by the state.

There are twenty-nine other actions pending. Fifteen of the cases are now on trial in Minneapolis. The cases on trial include a civil action brought by the United States, class action antitrust damage suits brought by or on behalf of insurance companies and union health and welfare funds, and antitrust damage suits brought by California Physicians Service, International Rectifier Corporation and Malcolm-Gregg. Trial of these cases is not expected to be completed for more than a year. Except for the civil case brought by the United States in 1969 for cancellation of the tetracycline patent and for damages for alleged overcharges on direct and indirect purchases of broad spectrum antibiotic products by the federal government, any damages proved would be subject to trebling as well as award of reasonable attorney fees and costs. While Pfizer's share of the plaintiffs' claims against the five defendants in these cases would aggregate several hundred million dollars, Pfizer is confident that such claims are grossly inflated. Pfizer denies all charges that it violated the antitrust laws and is vigorously contesting all charges of antitrust violations as well as the damage claims involved.

Eight suits by foreign governments—Vietnam, the Philippines, Iran, India, Colombia, West Germany, Korea and Spain—and suits by a group of retailers and a retail chain, a casualty insurer, two individuals, and a suit which seeks to represent a class of physicians and clinics are not being tried at this time. Pfizer and the other defendants have asked the Court of Appeals for the Eighth Circuit to determine whether foreign governments have a right to bring suit under the United States antitrust laws and whether they have the right to sue on behalf of, or recover for, their citizens.

Pre-trial discovery in a suit for infringement of Pfizer's patent on doxycycline (marketed by Pfizer under the trademark Vibramycin) against International Rectifier Corporation, two International Rectifier subsidiaries and against USV Pharmaceutical Corporation and Revlon, Inc., and antitrust counterclaims for damages brought by the defendants is proceeding. A motion for summary judgment on certain patent issues brought by the defendants is still pending.

No provision has been made in the financial statements for contingencies arising out of any of the foregoing suits since such contingencies cannot now be reasonably predicted. The Company is advised that under present generally accepted accounting principles any amounts applicable to specific prior years, after giving effect to related tax reductions, would be chargeable directly to retained earnings.

The Stockholders
The Pittston Company:

We have examined the consolidated balance sheet of The Pittston Company and subsidiaries as of December 31, 1974 and 1973 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.

As described in note 8, the Company is subject to various claims arising from a 1972 flood at Buffalo Mining Company, a subsidiary. No provision has been made for unsettled claims or for possible future claims, since the amount of the Company's liability is not presently determinable.

In our opinion, subject to the effect on the financial statements of final determination of the matter referred to in the preceding paragraph, the aforementioned financial statements present fairly the financial position of The Pittston Company and subsidiaries at December 31, 1974 and 1973 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.—*Accountants' Report*.

Note 8: Extraordinary Items—Extraordinary items consisted of the following:

	1974	1973
	(In thousands)	
Charges relating to the 1972 flood at Buffalo Mining Company, a subsidiary, net of income tax credits of $5,715,000 in 1974 and $742,000 in 1973	$6,190	$ 805
Write off of certain coal mining facilities and development costs, net of income tax credits of $3,636,000	—	9,270
	$6,190	$10,075

The charges relating to the flood reflect recoveries from insurance carries of $2,436,000 in 1974 and $1,265,000 in 1973. The 1974 charge was the result of agreements to settle certain lawsuits seeking damages aggregating approximately $74,000,000. The Company has been reimbursed by its insurance carriers up to the policy limits. However, the Company has agreed that such payments by the principal carrier of $14,500,000 were made without prejudice to possible claims for their recovery or any other claims which might be asserted against the insured. No amounts have been accrued for possible liabilities in respect of (a) actions brought in the Circuit Court of Kanawha County, West Virginia and in the United States District Court for the Southern District of West Virginia by the Sate of West Virginia and its governmental subdivisions seeking damages of $100,000,000 on account of alleged flood losses; (b) an action filed on February 26, 1975 in Federal District Court alleging flood damages which appear to be $500,000 for each of 346 plaintiffs; and (c) actions brought in various Federal and State Courts of West Virginia by some 90 plaintiffs seeking damages of approximately $12,000,000 on account of alleged flood losses. The Company understands that additional suits claiming substantial damages on behalf of numerous other plaintiffs are intended to be brought in the future. Although the outcome of these lawsuits cannot be predicted, in the opinion of Company's counsel the damages sought are, in any event, grossly exaggerated.

The coal mining facilities and development costs were written off in 1973 because of the impact of Environmental Protection Agency regulations, which materially reduce the market for coal mined from these facilities.

The Stockholders and Board of Directors
Purolator, Inc.:

We have examined the consolidated statements of financial condition of Purolator, Inc. and subsidiaries as of December 31, 1974 and 1973, and the related consolidated 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.

In August 1974, a judgment was entered against the Company in connection with certain litigation as described in note 11. The Company is appealing the judgment. Although counsel for the Company believe there are substantial grounds for this appeal, they are not in a position to predict its outcome and accordingly, no provision has been made at December 31, 1974 for monetary damages or additional legal fees, if any, which may ultimately be payable.

In our opinion, subject to the effects, if any, on the consolidated financial statements of the ultimate resolution of the matter discussed in the preceding paragraph, the aforementioned consolidated financial statements present fairly the financial position of Purolator, Inc. and subsidiaries at December 31, 1974 and 1973, 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.

R. J. Reynolds Industries, Inc.
Its Directors and Stockholders

We have examined the consolidated balance sheets of R. J. Reynolds Industries, Inc. and subsidiaries as of December 31, 1974, and December 31, 1973, and the related consolidated statements of earnings, earnings retained and changes in financial position for the years then ended. Our examinations where made in accordance with generally 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 discussed in Note C to the financial statements, the Company and others, including all major United States cigarette manufacturers, are defendants in lawsuits alleging violations of antitrust laws. The Company's counsel, based on its investigation and formal discovery to date, is of the opinion the Company has substantial factual and legal defenses to the charges made. Accordingly, the Company has made no provision for this matter in its financial statements.

In our opinion, subject to the effects, if any, of the ultimate resolution of the matter discussed in the preceding paragraph, the financial statements referred to above present fairly the consolidated financial position of R. J. Reynolds Industries, Inc. and subsidiaries at December 31, 1974 and 1973, and the consolidated results of their operations and the changes in their consolidated financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.— *Report of Independent Accountants*.

Notes to Consolidated Financial Statements

Note C (in part): Commitments and Contingencies—In July, 1974, two civil actions purporting to be class actions were brought against the six major United States cigarette manufacturers, including the Company, and others, by certain tobacco farmers alleging violations of the antitrust laws and seeking damages aggregating approximately $2.5 billion plus attorneys' fees and costs. Both actions are in their early stages and investigation of the facts is not complete. Counsel has advised the Company, based on its investigation and the formal discovery to date, that in its opinion these cases are not proper class actions and the Company has substantial factual and legal defenses to the charges made. Accordingly, the Company has made no provision for this matter in its financial statements.

Valuation or Realization of Assets

Board of Directors
Acme-Cleveland Corporation
Cleveland, Ohio

We have examined the statement of consolidated financial position of Acme-Cleveland Corporation and subsidiaries as of September 30, 1974 and 1973, and the related statements of consolidated earnings, 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.

As discussed in Note C to the financial statements, the Corporation is involved in obtaining financing for its Italian subsidiary in which it has investments, advances and guarantees relating to the Italian subsidiary of $3,400,000 at November 27, 1974. It cannot presently be determined if these efforts will be successful and no provision for any loss that may result if they are not successful has been made in the financial statements.

In our opinion, subject to the effects, if any, on the financial statements of the ultimate resolution of the matter discussed in the preceding paragraph, the accompanying financial statements identified above present fairly the consolidated financial position of Acme-Cleveland Corporation and subsidiaries at September 30, 1974 and 1973, 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*.

Notes to Consolidated Financial Statements

Note C: LaSalle Machine Tool–Italia: The Corporation's Italian subsidiary acquired in the merger with LaSalle Machine Tool, Inc. will require additional financing in order to meet current working capital requirements and to continue as a viable business entity. This is principally due to the subsidiary having been financed by short-term borrowings, which because of the current economic condition in Italy are not now sufficiently available. So long as the continuing operation of the subsidiary is deemed to be in the best interest of the Corporation, it intends to obtain interim financing as needed by advances or guaranteeing the interim debt of the subsidiary. The Corporation intends to seek a longer term solution by obtaining long-term debt financing, hopefully in Italy. Corporation officers believe that the Corporation has a good chance of obtaining such financing, and therefore no provision for any loss involving investment, advances and guarantees related to the Italian subsidiary has been made in the accompanying financial statements. The total of such investment, advances and guarantees is $3,400,000 at November 27, 1974.

To the Board of Directors
Certain-teed Products Corporation
Valley Forge, Pennsylvania

We have examined the consolidated balance sheet of Certain-teed Products Corporation and consolidated subsidiaries as at December 31, 1974 and 1973, and the related consolidated 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.

The outcome of certain matters and their effect on the accompanying financial statements as at December 31, 1974 and for the year then ended is presently uncertain. These matters are: (a) the results of audit by the Internal Revenue Service of the tax credit reflected in 1974 arising from certain losses in connection with Valley Forge Corporation described in Note 4; (b) the recoverability of the Company's investment in and advances to Realtec Incorporated as at December 31, 1974, together with any additional advances after that date, described in Note 5; (c) the recoverability of expenditures for construction-in-progress and estimated noncancellable commitments applicable to a proposed textile glass fiber plant, the construction of which was halted in 1974, described in Note 6; and (d) the cost, in the aggregate, of the ultimate disposition of the litigation, claims and indemnity described in Note 13.

In our opinion, subject to the effects, if any, on the consolidated financial statements as at December 31, 1974 and for the year then ended of the ultimate resolution of the matters referred to in the preceding paragraph, the above-mentioned financial statements present fairly the consolidated financial position of Certain-teed Products Corporation and consolidated subsidiaries at December 31, 1974 and 1973, and the consolidated results of their operations and consolidated 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 valuing certain inventories as described in Note 2 to the financial statements. — *Accountants' Report*.

Stockholders and Board of Directors

We have examined the consolidated balance sheets of National Gypsum Company and subsidiaries as of December 31, 1974, and December 31, 1973, and the related consolidated statements of income, retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The company owns 25.8% of the common stock of H. H. Robertson Company at a cost of $22,746,000 which was acquired as an investment. The quoted market value of this investment at December 31, 1974 was $9,099,000 ($9,274,00 at December 31, 1973). As explained in the footnotes to the financial statements, the company carries this investment at cost. The ultimate realization from this investment is dependent upon future events which cannot presently be determined.

As more fully explained in the Litigation footnote to the financial statements, a Federal Grand Jury handed down an indictment in 1973 against the company. The ultimate outcome cannot presently be determined, but in the event the final decision on the indictment is adverse to the company, two-thirds of the 1973 settlement of the civil antitrust suits might be disallowed as a deduction for Federal income tax purposes. This would result in approximately $6,719,000 being charged to retained earnings.

In our opinion, subject to the effects, if any, on the financial statements of the ultimate resolution of the matters discussed in the preceding paragraphs, the financial statements referred to above present fairly the consolidated financial position of National Gypsum Company and subsidiaries at December 31, 1974, and December 31, 1973, and the consolidated results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.— *Report of Independent Accountants*.

To the Stockholders and Board of Directors of
The Sperry and Hutchinson Company

We have examined the consolidated balance sheet of The Sperry and Hutchinson Company and subsidiaries consolidated as of December 28, 1974 and December 29, 1973 and the related consolidated statements of earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of The State National Bank of Connecticut, an unconsolidated subsidiary. Amounts for this subsidiary, included in the consolidated financial statements, represent 5% of consolidated assets and 24% and 11% of consolidated earnings for 1974 and 1973, respectively. These statements were examined by other auditors whose unqualified report thereon has been furnished to us and our opinion expressed herein, insofar as it relates to amounts included for The State National Bank of Connecticut, is based solely upon such report.

As explained in Note 1 to the financial statements, the market value of the Company's investments in marketable equity securities, classified as non current assets, is lower than cost by $14,938,000 at December 28, 1974. The Company is of the opinion that there has been no permanent impairment in the value of these investments and no provision for this decline in market value has been made in the financial statements; however, it is not possible to determine whether the carrying value of the investments will be realized upon disposition due to the inability to predict future market prices of the securities. As described in the summary of significant accounting policies, certain reclassifications have been made in the financial statements with respect to the liability for stamp redemptions and investments in marketable securities.

In our opinion, based upon our examinations and the report of other auditors, and subject to the effects of losses, if any, on the disposition of investments in marketable equity securities, classified as non current assets, referred to in the preceding paragraph, the financial statements identified above present fairly the consolidated financial position of The Sperry and Hutchinson Company and subsidiaries consolidated at December 28, 1974 and December 29, 1973 and the results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.— *Report of Independent Certified Public Accountants*.

To the Board of Directors and Shareholders of
United Brands Company

We have examined the consolidated balance sheet of United Brands Company and subsidiary companies as of December 31, 1974 and 1973 and the related consolidated statements of income and income retained in the business 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 described in Note 4, the Company disposed of its interest in Foster Grant Co., Inc., in 1974. We did not examine the financial statements of Foster Grant Co., Inc., which statements reflected assets constituting 10% of the consolidated totals at December 31, 1973, and whose results of operations constitute the entire amount of income from discontinued operations for 1974 and approximately 50% of such amount for 1973 in the accompanying consolidated statement of income. 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 Foster Grant Co., Inc., is based solely upon the reports of the other independent accountants.

In 1974 new taxes were imposed on banana shipments by the countries in which the Company owns banana producing properties; while the Company has provided for the taxes for which it believes it is liable, all necessary decrees have not been issued finalizing the tax rates. In addition, in 1974 the

Company agreed to enter into negotiations for the sale of the Company's banana producing properties in Panama to the Government of Panama. Furthermore, on April 8, 1975 the Company disclosed that it had made a payment in 1974 to a government official in Honduras and other payments in countries outside the Western Hemisphere over the past five years, and stated that disclosure of the Honduras payment could result "in a material reduction in future earnings and a loss of substantial corporate assets which, in turn, could affect the continuity of operations of the Company" and on April 9, 1975 the Securities and Exchange Commission initiated an action against the Company, and on April 10, 1975 a stockholder initiated an action against the Company and certain officers and directors, both actions based on claims relating to such disclosures. As a result of these and other developments, the Company is undertaking a study of the continuing value of the excess of cost over the fair value of net assets acquired in connection with the acquisition of United Fruit Company. As more fully described in Notes 2 and 3, the effect of the final resolution of each of these matters on the financial position of the Company at December 31, 1974 and the results of its operations for the year cannot be determined at this time.

As described in Note 9, the Company provided in 1971 for the estimated losses it expects will be incurred in connection with a replacement program for portions of its refrigerated cargo fleet. The amount expected to be realized upon disposition of these assets shown in the accompanying consolidated balance sheet is an estimate based upon available information and is not definitively ascertainable at this time.

In our opinion, based on our examinations and the previously mentioned reports of other independent accountants and subject to the effects of such adjustments, if any, as might have been required had the outcome been known of the uncertainties regarding (1) the effective banana export tax rate, (2) the ultimate resolution of the agreement with the Government of Panama, (3) any adverse impact resulting from the disclosure by the Company that it made a payment to a government official in Honduras and payments in other foreign countries, (4) the continuing value of the excess of cost over the fair value of net assets acquired, and (5) the ultimate determination of the losses on disposing of certain assets, all as referred to above, the consolidated financial statements present fairly the financial position of United Brands Company and subsidiary companies at December 31, 1974 and 1973 and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied, except for the changes (with which we concur) in the manner of reporting storm loss damages and gains on the repurchase of debentures in 1974 (as described in Note 3).— *Report of Independent Accountants*.

Shareholders and Board of Directors
White Motor Corporation
Cleveland, Ohio

We have examined the balance sheets of White Motor Corporation and consolidated subsidiaries as of December 31, 1974, and December 31, 1973, and the related statements of income, capital in excess of par value, retained income, and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As more fully discussed in Note B to the financial statements, management expects to consummate the agreement for the use and operation of the Canton engine plant on terms which would not require a significant adjustment to the carrying amount of the plant; however, provision for a substantial loss would be required if the plant were sold or used for purposes other than those for which the plant was designed. The ultimate outcome of the negotiations cannot presently be determined, and no provision for adjustment of the carrying amount of such assets has been made.

As more fully explained in Note G to the financial statements, because of the numerous uncertainties relating to the applicability of the Minnesota Private Pension Benefits Protection Act enacted in 1974, which could impose substantial additional liability on the Corporation regarding employee benefits ultimately determinable under the terminated Minneapolis-Molien Pension Plan, no additional benefits have been provided in 1974.

In our opinion, subject to the effects on the financial statements of the ultimate resolution of both matters discussed in the two preceding paragraphs, the financial statements referred to above present fairly the financial position of White Motor Corporation and consolidated subsidiaries at December 31, 1974 and December 31, 1973, 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.— *Accountants' Report*.

Discontinued Operations

To the Board of Directors and Shareholders of
Evans Products Company:

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, 1974 and 1973, and the related statements of results of operations, 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.

As more fully described in the notes to the financial statements of Evans Products Company and Consolidated Subsidiaries under Discontinued Facilities Held for Sale, the Company recorded a provision in the amount of $35,038,000 to cover estimated losses and expenses relating to the permanent closure of certain manufacturing and distribution facilities. 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 the effect, if any, on the financial statements of the ultimate resolution of the matter discussed in the preceding paragraph, the financial statements referred to above present fairly the financial position of Evans Products Company and Consolidated Subsidiaries and the combined financial position of the Company's Finance and Leasing Subsidiaries at December 31, 1974 and 1973, 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*.

Income Tax Liability

To the Stockholders and Board of Directors of
United States Gypsum Company:

We have examined the consolidated balance sheet of United States Gypsum Company (a Delaware corporation) and subsidiaries as of December 31, 1974 and 1973, and the consolidated 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.

As discussed under "Taxes on Income and Deferred Income Taxes" on page 27, Federal income tax deficiencies and proposed adjustments have been rendered for the years 1963 through 1969, and there are indications that some adjustments may be proposed for 1970 and 1971 that will be similar to the deficiencies for the prior years; also, it is possible that additional Federal income taxes might become payable arising from a 1973 settlement of antitrust treble damage cases. Management of the Company believes that resolution of these matters for the years 1963 through 1974 will have no material adverse effect on the financial position or operations of the Company; however, the final outcome is unknown at this time.

In our opinion, subject to the effect of the income tax matters referred to in the preceding paragraph, the accompanying financial statements present fairly the financial position of United States Gypsum Company and subsidiaries as of December 31, 1974 and 1973, 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) to the last-in, first-out method of inventory valuation for certain additional domestic inventories as referred to under "Inventories" on page 25, were consistently applied during the periods.— *Auditors' Report*.

Taxes on Income and Deferred Income Taxes (in part)—The Company has received notices of deficiency from the Internal Revenue Service for the years 1963 through 1967, which cover an aggregate of approximately $22,000,000 in alleged deficiencies. In addition, the Company has received notice from the Internal Revenue Service of proposed adjustments for the years 1968 and 1969, covering an aggregate of approximately $13,500,000 in proposed deficiencies. Nearly one-half of the deficiencies issued and threatened relates to the disallowances of amounts granted by the Company during the years in question as sales returns and allowances on the Internal Revenue Service's theory that such amounts were paid in connection with various transactions which allegedly were in violation of certain antitrust laws; the Company has been advised that in its counsel's opinion the Internal Revenue Service's theory disallowing the Company's sales returns and allowances in question is without merit and can be defended successfully. Of the possible deficiencies for the years 1963 through 1969, approximately $5,000,000 relates to shipping charges made to the Company by an international subsidiary. Since the same issue for prior years was litigated and resolved in its favor, the Company believes that this matter will again be resolved substantially in its favor.

Should the defense of an indictment referred to under "Litigation" be unsuccessful, and should the applicable provision of the Tax Reform Act of 1969 be given retroactive application as now required by regulations thereunder, it is possible that two-thirds of the amount paid in 1973 in settlement of antitrust treble damage actions might be disallowed as a deduction for Federal income tax purposes, which would result in approximately $9,000,000 of additional Federal income taxes to be paid.

A review of Federal income tax returns for the years 1970 and 1971 has been substantially completed. Although no report has yet been issued by the Internal Revenue Service, there are indications that some adjustments may be proposed for those years which will be similar to adjustments proposed for prior years.

Potential liability from the resolution of remaining income tax matters, plus interest thereon, for the years 1963 through 1974 is adequately reserved and, in the opinion of management, will have no material adverse effect on the financial position or operations of the Company. Such opinion is based in part upon the opinion of its counsel as to certain legal matters raised in the deficiencies and proposed adjustments issued for the years 1963 through 1969.

Contract Price

To the Shareholders and Board of Directors
Northrop Corporation
Los Angeles, California

We have examined the consolidated statement of financial position of Northrop Corporation and subsidiaries as of December 31, 1974, and December 31, 1973, 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.

As discussed in Note I, the contract price on a significant long-term contract in process has not been determined. Until the contract price is finalized the ultimate effect upon the financial statements will not be known. As set forth in the second paragraph of Note L, the Corporation is defendant in a lawsuit for recission of a production contract and indemnification against misrepresentation or breach of obligation by the Corporation's subsidiary. Counsel for the Corporation is not able to express an opinion as to the outcome of this litigation because it depends upon the resolution of disputed questions of fact and law which cannot be predicted with certainty at this time.

In our opinion, subject to the effect of the resolution of the matters described in the preceding paragraph, the financial statements referred to above present fairly the consolidated financial position of Northrop Corporation and subsidiaries at December 31, 1974, and December 31, 1973, and the consolidated results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.— *Accountants' Report*.

Notes to Consolidated Financial Statements

Note I (in part): Unreimbursed costs and accrued profits on cost-plus-fee and construction type contracts—Amounts due from the Imperial Government of Iran are for work in connection with the performance of a long-term contract accounted for by the percentage of completion method. 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. The Corporation submitted documentation of contract changes covering the delays and additional customer needs and in 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 a final price. This amount is less than the indicated final cost of the program.

Documentation of additional contract changes as well as the impact of inflation has been submitted to cover all the expected costs to complete the program. The program construction is expected to be complete in mid-1975 and at that time the parties will commence negotiations to determine 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 the contract to be profitable; However, until the completion of final price negotiations, the Corporation continues its policy, followed since 1972, of not recording additional profits on this contract.

Note L (in part): Litigation and contingent liabilities—The Corporation and one of its wholly-owned subsidiaries are defendants in an action brought by Pacific Far East Lines alleging breach of certain covenants contained in a contract to produce LASH fiberglass barges as well as misrepresentations and breaches of warranty in connection with that contract. The plaintiff seeks to recover $105,000,000 in damages or in the alternative rescission of the contract with restitution, damages and costs. The outcome of this litigation will depend upon the resolution of disputed questions of fact and law which counsel at this early stage of the case cannot predict with certainty, and no provision for liability, if any, has been made in the financial statements. Counsel for the Corporation is of the opinion that the damages requested by the plaintiff are considerably overstated and that the Corporation has substantial defenses against the claim for consequential damages which represents approximately three-quarters of the amounts claimed.

Renegotiation Refund

To the Shareholders and Directors
Standard Container Company

We have examined the balance sheets of Standard Container Company as of September 29, 1974 and September 30, 1973 and the related statements of income and retained earnings 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.

The Company is contesting determinations of renegotiation refunds as explained in Note 8a to financial statements. The Company's ultimate liability for such refunds, if any, is not presently determinable.

In our opinion, subject to the effect, if any, of the final settlement of the matters referred to above, the financial statements referred to above present fairly the financial position of Standard Container Company as of September 29, 1974 and September 30, 1973 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, except for the change in 1974, with which we concur, in the method of valuing inventories as described in Note 2 to the financial statements.— *Auditors' Report*.

Notes to Financial Statements

Note 8a: 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 three fiscal years ending September 29, 1974, it is management's 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 finding 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 Eastern Regional Renegotiation Board has requested a refund of approximately $220,000 (after adjustment for income taxes), this determination has been appealed to the Statutory Renegotiation Board. 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.

Going Concern Basis

To the Board of Directors
M. H. Fishman Co. Inc.
(Debtor in Possession)
New York, N. Y.

We have examined the historical consolidated balance sheet of M. H. Fishman Co. Inc. (Debtor in Possession) and subsidiaries as at December 31, 1974, and the related consolidated statements of operations and retained earnings/deficit 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.

During the year ended December 31, 1974, the Company and subsidiaries incurred a substantial loss and the Company and certain subsidiaries filed Petitions for Arrangement under Chapter XI of the Bankruptcy Act. The accompanying consolidated financial statements have been prepared primarily on a going concern basis, based upon the anticipation of management that the proposed Plan of Arrangement will be accepted by the creditors and confirmed by the Court during 1975 (see Notes A and C). The going concern basis contemplates, among other things, the realization of assets in the ordinary course of business. Continuation of the business as a going concern depends upon acceptance of the aforementioned Plan of Arrangement by the creditors and its confirmation by the Court and the ability of the Company to achieve profitable operations.

The aggregate amount of landlord claims (see Note D) which may ultimately be approved is not presently determinable.

We are unable to determine whether the full amount of the insurance claims referred to in Note E will be recovered.

In our opinion, subject to the effect of the matters referred to in the three preceding paragraphs, the aforementioned financial statements present fairly the historical consolidated financial position of M. H. Fishman Co. Inc. (Debtor in Possession) and subsidiaries at December 31, 1974, and the consolidated results of their operations and the consolidated 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.

Also, we have reviewed the application of the pro forma adjustments, which give effect to the terms of the proposed Plan of Arrangement referred to in Note C, to the historical consolidated balance sheet as at December 31, 1974; in our opinion, those adjustments have been applied appropriately on the bases set forth in such Note C.—*Accountants' Report on 1974 Financial Statements*.

CHANGE IN ACCOUNTING PRINCIPLE

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.
>
> .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. . . .
>
> 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. . . .
>
> 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 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. . . .

An *Auditing Interpretation* published in the January 1975 issue of the *Journal of Accountancy* states that the requirements of paragraph .03 concerning subsequent year's financial statements do not apply to an extension or adoption of the LIFO inventory method. Consequently, an auditors' opinion covering 1975 and 1974 financial statements will not need to refer to an extension or adoption of LIFO occurring in 1974.

Examples of auditors' opinions referring to a change in accounting principle follow.

Change to Lifo

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 Nonconsolidated International Subsidiaries of Anderson, Clayton & Co. as of June 30, 1974 and June 30, 1973, 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 Nonconsolidated International Subsidiaries of Anderson, Clayton & Co. at June 30, 1974 and June 30, 1973, 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 which, except for the change to last-in-first-out (LIFO) method of valuing certain inventories as described in Note 1 to the consolidated financial statements, with which we concur, were applied on a consistent basis.— *Accountants' Report*.

To the Shareholders and Board of Directors
Bliss & Laughlin Industries Incorporated:

We have examined the consolidated balance sheet of Bliss & Laughlin Industries Incorporated (a Delaware corporation) and Subsidiaries as of December 31, 1974 and 1973, and the related consolidated statements of income, additional capital and retained earnings, and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we consider necessary in the circumstances.

As more fully explained in the inventory note in the Financial Review to the accompanying financial statements, the Company changed from the average cost method to the last-in, first-out method of computing the cost of certain inventories as of January 1, 1974.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Bliss & Laughlin Industries Incorporated and Subsidiaries as of December 31, 1974 and 1973, 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, except for the change (with which we concur) in the method of accounting for inventories referred to in the preceding paragraph, on a consistent basis during the periods.— *Report of Independent Public Accountants*.

To the Shareholders
Clark Equipment Company
Buchanan, Michigan 49107

We have examined the financial statements of Clark Equipment Company and consolidated subsidiaries and the combined financial statements of Clark Equipment Credit Corporation and finance subsidiaries and affiliates for the two years ended December 31, 1974 appearing on pages 13 through 17 of this report and the information on pages 7 through 12. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described on pages 8 and 7, in 1974, the method of valuing domestic inventories was changed from the first-in, first-out method to the last-in, first-out method and the method of accounting for finance income on lease contracts and installment notes was changed.

In our opinion, the financial statements examined by us present fairly (a) the consolidated financial position of Clark Equipment Company and consolidated subsidiaries at December 31, 1974 and December 31, 1973 and the results of their operations and changes in financial position for the two 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 valuing domestic inventories referred to in the preceding paragraph and (b) the combined financial position of Clark Equipment Credit Corporation and finance subsidiaries and affiliates at December 31, 1974 and December 31, 1973 and the results of their operations and changes in financial position for the two years than ended, in conformity with generally accepted accounting principles applied on a consistent basis after the restatement for the change, with which we concur, in the method of accounting for finance income referred to in the preceding paragraph.— *Report of Independent Accountants*.

To the Stockholders and Board of Directors
Diamond Shamrock Corporation

We have examined the accompanying consolidated statements of financial position of Diamond Shamrock Corporation and its subsidiaries at December 31, 1974 and 1973, 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 described in the financial summary, under the caption, inventories, the Company changed to the last-in, first-out (LIFO) cost method for valuing domestic chemical and petroleum inventories during 1974.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Diamond Shamrock Corporation and its subsidiaries at December 31, 1974 and 1973, 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, except for the change, with which we concur, referred to in the preceding paragraph.— *Report of Independent Accountants*.

To the Shareowners of
Ingersoll-Rand Company:

We have examined the consolidated balance sheets of Ingersoll-Rand Company and its subsidiaries as of December 31, 1974 and 1973 and the related consolidated statements of income and retained earnings and of changes in financial position for the years then ended. 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.

Comparability of the accompanying financial statements has been affected by a change, with which we concur, in the method of valuing certain domestic inventories from the FIFO to LIFO method of accounting, as described in Note 2.

In our opinion the accompanying balance sheets and the related statements of income, retained earnings and changes in financial position present fairly the financial position of Ingersoll-Rand Company and its consolidated subsidiaries at December 31, 1974 and 1973, 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 except for the change, with which we concur, referred to in the preceding paragraph.— *Report of Independent Accountants*.

To the Shareholders and Board of Directors of
Westvaco Corporation

We have examined the consolidated financial statements of Westvaco Corporation and its subsidiaries appearing on pages 20 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.

As described in note F to the financial statements, in 1974 the Company extended the use of the last-in, first-out (LIFO) method for determining inventory costs to certain additional inventories previously valued by the average or first-in, first-out (FIFO) method.

In our opinion, the consolidated financial statements examined by us present fairly the financial position of Westvaco Corporation and subsidiaries at October 31, 1974 and 1973 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, except for the change, with which we concur, in the method of valuing certain inventories referred to in the preceding paragraph.— *Report of independent accountants*.

Research and Development Costs

To the Shareholders and Board of Directors,
Hoffman Electronics Corporation:

We have examined the consolidated balance sheets of Hoffman Electronics Corporation (a California corporation) and subsidiaries as of December 31, 1974 and 1973 and the related consolidated statements of income, common stock, additional paid-in capital and retained earnings and changes in financial position for the years then ended. Our examination was made in accordance wtih generally 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 discussed in Note 11, the Company is involved in several legal actions. The ultimate outcome of these matters is not presently determinable.

In our opinion, subject to the effect, if any, of the matter discussed in the preceding paragraph, the consolidated financial statements referred to above present fairly the financial position of Hoffman Electronics Corporation and subsidiaries as of December 31, 1974 and 1973, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after giving retroactive effect to the change (with which we concur) in the method of accounting for research and development costs, as explained in Note 3 to the financial statements.— *Auditors' Report*.

Note 3: Change in Accounting for Research and Development Expenditures—Prior to the fourth quarter of 1974, the company's policy was to capitalize research and development costs applicable to specific product lines to the extent that they were recoverable from firm orders. Product development costs applicable to audiovisual learning techniques were capitalized and amortized as units were sold; all other research and development costs were charged to expense as incurred. During the fourth quarter of 1974, the company changed its policy, as recommended by the Financial Accounting Standards Board Statement No. 2, to charge all research and development costs to expense as incurred, except those costs specifically reimbursable under terms of a contract.

As a result of this accounting change, financial statements for prior periods have been restated to apply the new method retroactively. The change reduced the 1974 net loss by $138,625 ($.08 per share) and reduced 1973 income as previously reported from $549,062 ($.32 per share) to $262,800 ($.15 per share). The effect of the change on income from continuing operations is the same as the effect on net income (loss) in both years.

The balances of retained earnings as of December 31, 1973 and 1972 have been restated for the effect, net of income taxes, of applying retroactively the new method of accounting.

The effect of the change on each of the first three quarters of 1974 was not material. The change reduced the 1974 fourth quarter net loss by $103,375 ($.06 per share).

To the Board of Directors and Shareholders of
Insilco Corporation

We have examined the consolidated balance sheets of Insilco Corporation and its subsidiary companies as of December 31, 1974 and 1973, and the related consolidated statements of earnings 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 described in Notes 13 and 14 to the financial statements, in 1974, the Company changed its methods of accounting for translation adjustments on foreign currency long-term debt in view of the continuing higher value of the Swiss franc in relation to the U.S. dollar and for research and development costs to conform, in advance, to a Statement issued by the Financial Accounting Standards Board.

In our opinion, the consolidated financial statements examined by us present fairly the financial position of Insilco Corporation and its subsidiary companies at December 31, 1974 and 1973, 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, except for the change in the method of accounting for translation adjustments on foreign currency long-term debt and after giving retroactive effect to the change in the method of accounting for research and development costs. We concur with the accounting changes referred to in the preceding paragraph.— *Report of Independent Accountants*.

Notes to Financial Statements

Note 13: Foreign Currency Translation—In 1974, in view of the continuing higher value of the Swiss franc in relation to the U.S. dollar, the Company decided to include unrealized translation gains and losses on foreign currency long-term debt in earnings on a current basis. The Company's prior practice was to defer such gains and losses and to amortize them over the life of the related debt (unless they arose from official currency revaluations, in which case they were taken into income currently). The effect of this change in accounting was to reduce earnings from continuing operations and net earnings for 1974 by $2,290,000 or $.24 per share. Adoption of this change in accounting in 1973 would not have affected earnings for that year inasmuch as the amount of unrealized translation loss on the Company's foreign currency long-term debt was the same at the beginning and end of the year.

The aggregate foreign exchange losses included in the determination of income were $6,206,000 in 1974 and $319,000 in 1973. Such losses include exchange adjustments on interest payments on the Company's Swiss franc debt as well as the unrealized translation loss on the debt itself.

Note 14: Research and Development—A recent Statement by the Financial Accounting Standards Board requires that all research and development costs be charged to expense when incurred and that such accounting be applied retroactively. This statement is effective for fiscal years beginning on and after January 1, 1975, but, as encouraged by the Financial Accounting Standards Board, the Company has adopted the change in advance. The effect thereof on 1974 results is to increase earnings from continuing operations and net earnings for the year by $59,000 or $.01 per share. The accompanying financial statements for 1973 have been restated for this change which had the effect of reducing earnings from continuing operations and net earnings by $178,000, or $.02 per share. The change reduced retained earnings for December 31, 1974 by $670,000, representing research and development costs, less related taxes, which would have been deferred at that date under the Company's prior accounting practice. After restatement, research and development costs charged to expense amounted to $862,000 in 1974 and $1,063,000 in 1973.

To the Shareholders and Board of Directors,
Occidental Petroleum Corporation:

We have examined the consolidated balance sheets of Occidental Petroleum Corporation (a California corporation) and subsidiaries as of December 31, 1974 and 1973, and the related consolidated statements of operations, 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.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Occidental Petroleum Corporation and subsidiaries as of December 31, 1974 and 1973, 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) to the last-in, first-out method of determining inventory costs as indicated in Note 2 to the financial statements, and after giving retroactive effect to the change (with which we concur) in the method of accounting for research and development costs, as indicated in Note 2 to the financial statements, were consistently applied during the periods.

Los Angeles, California, February 21, 1975 (except with respect to the matters discussed in Note 16 as to which the date is March 27, 1975).

Classification of Accounts to Conform with APB No. 30

To the Shareholders and Board of Directors of
International Minerals & Chemical Corporation

We have examined the accompanying consolidated balance sheet of International Minerals & Chemical Corporation at June 30, 1974 and the related consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously made a similar examination of the consolidated financial statements for the prior year.

In our opinion, the statements mentioned above present fairly the consolidated financial position of International Minerals & Chemical Corporation at June 30, 1974 and June 30, 1973 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 during the period, except for the change, with which we concur, in the method of determining earnings before extraordinary items as explained in the last paragraph under the caption "Losses on Investments and Discontinued Operations and Extraordinary Items" in the Financial Review.— *Auditors' Report.*

Financial Review

Losses on Investments and Discontinued Operations and Extraordinary Items (in part)—Extraordinary items for 1974 and 1973 were as follows:

	1974	1973
Effect of utilization of loss carryforwards	$13,000,000	$1,345,000
Elimination of excess provisions for losses and costs of plant closings, no income tax effect		1,241,000
	13,000,000	2,586,000
Less:		
Provision for losses and costs on rhenium operations, less tax effect of $585,000		1,850,000
Net extraordinary credit	$13,000,000	$ 736,000

During 1974, provision has been made for losses on Cor-Plex, on an investment in a foreign mining operation and on other operations to be discontinued, including estimated losses during the shut-down periods, aggregating $8,728,000.

As required by Opinion No. 30, adopted in September, 1973, by the Accounting Principles Board of the American Institute of Certified Public Accountants, IMC has changed its criteria for the types of items to be included in determining earnings before extraordinary items in the consolidated statement of earnings for 1974. In 1973, IMC provided for the estimated loss on closing and disposition of its rhenium operations as an extraordinary charge in conformity with accounting principles then generally accepted. In 1974, the provisions for losses on investments and discontinuance of operations, referred to above, were included in determining earnings before extraordinary items, in conformity with the newly issued opinion.

The opinion prohibits restating the 1973 financial statements so that comparability of treatment may be afforded these items. Had the opinion been in effect for 1973, net earnings would have been the same, but earnings before extraordinary items would have been $23,637,000 ($1.93 per share).

Board of Directors and Shareholders
Struthers Wells Corporation

We have examined the consolidated balance sheet of Struthers Wells Corporation and Subsidiaries at November 30, 1974 and 1973 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.

In our opinion, the above mentioned financial statements present fairly the financial position of Struthers Wells Corporation and subsidiaries at November 30, 1974 and 1973 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 income before extraordinary items as described in Note 12.

Notes to the Financial Statements

Note 12: Extraordinary items and other (income) expense—net

Consists of the following:

Extraordinary Items	1974	1973
Utilization of net operating and capital loss carryforwards...........	$799,000	$460,000
Loss from early extinguishment of debt..............................	—	(68,689)
	$779,000	$391,311
Other (Income) Expense—Net		
Loss from early extinguishment of debt..............................	$429,702	
Gain on sale of Burnup & Sims, Inc. stock.............................	(136,858)	
Gain from liquidating damages—net		($178,948)
	$292,844	($178,948)

In accordance with Opinion No. 30 issued by the Accounting Principles Board (APB) of the American Institute of Certified Public Accountants, the Company has, in 1974, included the loss from early extinguishment of debt in Income Before Extraordinary Items. In accordance with the existing accounting principles at the time, the same type of transaction was classified as an Extraordinary Item in 1973. Had Opinion No. 30 been in effect for 1973, net income would have been the same, but Income Before Extraordinary Items would have been $192,625, and $.04 per share, rather than the $228,314 and $.06 per share, as reported.

In January 1975 the Financial Accounting Standards Board issued for exposure a proposal to amend Opinion No. 30 of the APB. If the proposal becomes effective, material gains and losses from extinguishment of debt would be classified as extraordinary items. The proposal also calls for retroactive restatement of all prior periods. Had the proposal been in effect for 1974, Income Before Extraordinary Items would have been $1,051,148 ($.42 per share) rather than $827,446 ($.32 per share) as reported.

Translation of Foreign Currency Accounts

The Board of Directors and Stockholders
Armstrong Cork Company:

We have examined the consolidated balance sheets of Armstrong Cork Company and subsidiaries as of December 31, 1974 and 1973 and the related consolidated statements of 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.

The company is involved in continuing litigation relating to patent infringement. The amount of damages, if any, resulting from this litigation cannot be determined at this time. See Litigation on this page for further details.

In our opinion, subject to the effect on the accompanying financial statements, if any, of the resolution of the matter referred to in the preceding paragraph, the aforementioned consolidated financial statements present fairly the financial position of Armstrong Cork Company and subsidiaries at December 31, 1974 and 1973 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 changes in 1974, with which we concur, in the method of valuing inventories and the method of accounting for fluctuations in foreign exchange rates explained on pages 19 and 20 of the financial review, have been applied on a consistent basis.— *Accountants' Letter*.

Financial Review

In 1974, all exchange losses resulting from fluctuations in foreign exchange rates have been charged directly to earnings, whereas in 1973 unrealized translation adjustments were deferred to the extent that they did not exceed adjustments attributable to long-term debt. The new method of accounting for fluctuations in foreign exchange rates was adopted in order to comply with the proposed requirements of the Financial Accounting Standards Board. In 1973, fluctuations in foreign exchange rates resulted in exchange losses of $2,700,000, of which $1,600,000 was deferred and included in sundry assets, and $1,100,000 was charged to earnings. In 1974, exchange losses of $3,200,000 (after tax effect of $800,000) were charged to earnings including the $1,600,000 deferred at December 31, 1973. Under the old method, exchange losses of $1,200,000 would have been charged to earnings; thus the effect of the change was to decrease 1974 net earnings by $2,000,000 or $.08 per share.

Consolidation Policy

The Board of Directors and Shareholders of
Illinois Central Industries, Inc.:

We have examined the consolidated balance sheets of Illinois Central Industries, Inc. and consolidated subsidiaries as of December 31, 1974 and 1973 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.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Illinois Central Industries, Inc. and consolidated subsidiaries at December 31, 1974 and 1973 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 restatement for the change, with which we concur, in the company's consolidation policy as more fully explained in the Financial Review.— *Report of independent accountants*.

Financial Review

Accounting policies (in part)—The significant accounting policies followed in preparing the accompanying consolidated financial statements are:

Principles of consolidation

The consolidated financial statements include the accounts of Illinois Central Industries and all of its significant subsidiaries. In order to disclose more clearly the nature of the Company and its operating results, the Company adopted the policy of consolidating those subsidiaries comprising the Financial Services Group during 1974. These subsidiaries had previously been accounted for by the equity method. The 1973 financial statements and Ten year summary of operations have been restated for comparative purposes to reflect this change. The foregoing change in consolidation policy had no effect on 1974 or previously reported net income. Investments in affiliates, primarily interests in real estate development ventures, are accounted for by the equity method.

Depreciation Method

The Dow Chemical Company

We have examined the consolidated balance sheet of The Dow Chemical Company and its subsidiary companies as of December 31, 1974 and 1973, and the related consolidated statements of income, retained earnings, capital surplus, 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, such financial statements present fairly the financial position of the companies at December 31, 1974 and 1973, 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 (except for the changes, with which we concur, in the method of stating inventories as described in Note B to the financial statements, and in the method of determining depreciation of plant properties located outside the United States and Canada as described in Note C to the financial statements) on a consistent basis.— *Opinion of Independent Public Accountants*.

Store Pre-operating Expenses

To the Stockholders and Board of Directors of
Marcor Inc.:

We have examined the balance sheet of Marcor Inc. (a Delaware Corporation) and consolidated subsidiaries as of January 31, 1975 and January 31, 1974, and the related statements of earnings, earnings reinvested 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 more fully explained in the financial information on page 25, the principal manufacturing subsidiaries of the Company changed from generally the lower of average cost or market method to the last-in, first-out method of computing the cost of all or a portion of their inventories as of February 1, 1974. In addition, as noted on page 25, Montgomery Ward & Co., Incorporated changed as of the beginning of fiscal 1974 its method of accounting for store pre-operating expenses from amortizing these expenditures over a 36-month period following the store opening date to charging these costs to expense as incurred.

In our opinion, the accompanying financial statements referred to above present fairly the financial position of Marcor Inc. and consolidated subsidiaries as of January 31, 1975 and January 31, 1974, 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 changes (with which we concur) in the method of accounting for inventories and store pre-operating expenses referred to in the preceding paragraph, were consistently applied during the periods. — *Auditors' Report*.

Presentation of Statements of Changes in Financial Position

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

We have examined the consolidated balance sheets of Motorola, Inc. and Subsidiaries as of December 31, 1974 and 1973, 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 examination was made in accordance with generally 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, 1974 and 1973, 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 presentation of the statements of consolidated changes in financial position as described in note 1 to consolidated financial statements.— *Accountants' Report*.

Notes to Consolidated Financial Statements

Note 1 (in part): Change in Presentation—As of December 31, 1974, the company changed its presentation of the statements of consolidated changes in financial position from one which reflected changes in working capital to one which reflects changes in cash and short-term investments. The company believes that the new format is a more meaningful presentation of the changes in financial position. The statement of consolidated changes in financial position for the year ended December 31, 1973 has been restated to conform with the 1974 presentation.

Pension Expense

To the Shareholders of
American Can Company:

We have examined the statement of financial position of American Can Company and its Consolidated Subsidiaries as of December 31, 1974 and the statements of income and earnings reinvested in the business and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined similar financial statements of the Company for the year 1973.

In our opinion, the above-mentioned statements present fairly the financial position of American Can Company and its Consolidated Subsidiaries at December 31, 1974 and 1973, 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 periods, except for the changes with which we concur, in the methods of costing inventories and determining pension expense as described in Notes 2 and 6 to the financial statements.— *Report of Certified Public Accountants*.

Notes to Financial Statements

Note 2: Extension of the LIFO Inventory Method—At December 31, 1974, the Company changed to a last-in, first-out (LIFO) method of stating inventory costs for substantially all inventories previously accounted for on the first-in, first-out (FIFO) method. This change was made to minimize inflation-induced inventory profits and to more clearly reflect the results of operations by providing a closer matching of current costs with current revenues. The effect of this change was to reduce 1974 net income by $27,618,000 ($1.56 per share).

There is no cumulative effect of the change on prior periods since the December 31, 1973 inventory as previously reported is treated as the amount of the beginning inventory under the last-in, first-out method.

Note 6 (in part): Pension Plans—In order to reflect in pension expense a portion of the marked decline in the securities market during 1974, the Company changed the date for determining unrealized market depreciation of pension trust securities from the normal date, January 1, 1974, to a more current basis. This change in accounting method increased pension expense and decreased net income for 1974 by $6,600,000 and $3,366,000 ($.19 per share), respectively. The remaining increase in pension expense was principally attributed to the cost of higher benefits resulting from the 1974 labor contracts which approximated $6,000,000 and to the effect of modifying the retirement assumption for future plant closings as described in Note 3. The Company estimates that the provisions of the Employee Retirement Income Security Act of 1974 will not have a material effect upon future pension costs.

Change in Fiscal Year of Investee

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, 1974 and 1973 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 5 percent and 33 percent, respectively, of consolidated total assets and net income for 1974, and 4 percent and 13 percent, respectively, for 1973. In addition, we did not examine the financial statements of certain consolidated foreign subsidiaries aggregating 8 percent and 7 percent of consolidated total assets as of March 31, 1974 and 1973, and 7 percent of consolidated net sales for the years then ended. These statements were examined by other major firms of 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, 1974 and 1973 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 except for the change, with which we concur, in reporting the equity in an affiliate's net income as described in the notes to the consolidated financial statements.— *Auditors' Report*.

Notes to Consolidated Financial Statements

Change in Fiscal Year of Affiliate—Effective in 1974, Microlite S.A., a one-third owned Brazilian affiliate, changed its fiscal year end from June 30 to December 31. This change reduced the time lag in reporting ESB's share of Microlite's net income from nine months to three months, and is considered to be a change in the method of applying an accounting principle. As a result, ESB's share of the net income of Microlite for the period July 1, 1972 through December 31, 1972 has been included as a separate item in the consolidated statement of income in 1974.

If the fiscal year had not been changed, ESB would have included in income its share of the net income of Microlite for the period July 1, 1972 to June 30, 1973. However, with the change, the amount actually included covered the period January 1, 1973 to December 31, 1973. This latter period was a more profitable one, especially the last six months, resulting in an increase in both income before income taxes and net income of $2,013,000 or 37 cents per share over that which would have been recorded had the change not been made. If the change had been made prior to 1973, there would not have been a significant effect on 1973 since Microlite's net income for the fiscal year ended June 30, 1972 and the calendar year 1972 were not materially different.

Prior Year Change

To the Shareholders and the Board of Directors of
Dictaphone Corporation:

We have examined the consolidated statement of financial position of Dictaphone Corporation and subsidiaries as of December 31, 1974, and the related consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the consolidated financial statements of the Company for 1973.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Dictaphone Corporation and subsidiaries at December 31, 1974 and 1973, 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 January 1, 1973, in the method of accounting for gains and losses arising from foreign currency translations as described in "Summary of Significant Accounting Policies."— *Report of Independent Certified Public Accountants*.

Summary of Significant Accounting Policies

Foreign Currency Translation—The financial statements of foreign subsidiaries have been translated from local currencies into U.S. dollars as follows: liabilities and current assets at year end rates; non-current assets and depreciation expense at historical rates; and income and expense (except depreciation) at average rates during the year.

Due to the increased frequency of foreign currency realignments, the Company changed its accounting policy, effective January 1, 1973, with respect to gains and losses arising from foreign currency translations. Prior to 1973, such gains and losses were recognized in income, as extraordinary items, as they occurred. Under the new policy, unrealized gains are deferred and losses in excess of previously deferred gains are charged to income before extraordinary items. Accordingly, 1973 income before extraordinary credit and net income exclude $200,000 ($.05 per share) representing deferred unrealized foreign currency translation gains occurring during 1973. The cumulative effect on retained earnings at the beginning of 1973, if the new accounting principle had been applied retroactively, is not significant. Realized foreign exchange gains and losses are reflected in income.

To the Board of Directors and Shareholders of
The B.F. Goodrich Company

We have examined the balance sheet of The B.F. Goodrich Company and subsidiaries as of December 31, 1974, and December 31, 1973, and the related statements of income, income retained in the business and changes in financial position for the five years ended December 31, 1974. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of The B.F. Goodrich Company and subsidiaries at December 31, 1974, and December 31, 1973, and the consolidated results of their operations and changes in their financial position for the five years ended December 31, 1974, in conformity with generally accepted accounting principles which, except for the changes, with which we concur, in the method of inventory valuation as described in Note A, and in the method of determining income before extraordinary items as described in Note G, have been applied on a consistent basis.

Notes to Financial Statements

Note G: Extraordinary Items—Extraordinary items, net of applicable Federal income taxes, were as follows:

(Dollars in thousands) For the years ended December 31.	1971	1970
Gain on sale of:		
Investments in associated companies	$ —	$5,892
Portion of property at discontinued plant site	—	509
Surplus plant	—	517
Provision for loss on non-trade notes receivable	—	(2,860)
Losses from redeployment of assets	(28,094)	(520)
Totals	$(28,094)	$3,538

In 1971 and 1970, the Company recognized extraordinary items as presented above. These transactions are presented as extraordinary items in conformity with accounting principles then generally accepted. In 1973, a transaction providing for losses on the disposal of sponge rubber products operations was included in determining income before extraordinary items, in conformity with Accounting Principles Board Opinion No. 30. The Opinion prohibits restating the 1971 and 1970 financial statements. Had the Opinion been in effect for 1971 and 1970, net income would have been the same, but income before extraordinary items and cumulative effect of accounting change would have been $1,740,000 ($.12 per share) in 1971 and $15,045,000 ($1.03 per share) in 1970.

To the Board of Directors and Stockholders of
Lykes-Youngstown Corporation

We have examined the consolidated financial statements of Lykes-Youngstown Corporation and its subsidiaries on pages 18 through 26. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described on page 18, in 1973 the Company changed its methods of accounting for blast furnace relining and rehabilitation expenditures and steel mill rolls.

In our opinion, the accompanying consolidated financial statements examined by us present fairly the financial position of Lykes-Youngstown Corporation and its subsidiaries at December 31, 1974 and 1973, 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 years subsequent to the changes made as of January 1, 1973, with which we concur, referred to in the preceding paragraph.

Board of Directors and Stockholders
Sundstrand Corporation

We have examined the consolidated balance sheet of Sundstrand Corporation and Subsidiaries as of December 31, 1973 and 1974, and the related consolidated statements of earnings, and changes in financial position for the five years ended December 31, 1974, and the consolidated statement of stockholders' equity for the two years ended December 31, 1974. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above presently fairly the consolidated financial position of Sundstrand Corporation and Subsidiaries at December 31, 1973 and 1974, and the consolidated results of their operations and changes in their financial position for the five years ended December 31, 1974, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, in which we concur, in the method of accounting for research and development costs and subsequent to the change in 1970 in depreciation method, in which we concur, as described in the Financial Summary.— *Auditors' Report*.

Consolidated Statement of Earnings (in part)—During 1970 Sundstrand changed its accounting for depreciation to the straight-line method for principally all remaining property, plant and equipment that had been accounted for on accelerated methods. The effect of this change was to increase net earnings by $1,067,000 or $.20 per share in 1970.

Board of Directors and Stockholders
Supermarkets General Corporation

We have examined the consolidated balance sheet of Supermarkets General Corporation as of February 1, 1975 and February 2, 1974, 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.

In our opinion, the aforementioned financial statements present fairly the consolidated financial position of Supermarkets General Corporation at February 1, 1975 and February 2, 1974, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the period subsequent to the change, with which we concur, made as of February 4, 1973, in the method of accounting for pre-opening expenses as described in the note (deferred charges) to the financial statements.— *Accountants' Report*.

Notes to Consolidated Financial Statements

Summary of Significant Accounting Policies (in part)

Deferred Charges: During the year ended February 2, 1974, the Company changed its accounting method for store pre-opening, warehouse pre-opening and systems development costs from deferring and amortizing over 24 to 36 months to a policy of expensing such costs when incurred. Management believes that the new policy is more in conformity with the practices of other comparable companies in the industry. The cumulative net earnings effect of such accounting change, representing the balance of deferred pre-opening expense as of February 3, 1973, aggregating $1,457,000 ($.17 per share) after deducting the related income tax effect of $1,345,000, was charged to earnings during the year ended February 2, 1974. The pro-forma amounts shown in the Consolidated Statement of Earnings give effect to the retroactive application of this accounting change.

Deferred charges currently consist primarily of long term financing costs, being amortized over the period of the financing.

EMPHASIS OF A MATTER

Paragraph 27 of *Statement on Auditing Procedures No. 2* states:

> In some circumstances, the auditor may wish to emphasize a matter regarding the financial statements, but nevertheless intends to express an unqualified opinion. For example, he may wish to point out that the entity is a component of a larger business enterprise or that it has had significant transactions with related parties, or he may wish to call attention to an unusually important subsequent event or to an accounting matter affecting the comparability of the financial statements with those of the preceding period. Such explanatory information may be presented in a separate paragraph of the auditor's report. Phrases such as "with the foregoing explanation" should not be used in the opinion paragraph in situations of this type.

Examples of unqualified auditors' opinions including explanatory information about the financial statements follow.

Qualification As To Prior Year's Statements Removed

The Board of Directors and Stockholders,
Continental Oil Company

We have examined the accompanying consolidated balance sheet of Continental Oil Company and subsidiaries at December 31, 1974 and the related statements of consolidated income and retained earnings and changes in consolidated financial position for the year then ended. Our examination was made in accordance with generally acccepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously made a similar examination of the financial statements for the prior year. We did not examine the financial statements of a consolidated subsidiary representing total assets and revenues of 9% and 2%, respectively, in 1974 and 10% and 2%, respectively, in 1973 in the related consolidated totals after intercompany eliminations. These statements were examined by other auditors whose report thereon has been furnished to us and our opinion expressed herein, insofar as it relates to the amount included for this subsidiary, is based solely upon the report of the other auditors.

In our report dated February 26, 1974 relating to the consolidated financial statements for 1973, our opinion was qualified with respect to the outcome of the litigation discussed in Note 9. As explained in Note 9, the Company has reached agreements with three customers on contracts including one of the two principal contracts involved in the litigation. As a result, the qualification of our opinion with respect to the 1973 financial statements is removed.

In our opinion, based on our examination and the report of other auditors, the statements mentioned above present fairly the consolidated financial position of Continental Oil Company and subsidiaries at December 31, 1974 and 1973 and the consolidated results of their operations and the changes in their consolidated financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the period, except for the change, which we approve, in the method of inventory costing for 1974 described in Note 1.— *Report of Certified Public Accountants*.

Notes to Consolidated Financial Statements

Note 9: Commitments and contingent liabilities—In July 1974, the Company reached an agreement with a customer under one of the two principal contracts involved in the litigation. Under the terms of that agreement, the existing gas sales contract was amended to reduce the Company's maximum gas delivery obligation from 150 million cubic feet of gas daily to 75 million cubic feet of gas daily or its liquid fuels equivalent of approximately 13,000 barrels daily for the remaining period of the contract which expires February 28, 1987. Furthermore, the amended contract provides that the customer will gradually reduce its gas take so that by February 15, 1977, the Company may supply liquid fuels in substitution for the gas.

The customer and the Company have agreed on modified pricing provisions under which the Company will receive market prices at the time of delivery for quantities in excess of 46 million cubic feet a day of gas or its liquid fuels equivalent until April 1, 1976, and for quantities in excess of 40 million cubic feet a day of gas or its liquid fuels equivalent during the remaining period of the amended contract. For quantities up to these limits, the Company will continue to receive existing contract prices of approximately 24 cents per million British thermal units. With this modification, it is estimated that over the life of the contract the Company's profits on the volumes which the customer may elect to purchase at market prices will more than offset estimated losses on the volumes to be supplied at existing contract prices.

With respect to the remaining litigation, the Company is not seeking relief under sales contracts with respect to losses on gas purchase contracts entered into prior to the filing of the litigation. However, relief is being sought for any losses on gas purchase contracts entered into after May 10, 1972, and obligations, if any, arising from the Company's inability to deliver sales contract requirements. If the contentions of the Company prevail in their entirety, no losses will be incurred. If the contentions of the customer corporations should prevail in their entirety, the Company will incur significant future obligations.

After reflecting the above settlement agreement and settlements with two other customers having small contract requirements, the estimated quantities of natural gas required to fulfill the Company's sales contracts in this system exceed reserves owned or contracted for as of December 31, 1974, as indicated below (exclusive of projected Company requirements of 50 billion cubic feet, after conversions of Company facilities to alternative fuels to permit minimum gas usage):

	Billion cubic feet
With no plant expansions by customers	90
With plant expansions by customers to maximum contract volumes	120

None of these estimates gives effect to possible future discoveries or purchases by the Company. Through December 31, 1974, there were no deficiencies in deliveries to customers of the system.

The Shareholders
H. J. Heinz Company:

We have examined the consolidated balance sheets of H. J. Heinz Company and consolidated subsidiaries as of May 1, 1974 and May 2, 1973 and the related statements of income, additional capital, retained earnings 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.

The financial statements of certain subsidiaries, which are included in the consolidated statements, were examined by other independent public accountants whose reports have been furnished to us. The net assets and net sales of such subsidiaries constitute approximately 22 percent and 23 percent, respectively (22 percent as to both in 1973), of the related consolidated figures.

In our opinion, based on our examination and the aforementioned reports of other independent public accountants, the aforementioned financial statements present fairly the financial position of H. J. Heinz Company and consolidated subsidiaries as of May 1, 1974 and May 2, 1973, and the results of their operations and the changes in their financial position for the fiscal years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Uncertainties regarding the provision for extraordinary losses on the discontinuance, disposal and expropriation of certain segments of the business in fiscal 1973 caused us to issue our report dated June 25, 1973 on the Heinz consolidated financial statements subject to the outcome of that matter. Those uncertainties have been substantially resolved and such qualification is no longer required.— *Accountants' Report*.

Related Party Transactions

The Board of Directors and Shareholders of
Pullman Incorporated

We have examined the accompanying balance sheets of Pullman Incorporated and consolidated subsidiaries, and its unconsolidated leasing and financing subsidiaries (Pullman Transport Leasing Company, Trailmobile Finance Company and consolidated subsidiary, and Canadian Trailmobile Finance Limited) at December 31, 1974 and the related statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously made a similar examination of the financial statements for the prior year.

As more fully described in Note 1 of the Notes to Financial Statements, the unconsolidated leasing and financing subsidiaries, since the respective dates of their incorporation, have engaged in significant transactions with their parent under terms and conditions prescribed by their parent.

In our opinion, the statements mentioned above present fairly the financial position of the respective companies at December 31, 1974 and 1973 and the related results of operations and changes in financial position for the years then ended, all in conformity with generally accepted accounting principles applied on a consistent basis during the period.— *Report of Certified Public Accountants*.

Notes to Financial Statements

Note 1 (in part): Accounting Principles

Basis of presentation: The financial statements of the Corporation include the accounts of Pullman Incorporated and all of its majority owned subsidiaries except its leasing and financing subsidiaries for which separate financial statements are included. The Corporation's investment in the latter companies and those companies which are 50 percent or less owned is included in its balance sheet at an amount which represents its equity in the underlying net assets less any long-term amounts due these companies. The financial statements of the leasing and financing subsidiaries, in accordance with industry practice, do not classify the assets and liabilities as current or noncurrent. These statements reflect significant transactions with Pullman including those described below.

Leased equipment is purchased from Pullman at its cost (such sales are not included in Pullman's revenues and expenses). Equipment leased back to Pullman under agreements which meet the criteria for sales are so recorded. Installment contracts are purchased by the financing subsidiaries without recourse at an amount not exceeding the principal amount of the contracts. Administrative and selling expenses and interest on intercompany loans are allocated to the companies on bases which management believes reflect their portion of these costs. In 1974 and 1973 there was an allocation of additional finance income to Trailmobile Finance Company.

The taxable income of Pullman Transport Leasing Company and Trailmobile Finance Company are included in the consolidated federal income tax return of the Corporation. The related financial statements include an allocation of current and deferred income taxes equal to the amounts of any change in consolidated tax resulting from the inclusion of these companies.

Change in Conditions

To the Board of Directors and Shareholders of
Milton Roy Company:

We have examined the consolidated balance sheet of Milton Roy Company and its subsidiaries as of December 31, 1974 and 1973, and the related consolidated statements of income, shareholders equity 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.

Due to changed circumstances, as described in Note 2, comparability of the financial statements has been affected by a change, with which we concur, in the method of accounting for an investment in an affiliated company.

In our opinion, the consolidated financial statements examined by us present fairly the financial position of Milton Roy Company and its subsidiaries at December 31, 1974 and 1973, 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 Certified Public Accountants*.

Notes to Consolidated Financial Statements

Note 2: Change in accounting method—Effective January 1, 1974, due to changed circumstances, the Company changed its method of accounting for its 50% interest in Kurt Ladendorf GmbH from the equity to the cost method. This change was made because of the inability of management to exercise significant influence over operating and financial policies of this affiliate during 1974. At December 31, 1974, based on unaudited financial statements, the Company's equity in underlying net assets of Kurt Ladendorf GmbH exceeded its carrying value by approximately $190,000, which amount approximates the Company's share of net income for 1974. No dividends were declared during 1974. Earnings of this affiliate of $112,000 were included in 1973 net income.

To the Stockholders and Board of Directors,
Tenneco Inc.:

We have examined the consolidated balance sheets of Tenneco Inc. (a Delaware corporation) and subsidiary companies as of December 31, 1974 and 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 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.

Effective January 1, 1974, as discussed in Note 1 to the financial statements under the subcaption "Federal Income Taxes," the companies commenced providing deferred federal income taxes applicable to the difference between financial income and taxable income of its oil and gas exploration, development and production activities (exclusive of the current reduction in taxes payable resulting from statutory depletion). The commencement of providing for such deferred federal income taxes, with which we concur, reflects a change in conditions and not a change in accounting principles or practices.

In our opinion, the financial statements referred to above present fairly the financial position of Tenneco Inc. and subsidiary companies as of December 31, 1974 and 1973, and the results of operations and the changes in financial position on a consolidated basis for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the years.

Notes to Financial Statements

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

Federal Income Taxes—The companies follow deferred tax accounting for timing differences in the recognition of revenues and expenses for tax and financial reporting purposes, except for oil and gas exploration and development costs prior to 1974, certain timing differences flowed through as current reductions in income tax expense under FPC rate regulatory practices and unremitted earnings of foreign subsidiaries.

Until 1974, the companies followed the predominant oil and gas industry practice of "flowing-through" to current income the benefits of all tax deductions applicable to oil and gas exploration, development and production activities. Effective January 1, 1974, the companies commenced providing deferred federal income taxes applicable to the current difference between financial income and taxable income (exclusive of the current reduction in taxes payable resulting from statutory depletion). The commencement of providing for these deferred taxes reflects primarily the changing economics of the oil and gas industry including proposed Congressional action to reduce oil and gas tax incentives. As a result, net income was reduced approximately $46,000,000 or 66c per share in 1974. If the companies had provided for these deferred taxes in prior years, net income would have been reduced approximately $29,000,000 or 43c per share in 1973. At December 31, 1974, deferred taxes of $240,000,000 had not been provided for unamortized costs which have previously been deducted for tax purposes.

No provision has been made for U.S. income taxes on unremitted earnings of foreign subsidiaries (approximately $66,000,000 at December 31, 1974) since any such taxes payable would be substantially offset by foreign tax credits. It is the present intention of management to reinvest a major portion of such unremitted earnings in foreign operations.

The companies follow the flow-through method of accounting whereby the benefit of the investment tax credit is currently recognized in the income statement. At December 31, 1974, the companies had no unused investment tax credits.

Pro Forma Data

To the Shareholders of
United Aircraft Corporation

In our opinion, the accompanying consolidated balance sheet, the related consolidated statements of income, changes in shareholders' equity and changes in financial position present fairly the financial position of United Aircraft Corporation and subsidiary companies at December 31, 1974 and 1973 as reported, 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 also reviewed the accompanying pro forma consolidated balance sheet at December 31, 1973 and the related pro forma consolidated statement of income for the year then ended presented for comparative purposes and prepared on the basis that the acquisition of Essex International, Inc. had taken place on January 1, 1973; in our opinion, such pro forma consolidated financial statements have been properly compiled on the basis described in Note 2 to the financial statements.— *Opinion of Independent Accountants*.

REFERENCES TO OTHER STATEMENTS AND SCHEDULES

Table 6-7 shows that occasionally an auditors' report refers to schedules and statements other than the basic financial statements (balance sheet, statements of income and retained earnings, and statement of changes in financial position). Table 6-7 shows also that in a very few instances an annual report will present both an auditors' report covering the financial statements and schedules of a company and an auditors' report covering a subsidiary or the company's pension plan. Examples of references to other schedules and statements and of separate auditors' reports for a subsidiary follow.

TABLE 6-7: REFERENCES TO OTHER STATEMENTS AND SCHEDULES

	1974	1973	1972	1971
Auditors' Report Refers to:				
Financial statements of finance-related subsidiaries	23	25	24	24
Financial statements of other subsidiaries	5	5	9	2
Historical summary	7	6	6	6
Pro forma statements, etc.	8	3	4	5
Total	**43**	**39**	**43**	**37**
Separate Auditors' Report for:				
Financial statements of finance-related subsidiaries	9	6	5	6
Financial statements of other subsidiaries	3	2	1	1
Financial statements of pension fund etc.	3	3	3	3
Total	**15**	**11**	**9**	**10**

Auditors' Reports Refer to Separate Statements of Subsidiaries

The Board of Directors and Shareholders
Borg-Warner Corporation:

We have examined the balance sheet of Borg-Warner Corporation and consolidated subsidiaries as of December 31, 1974 and 1973, the related statements of earnings and changes in financial position for the years then ended, and the combined balance sheet of the financial services companies of Borg-Warner Corporation as of December 31, 1974 and 1973. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements on pages 23 through 29 present fairly the financial position of Borg-Warner Corporation and consolidated subsidiaries at December 31, 1974 and 1973 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 1974, with which we concur, in the method of determining cost of substantially all domestic inventories, as described in the notes to financial statements. Also, in our opinion, the combined balance sheet on pages 30 and 31 presents fairly the combined financial position of the financial services companies of Borg-Warner Corporation at December 31, 1974 and 1973 in conformity with generally accepted accounting principles applied on a consistent basis except for the change in 1974, with which we concur, in the method of recognizing income on certain finance receivables as described under the caption "Accounting change."— *Auditors' Report*.

Board of Directors and Shareholders
Fruehauf Corporation
Detroit, Michigan

We have examined the accompanying consolidated balance sheet of Freuhauf Corporation and consolidated subsidiaries as of December 31, 1974, and December 31, 1973, and the related statements of net earnings, earnings retained for use in the business, additional paid-in capital, and changes in financial position for the years then ended. We have also examined the accompanying consolidated balance sheet of Freuhauf Finance Company and consolidated subsidiary as of December 31, 1974, and December 31, 1973, and the related statements of net earnings and earnings retained for use in the business and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the consolidated financial position of Freuhauf Corporation and consolidated subsidiaries and the consolidated financial position of Freuhauf Finance Company and consolidated subsidiary at December 31, 1974, and December 31, 1973, and the respective results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles which for Freuhauf Finance Company were consistently applied, and which for Freuhauf Corporation and consolidated subsidiaries were applied on a consistent basis except for the change, with which we concur, in the method of valuing inventories as described in Note B to the financial statements.— *Accountants' Report*.

Auditors' Report Refers to Historical Summary

To the Board of Directors and the Stockholders of
ACF Industries, Incorporated:

In our opinion, the accompanying consolidated balance sheets and the related statements of consolidated income, retained earnings and of changes in financial position present fairly the financial position of ACF Industries, Incorporated and its subsidiaries at December 31, 1974 and 1973, the results of their operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Also, in our opinion, the five-year statistical summary on page five presents fairly the financial information included therein. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.— *Report of Independent Accountants*.

The Shareholders and Board of Directors
Aluminum Company of America:

We have examined the consolidated balance sheet of Aluminum Company of America and consolidated subsidiaries as of December 31, 1974 and the related statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the consolidated financial statements of Aluminum Company of America and consolidated subsidiaries for the year 1973.

In our opinion, the above-mentioned financial statements present fairly the consolidated financial position of Aluminum Company of America and consolidated subsidiaries at December 31, 1974 and 1973, 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.

In addition, we have read the financial information included in the Financial highlights on page 1 and in the Twenty-year summary under the captions, "Earnings," "Financial position" and "Share data" on pages 18 and 19 of this annual report, have compared it to data taken from the audited financial statements, subjected it to audit procedures, and verified its mathematical accuracy. In our opinion, such data is fairly stated in relation to the audited financial statements taken as a whole.— *Auditors' Report*.

To the Shareholders and the Board of Directors of
Hercules Incorporated
Wilmington, Delaware

We have examined the consolidated balance sheet of Hercules Incorporated and wholly owned subsidiary companies as of December 31, 1974, and the related consolidated statements of income, 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 Hercules Incorporated for 1973.

In our opinion, the aforementioned consolidated financial statements (pages 3-A to 7-A and 10-A to 15-A) present fairly the consolidated financial position of Hercules Incorporated and wholly owned subsidiary companies at December 31, 1974 and 1973, and the consolidated results of their operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis, except for the change, with which we concur, in the method of inventory valuation as described in Note 3 to the consolidated financial statements.

In addition, we have read the operating and financial review information in the ten-year digest on pages 8-A and 9-A and have compared it with information included in the audited consolidated financial statements. In our opinion, the aforementioned operating and financial review presents fairly the information included therein.— *Auditors' Report*.

To the Shareholders of
G. C. Murphy Company:

We have examined the consolidated balance sheet of G. C. Murphy Company and subsidiaries as of December 31, 1974 and the related statements of income and income retained in the business and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the consolidated financial statements of the Company for the year 1973.

In our opinion, the above-mentioned financial statements present fairly the consolidated financial position of G. C. Murphy Company and subsidiaries at December 31, 1974 and 1973, 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.

In addition, we have read the financial information included in the Highlights on the inside front cover, and in the Ten-Year Review under the captions, "Summary of Operations," "Year-End Position" and "Per Share Data" on page 26 of this annual report, have compared it to data taken from the audited financial statements, subjected it to audit procedures, and verified its mathematical accuracy. In our opinion, such data is fairly stated in relation to the audited financial statements taken as a whole.— *Auditors' Report*.

To The Shareholders of
NCR Corporation

We have examined the accompanying consolidated financial statements (pages 21-29) of NCR Corporation as of December 31, 1974 and 1973 and the five-year review (pages 30-31). 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.

As described in Note 5 to the financial statements, on January 1, 1974, the Company adopted the LIFO valuation method for its paper and business forms and supply inventories.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of NCR Corporation and its subsidiaries at December 31, 1974 and 1973, 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 except for the change, with which we concur, referred to in the preceding paragraph. Also, in our opinion, the five-year review presents fairly the financial information included therein.— *Report of Independent Accountants.*

Separate Auditors' Reports for Other Statements

To the Trustees of the Pension Trust of
Bethlehem Steel Corporation and Subsidiary Companies:

In our opinion, the accompanying Statements of Assets and Statements of Changes in Fund present fairly the assets of the Pension Fund under the Pension Trust of Bethlehem Steel Corporation and Subsidiary Companies at December 31, 1974 and 1973 and the changes in the Fund during the years, 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, including confirmation by the custodian of investments owned at December 31, 1974 and 1973.— *Report of Independent Accountants*.

The Board of Directors and Stockholder
Fedders Financial Corporation

We have examined the accompanying consolidated balance sheet of Fedders Financial Corporation at August 31, 1974 and 1973 and the related consolidated statements of income and retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Fedders Financial Corporation at August 31, 1974 and 1973 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 during the period.— *Report of Certified Public Accountants*.

To The Board of Directors of
Sears, Roebuck and Co.:

We have examined the Statement of Financial Position of Allstate Insurance Company and Consolidated Subsidiaries as of December 31, 1974 and 1973, and the related Statements of Income, Capital and Changes in Financial Position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of Allstate Insurance Company and Consolidated Subsidiaries at December 31, 1974 and 1973, and the results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.— *Report of Certified Public Accountants*.

ACCOUNTING FIRMS REPRESENTED IN SURVEY

Eighty certified public accounting firms are represented in the current survey. During 1974, five of the survey companies changed CPA firms.

Paragraph 49 of *Statement on Auditing Standards No. 2* states in part:

> If the financial statements of the prior year have been audited by other public accountants whose report is not presented or if they are unaudited, this fact should be disclosed in the financial statements or in the current auditor's report. Any qualification contained in a predecessor auditor's report relating to audited financial statements presented should also be disclosed either in the financial statements or in the current auditor's report. If the auditor has significant exceptions or reservations as to unaudited financial statements presented, he should make appropriate disclosure in his report. (See SAS No. 1, section 516.11.)

Examples of disclosures made in connection with changing CPA firms follow.

Auditors' Reports

To the Shareholders and Board of Directors of
Foote Mineral Company:

We have examined the consolidated balance sheet of Foote Mineral Company (a Pennsylvania corporation and a subsidiary of Newmont Mining Corporation) and subsidiaries as of December 31, 1974, 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. The financial statements for the prior year were examined and reported on by other public accountants.

In our opinion, the financial statements referred to above present fairly the financial position of Foote Mineral Company and subsidiaries as of December 31, 1974 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 which, except for the change (with which we concur) to the last-in first-out method of determining inventory costs as explained in Note 1 to consolidated financial statements, were applied on a basis consistent with that of the preceding year.

To the Shareholders and Board of Directors of
Foote Mineral Company:

We have examined the consolidated balance sheet of Foote Mineral Company and subsidiaries as of December 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.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Foote Mineral Company and subsidiaries at 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.

Reports of Independent Accountants

The Board of Directors
Portec, Inc.

We have examined the consolidated balance sheet of Portec, Inc. and its subsidiaries as of December 31, 1974 and the related consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The method of valuing domestic inventories was changed in 1974, as described in Note 2 to the consolidated financial statements.

In our opinion, the consolidated financial statements examined by us present fairly the financial position of Portec, Inc. and its subsidiaries at December 31, 1974, the results of their operations for 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 except for the change, with which we concur, referred to in the preceding paragraph.

The consolidated financial statements of Portec, Inc. for the year 1973 were examined by other independent accountants.

The Board of Directors
Portec, Inc.

We have examined the consolidated balance sheet of Portec, Inc. and subsidiaries as of December 31, 1973 and the related consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of Portec, Inc. and subsidiaries at 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.

Board of Directors and Shareholders
Velvet-O'Donnell Corporation

We have examined the consolidated balance sheet of Velvet-O'Donnell Corporation and Subsidiary at November 2, 1974, 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. The financial statements for 1973, which are presented for comparative purposes, were examined by other independent public accountants.

In our opinion, the aforementioned financial statements present fairly the consolidated financial position of Velvet-O'Donnell Corporation and Subsidiary at November 2, 1974, 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.—*Report of Certified Public Accountants*.

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-Eighth (1974) edition. Eleven companies included in the 1974 edition have been eliminated and their numbers left unused. The companies selected as replacements have been assigned numbers 771 to 777, 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*	
	AMAX, Inc.—*see 35*	
	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	*American Stores Company*	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*	
	Alco Standard Corporation—*see 771*	
11	Allegheny Ludlum Industries, Inc.	12
13	Allied Chemical Corporation	12
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

Co. No.		*Month in which fiscal year ends
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	*AMAX, Inc.*	12
36	American Motors Corporation	9
39	*American Standard Inc.*	12
40	*ASG Industries, Inc.*	12
41	American Seating Company	12
42	The American Ship Building Company	9
43	American Smelting and Refining Company	12
	American Standard Inc.—*see 39*	
	American Stores Company—*see 4*	
44	*Amstar Corporation*	6
45	*American Brands, Inc.*	12
47	Ametek, Inc.	12
	Ampco-Pittsburgh Corporation—*see 486*	
48	Ampex Corporation	4
49	*AMP Incorporated and Pamcor, Inc.*	12
	Amstar Corporation—*see 44*	
51	AMSTED Industries Incorporated	9
52	The Anaconda Company	12
	Anchor Coupling Co. Inc.—*see 606*	
53	Anchor Hocking Corporation	12
55	Anderson, Clayton & Co.	6
56	Anheuser-Busch, Incorporated	12
	The Ansul Company—*see 607*	
57	Apco Oil Corporation	12
58	Archer Daniels Midland Company	6
59	Arden-Mayfair, Inc.	12
	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

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
68	Associated Dry Goods Corporation	1
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
	Boise Cascade Corporation—*see 612*	
100	Borden, Inc.	12
101	Borg-Warner Corporation	12
	Bowne & Co., Inc.—*see 718*	
	Brenco, Incorporated—*see 652*	
103	Briggs & Stratton Corporation	6
104	The Bristol Brass Company	12
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
	CBS Inc.—*see 152*	
	CPC International Inc.—*see 172*	
	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	Caterpillar 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	*Paxall, Inc.*	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
151	Colt Industries Inc.	12
152	*CBS Inc.*	12
153	Combustion Engineering, Inc.	12
154	Commerical Solvents Corporation	12
	Commonwealth Oil Refining Company, Inc.—*see 772*	
	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
184	Cutler-Hammer, Inc.	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*	

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
189	Dennison Manufacturing Company	12
191	Diamond International Corporation	12
	Diamond Shamrock Corporation—*see 658*	
193	Dictaphone Corporation	12
195	Walt Disney Productions	9
197	The Dow Chemical Company	12
	Doyle Dane Bernbach Inc.—*see 616*	
198	Dravo Corporation	12
199	Dresser Industries, Inc.	10
201	*The Duplan Corporation*	9
202	E. I. du Pont de Nemours & Company	12
	The Duplan Corporation—*see 201*	
	ELTRA Corporation—*see 213*	
	ERB Lumber Co.—*see 745*	
	ESB Incorporated—*see 210*	
204	Eagle-Picher Industries, Inc.	11
	Easco Corporation—*see 206*	
205	The Eastern Company	12
206	*Easco Corporation*	12
207	Eastman Kodak Company	12
208	Eaton Corporation	12
	Electric Hose & Rubber Company—*see 617*	
210	*ESB Incorporated*	3
213	*ELTRA Corporation*	9
214	Emerson Electric Co.	9
215	Emhart Corporation	12
	Empire Gas Corporation—*see 721*	
	Englehard Minerals & Chemicals Corporation—*see 659*	
	Esmark, Inc.—*see 535*	
	Ethan Allen, Inc.—*see 746*	
	Ethyl Corporation—*see 660*	
218	Evans Products Company	12
220	Ex-Cell-O Corporation	11
	Exxon Corporation—*see 518*	
	FDI, Inc.—*see 733*	
	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
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*	
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
252	General Refractories Company	12
253	General Signal Corporation	12
254	The General Tire & Rubber Company	11
255	GENESCO Inc.	7
256	Georgia-Pacific Corporation	12
257	Gerber Products Company	3
	Getty Oil Company—*see 620*	
	Giant Food Inc.—*see 621*	
258	Giddings & Lewis, Inc.	12
259	The Gillette Company	12
	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
	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, Inc.—*see 276*	
	HON Industries Inc.—*see 726*	
	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 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
287	Hershey Foods Corporation	12
288	Hewlett-Packard Company	10
290	Hobart Corporation	12
291	Hoffman Electronics Corporation	12

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
292	Holly Sugar Corporation	3
	Homasote Company—*see 666*	
293	Honeywell Inc.	12
295	The Hoover Company	12
296	Geo. A. Hormel & Company	10
297	Houdaille Industries, Inc.	12
298	Howmet Corporation	12
	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
	IPCO Hospital Supply Corporation—*see 627*	
	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*	
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
	Kaiser Industries Corporation—*see 773*	
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
	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*	
	LaBarge, Inc.—*see 704*	
	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, McNeill & 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
369	McGraw-Hill, Inc.	12
372	The Mead Corporation	12
373	Medusa Corporation	12
374	Melville Shoe Corporation	12
375	Merck & Co., Inc.	12

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
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 Corporation	12
384	The Mohawk Rubber Company	12
	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
	NCR Corporation—*see 395*	
	NL Industries, Inc.—*see 400*	
394	Nabisco, Inc.	12
	The Narda Microwave Corporation—*see 768*	
	National Can Corporation—*see 637*	
395	*NCR Corporation*	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.	12
406	*ConAgra, Inc.*	6
407	Neptune International Corporation	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*	
	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

Co. No.		*Month in which fiscal year ends
	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
	Paxall, Inc.—*see 135*	
	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
	Pennzoil Company—*see 775*	
430	Peoples Drug Stores, Incorporated	12
431	PepsiCo., Inc.	12
432	Pet Incorporated	3
	Pettibone Corporation—*see 684*	
433	Pfizer Inc.	12
434	Phelps Dodge Corporation	12
436	Philip Morris Incorporated	12
437	Phillips Petroleum Company	12
438	Phoenix Steel Corporation	12
439	The Pillsbury Company	5
441	Pitney-Bowes, Inc.	12
443	*PPG Industries, Inc.*	12
445	The Pittston Company	12
447	Polaroid Corporation	12
448	Portec, Inc.	12
	Potlatch Corporation—*see 685*	
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
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*	
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*	

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
	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
	Schlumberger Limited—*see 776*	
	Scope Industries—*see 730*	
484	Scott Paper Company	12
485	Scovill Manufacturing Company	12
486	*Ampco-Pittsburgh Corporation*	12
487	Seaboard Allied Milling Corporation	5
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*	
523	Stanray Corporation	12
524	The L. S. Starrett Company	6
	Sterling Drug Inc.—*see 693*	
	Sterndent Corporation—*see 777*	
525	J. P. Stevens & Co., Inc.	10

Co. No.		*Month in which fiscal year ends
526	Stewart-Warner Corporation	12
527	Stokley-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	Sunstrand 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
572	*Cadence Industries Corporation*	12
574	Universal Leaf Tobacco Company, Incorporated	6
575	Utah-Idaho Sugar Company	2

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
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 Waiter Corporation—*see 316*	
582	Ward Foods, Inc.	12
	Warner Communications Inc.—*see 728*	
584	Warner-Lambert Company	12
586	*Westinghouse Electric Corporation*	12
587	West Point-Pepperell, Inc.	8
	Westinghouse Electric Corporation—*see 586*	
588	Westvaco Corporation	10
589	Weyerhaeuser Company	12
590	Wheeling-Pittsburgh Steel Corporation	12
	Whirlpool Corporation—*see 650*	
	White Consolidated Industries, Inc.—*see 698*	
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

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.*	2
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
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

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	*Molycorp, Inc.*	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
692	*Stanley Home Products, Inc*	12
693	*Sterling Drug Inc.*	12
694	*Struthers Wells Corporation*	11
695	*Teledyne, Inc.*	12
697	*Victor Comptometer Corporation*	12
698	*White Consolidated Industries, Inc.*	12
699	*Whittaker Corporation*	10

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends

ADDED FOR 1970 EDITION

701	*American Electronic Laboratories, Inc.*	2
702	*Humana Inc.*	8
704	*LaBarge, Inc.*	12
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.*	8

ADDED FOR 1971 EDITION

716	*Aberdeen Manufacturing Corporation*	12
717	*American Beef Packers, Inc.*	5
718	*Bowne & Co., Inc.*	10
719	*The Maple Plain Company, Inc.*	5
721	*Empire Gas Corporation*	6
723	*John Fluke Mfg. Co., Inc.*	9
724	*Gamble-Skogmo, Inc.*	1
726	*HON Industries Inc.*	12
728	*Warner Communications Inc.*	12
730	*Scope Industries*	7

ADDED FOR 1972 EDITION

733	*FDI, 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

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
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

ADDED FOR 1974 EDITION

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	*The Narda Microwave Corporation*	6
769	*Rowe Furniture Corporation*	11
770	*Unifi, Inc.*	6

ADDED FOR 1975 EDITION

771	*Alco Standard Corporation*	9
772	*Commonwealth Oil Refining Company, Inc.*	12
773	*Kaiser Industries Corporation*	12
775	*Pennzoil Company*	12
776	*Schlumberger Limited*	12
777	*Sterndent Corporation*	12

Companies Included in Twenty-Eighth Edition Not Included in this Edition of the Survey

15	Allied Mills, Inc.
98	The Bohack Corporation
99	Bond Industries, Inc.
150	Great Western United Corporation
251	General Resources Corporation
642	Potter Instrument Company, Inc.
725	Herff Jones Co.
729	RayGo, Inc.
747	F & B/CECO Industries, Inc.
748	Charles Jacquin et Cie., Inc.
755	Weight Watchers International, Inc.

*Months numbered in sequence, January through December

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