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Accounting trends and techniques, 30th annual survey, 1976 edition

American Institute of Certified Public Accountants

1976 Accounting Trends & Techniques

AICPA

Thirtieth Edition 1976

Accounting Trends & Techniques

Annual Survey of Accounting Practices Followed in 600 Stockholders' Reports

AICPA

American Institute of Certified Public Accountants

Thirtieth Edition 1976

Accounting Trends & Techniques

Thirtieth 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 January 31, 1976.

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PREFACE

Accounting Trends & Techniques—1976, Thirtieth 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 22, 1975 and January 31, 1976.

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. 441 of the companies were listed in the twenty-first (1967) edition and each retained the number assigned in that edition. The other 159 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 792 have been assigned to their replacements. The 600 companies in the current edition are listed in the Company Appendix Section both alphabetically and by their identification number.

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

Special acknowledgment is due to J. Richard Chaplin, CPA; Gregory Frydman, CPA; William A. Godla, CPA; Phyllis C. Johnson, CPA; Joseph M. Nestor, CPA; and John G. Pate, Jr., CPA for their assistance in the analysis of the financial reports and preparation of the manuscript.

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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

Practically 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 1-2: REVENUE OF SURVEY COMPANIES

	1975	1974	1973	1972
Less than $100,000,000	101	93	124	128
Between $100,000,000 and $500,000,000	178	199	194	199
Between $500,000,000 and $1,000,000,000	98	89	95	107
Between $1,000,000,000 and $2,000,000,000	102	114	97	98
More than $2,000,000,000	121	105	90	68
Total Companies	**600**	**600**	**600**	**600**

TABLE 1-1: INDUSTRY CLASSIFICATIONS

	1975	1974	1973	1972
Foods:				
Meat products	9	11	11	13
Dairy products	5	5	5	5
Canning, etc.	10	9	9	4
Packaged and bulk	19	21	22	21
Baking	5	5	5	5
Sugar, confections, etc.	7	6	7	7
Beverages	6	6	7	9
Tobacco products	7	8	8	8
Textiles	30	29	29	29
Paper products	16	16	16	16
Printing, publishing	8	7	7	6
Chemicals	25	25	25	26
Drugs, cosmetics, etc	19	19	19	18
Petroleum	27	27	25	25
Rubber products, etc	9	10	10	12
Shoes - manufacturing, merchandising, etc	8	8	8	8
Building:				
Cement	4	5	5	7
Roofing, wallboard	12	12	12	11
Heating, plumbing	7	7	7	7
Other	18	16	17	14
Steel and iron	23	23	22	23
Metal - nonferrous	19	18	18	16
Metal fabricating	11	13	12	15
Machinery, equipment and supplies	37	39	39	41
Electrical equipment, appliances	17	17	17	12
Electrical, electronic equipment	37	38	37	33
Business equipment and supplies	13	13	14	11
Containers - metal, glass, etc.	8	8	8	9
Autos and trucks (including parts, accessories)	23	21	21	22
Aircraft and equipment, aerospace	16	16	16	20
Railway equipment, shipbuilding, etc	7	7	7	10
Controls, instruments, medical equipment, watches and clocks, etc	14	13	13	13
Merchandising:				
Department stores	12	12	12	9
Mail order stores, variety stores	3	4	4	9
Grocery stores	15	16	17	20
Other	10	9	10	11
Motion pictures, broadcasting	6	6	6	5
Widely diversified, or not otherwise classified	78	75	73	70
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.

Effective for fiscal periods beginning on or after December 26, 1976, Securities and Exchange Commission Regulation S-X will require most companies with actively traded stock to disclose selected quarterly financial data in a note to the financial statements. The note should disclose net sales, gross profit, income before extraordinary items and cumulative effect of accounting changes, per share amounts based on such income, and net income for each quarter within the two most recent fiscal years. The note should also describe any infrequently occurring items and the effect and nature of year-end or other adjustments.

The S-X requirement pertaining to the disclosure of quarterly data will apply to financial statements included in Form 10-K and to financial statements included in annual reports to stockholders. Companies whose shares are not actively traded or whose size is below certain limits will not be required to disclose quarterly data. Eighteen survey companies disclosed quarterly financial data for each quarter within the two most recent fiscal years in a note to their 1975 financial statements.

Examples of disclosures required by Rule 14c-3 and of quarterly data follow.

Five Year Summary of Operations

STANRAY CORPORATION (DEC)

Consolidated Summary of Operations and Supplementary Information

	1975	1974	1973	1972	1971
	All dollar figures stated in thousands, except per share data				
Profit and loss information*					
Net sales from continuing operations	$ 75,746	$ 70,450	$ 61,151	$ 50,254	$ 45,641
Costs of products sold	$ 61,405	$ 54,003	$ 46,224	$ 37,689	$ 34,920
Interest, net	$ 1,031	$ 877	$ 467	$ 266	$ 192
Depreciation and amortization	$ 1,052	$ 829	$ 759	$ 690	$ 728
Operating income	$ 6,369	$ 9,470	$ 8,807	$ 7,407	$ 4,914
Provision for income taxes	3,191	4,317	4,108	3,474	2,464
Net income from continuing operations	$ 3,178	$ 5,153	$ 4,699	$ 3,933	$ 2,450
Losses from discontinued operations, net of applicable income tax credits	(8,523)	(2,725)	(1,782)	(1,241)	(493)
Net income (loss)	$ (5,345)	$ 2,428	$ 2,917	$ 2,692	$ 1,957
Income (loss) per share					
Net income from continuing operations	$ 1.66	$ 2.67	$ 2.43	$ 2.05	$ 1.29
Losses relating to discontinued operations	(4.46)	(1.41)	(.92)	(.65)	(.26)
Net income (loss)	$ (2.80)	$ 1.26	$ 1.51	$ 1.40	$ 1.03
Dividends declared per share	$ .60	$ .60	$ .55	$ .40	$ .40
Weighted average shares outstanding	1,911,000	1,927,000	1,936,000	1,919,000	1,897,000
Financial position					
Working capital	$ 20,321	$ 24,466	$ 23,355	$ 21,091	$ 9,540
Current ratio	2.4	1.9	2.4	2.5	1.5
Net worth	$ 20,272	$ 26,764	$ 25,618	$ 23,809	$ 21,736
Per share	$ 10.61	$ 14.01	$ 13.29	$ 12.33	$ 11.42
Additional information					
Capital improvements*	$ 1,746	$ 1,820	$ 1,228	$ 812	$ 900
Number of stockholders	5,043	4,950	4,773	4,699	4,975
Number of employees*	1,322	1,679	1,524	1,333	1,152

*Restated to reflect continuing operations only.

ENGLEHARD MINERALS & CHEMICALS CORPORATION (DEC)

Summary of Operations

	1975	1974	1973	1972	1971
			(Thousands of Dollars)		
Revenues:					
Net sales and operating revenues	$5,672,520	$5,376,649	$3,046,105	$1,930,365	$1,556,163
Other income	3,189	2,642	3,995	1,397	1,949
	5,675,709	5,379,291	3,050,100	1,931,762	1,558,112
Costs and expenses:					
Cost of sales	5,335,525	5,038,751	2,871,255	1,805,194	1,455,978
Selling, administrative and general expenses	135,098	116,558	76,679	62,138	55,216
Interest	24,508	31,457	21,386	14,442	12,439
Other deductions	4,548	735	797	534	243
	5,499,679	5,187,501	2,907,117	1,882,308	1,523,876
Earnings before income taxes and extraordinary charges	176,030	191,790	79,983	49,454	34,236
U.S. and foreign taxes on income	61,314	81,626	27,472	12,832	3,028
Earnings before extraordinary charges	114,716	110,164	52,511	36,622	31,208
Extraordinary charges, net of applicable taxes on income	—	—	—	—	3,139
Net earnings	114,716	110,164	52,511	36,622	28,069
Annual dividend requirements on $4.25 cumulative convertible preferred stock	609	2,119	2,550	2,617	2,809
Earnings applicable to common stock	$ 114,107	$ 108,845	$ 49,961	$ 34,005	$ 25,260
Per share of common stock:					
Primary earnings*—					
Before extraordinary charges	$3.79	$3.96	$1.84	$1.25	$1.07
Extraordinary charges	—	—	—	—	.12
Net earnings	$3.79	$3.96	$1.84	$1.25	$ .95
Fully diluted earnings*—					
Before extraordinary charges	$3.53	$3.42	$1.64	$1.17	$1.00
Extraordinary charges	—	—	—	—	.10
Net earnings	$3.53	$3.42	$1.64	$1.17	$ .90
Cash dividends	$ .80	$ .70	$ .43	$ .40	$ .40
Average number of shares outstanding:*					
For primary earnings per share	30,108,800	27,314,672	27,210,695	27,165,256	26,658,970
For fully diluted earnings per share	32,909,176	32,612,768	32,723,943	31,402,149	31,177,448

*All years prior to 1974 restated to give effect to additional shares outstanding as a result of a 2% common stock dividend paid in 1974.

J. RAY McDERMOTT & CO., INC. (MAR)

Five Year Summary of Operations

	1975	1974	1973	1972	1971
	(In thousands except shares and per share amounts)				
Income from operations	$742,825	$425,756	$358,399	$321,509	$238,158
Cost of operations	650,003	379,700	331,145	313,949	231,052
Net operating income	$ 92,822	$ 46,056	$ 27,254	$ 7,560	$ 7,106
Other income (expense):					
Interest expense	(15,972)	(8,679)	(5,974)	(4,146)	(3,888)
Other income, net	13,354	9,461	8,179	6,867	4,762
Income before provision for income taxes	$ 90,204	$ 46,838	$ 29,459	$ 10,281	$ 7,980
Provision for income taxes	14,123	12,049	12,554	2,128	1,188
Net income before extraordinary items and cumulative effect of accounting change	$ 76,081	$ 34,789	$ 16,905	$ 8,153	$ 6,792
Extraordinary items (net of taxes on income)	—	—	270	10,962	—
Cumulative effect of accounting change	—	(3,023)	—	—	—
Net income	$ 76,081	$31,766	$17,175	$ 19,115	$ 6,792
Net income per share:					
Primary earnings:					
Before extraordinary items and cumulative effect of accounting change	$ 9.85	$ 5.00	$ 2.51	$ 1.21	$ 1.01
Extraordinary items (net of taxes on income)	—	—	.04	1.63	—
Cumulative effect of accounting change (net of taxes on income)	—	(.44)	—	—	—
Net income	$ 9.85	$ 4.56	$ 2.55	$ 2.84	$ 1.01
Fully diluted earnings:					
Before extraordinary items and cumulative effect of accounting change	$ 9.54	$ 4.50	$ 2.43	$ 1.21	$ 1.01
Extraordinary items (net of taxes on income)	—	—	.04	1.63	—
Cumulative effect of accounting change (net of taxes on income)	—	(.38)	—	—	—
Net income	$ 9.54	$ 4.12	$ 2.47	$ 2.84	$ 1.01
Cash dividends paid:					
Per share	$ 1.20	$ 1.05	$ 1.00	$ 1.00	$ 1.00
Total amount	$ 9,289	$ 7,380	$ 6.733	$ 6,724	$ 6,715
Average number of shares outstanding	7,722,934	6,963,127	6,732,046	6,721,083	6,714,928
Stockholders' equity per share at March 31	$ 46.95	$ 38.79	$ 30.48	$ 28.88	$ 26.99

NORTON SIMON INC. (JUN)

Five-Year Summary of Operations

	1975	1974	1973	1972	1971
	In thousands of dollars except for per share amounts.				
Sales and Other Income					
Net sales	$1,869,547	$1,653,414	$1,480,509	$1,365,725	$1,305,555
Discontinued operations	173,146	185,226	214,552	208,062	213,549
Continuing operations	1,696,401	1,468,188	1,265,957	1,157,663	1,092,006
Interest, dividends & other	27,125	19,999	21,144	19,183	12.027
Total	1,723,526	1,488,187	1,287,101	1,176,846	1,104,033
Costs and Expenses					
Cost of sales	1,161,130	995,136	820,346	751,050	702,897
Selling, general and administrative	398,429	360,007	325,447	297,514	283,308
Interest—principally long-term debt	20,739	15,357	18,851	14,257	12,554
Total	1,508,298	1,370,500	1,164,644	1,062,821	998,759
Income before taxes	143,228	117,687	122,457	114,025	105,274
Income taxes	63,934	53,369	55,418	52,693	52,035
Income from continuing operations	79,294	64,318	67,039	61,332	53,239
Income from discontinued operations	3,464	8,009	11,341	6,313	3,229
Net income	82,758	72,327	78,380	67,645	56,468
Preferred dividends	6,038	6,002	6,014	6,054	5,958
Earned on common shares	$ 76,720	$ 66,325	$ 72,366	$ 61,591	$ 50,510
Earnings Per Common Share					
Assuming no dilution					
Continuing operations	$1.76	$1.40	$1.48	$1.36	$1.20
Discontinued operations	.08	.19	.28	.16	.08
	$1.84	$1.59	$1.76	$1.52	$1.28
Assuming full dilution					
Continuing operations	$1.60	$1.30	$1.35	$1.25	$1.10
Discontinued operations	.07	.16	.23	.13	.07
	$1.67	$1.46	$1.58	$1.38	$1.17
Dividends Per Common Share					
Cash	$ .37	$ .28	$ .24	$ .06	None
Stock	2½%	2½%	2½%	2½%	2½%

ST. JOE MINERALS CORPORATION (DEC)

Statement of Consolidated Income

	1971†	1972†	1973†	1974*	1975	Increase (Decrease) 1974 vs. 1973	Increase (Decrease) 1975 vs. 1974
	(In thousands except per share data)						
Net Sales	$280,592	$321,275	$399,188	$693,975	$729,380	$294,787	$35,405
Costs and Expenses:							
Cost of sales	232,365	261,161	314,334	508,023	553,180	193,689	45,157
Depletion, depreciation and amortization	8,783	12,789	17,754	24,547	31,379	6,793	6,832
Administrative and selling	7,691	9,305	10,276	14,133	16,500	3,857	2,367
Research and exploration	2,635	3,552	4,290	5,469	7,016	1,179	1,547
Interest	1,140	2,689	3,516	4,227	3,355	711	(872)
Amortization of goodwill	282	735	1,039	1,599	1,502	560	(97)
Total Costs and Expenses	252,896	290,231	351,209	557,998	612,932	206,789	54,934
Income From Operations	27,696	31,044	47,979	135,977	116,448	87,998	(19,529)
Other Income:							
Dividends from unconsolidated subsidiaries	3,924	4,174	4,697	—	2,000	(4,697)	2,000
Gain on sale of assets	—	—	—	—	6,504	—	6,504
Interest, royalties, etc.	3,630	3,139	4,845	5,947	7,466	1,102	1,519
Income Before Income Taxes and Extraordinary Items	35,250	38,357	57,521	141,924	132,418	84,403	(9,506)
Income Taxes (A)	11,207	12,278	19,755	51,019	50,751	31,264	(268)
Income Before Extraordinary Items	24,043	26,079	37,766	90,905	81,667	53,139	(9,238)
Extraordinary Items (net of related income taxes)	—	1,229	—	—	—	—	—
Net Income	$ 24,043	$ 27,308	$ 37,766	$ 90,905	$ 81,667	$ 53,139	$ (9,238)
Per Share of Common Stock:							
Income before extraordinary items	$1.22	$1.32	$1.91	$4.52	$4.06		
Net income	$1.22	$1.38	$1.91	$4.52	$4.06		
Cash dividends	$ .81¼	$ .75	$ .76¼	$ .97¼	$1.17½		
Average Number of Shares of Common Stock Outstanding	19,787	19,795	19,805	20,097	20,129		
(A) Income Taxes:							
Income taxes are comprised of:							
Current:							
Federal	$ 8,523	$ 8,847	$ 14,946	$ 41,728	$ 36,240		
Investment tax credits	(268)	(1,368)	(1,937)	(1,882)	(2,793)		
Foreign	488	409	632	(676)	5,466		
State	987	950	1,017	2,504	4,823		
Total current	9,730	8,838	14,658	41,674	43,736		
Deferred:							
Federal	1,477	2,802	3,645	6,371	5,982		
Foreign	—	638	1,452	2,974	1,033		
Total deferred	1,477	3,440	5,097	9,345	7,015		
Total	$ 11,207	$ 12,278	$ 19,755	$ 51,019	$ 50,751		
A reconciliation between the statutory Federal income tax rate of 48% and the Corporation's income taxes follows:							
48% of income before income taxes	$ 16,920	$ 18,411	$ 27,610	$ 68,124	$ 63,561		
Statutory depletion	(5,374)	(4,102)	(5,656)	(15,362)	(15,506)		
Investment tax credits	(268)	(1,368)	(1,937)	(1,882)	(2,793)		
State income taxes and other—net	(71)	(663)	(262)	139	5,489		
Income taxes	$ 11,207	$ 12,278	$ 19,755	$ 51,019	$ 50,751		
Effective income tax rate	32%	32%	34%	36%	38%		

†Not covered by Auditors' Opinion. *1974 is restated for pooling-of-interests.
Pages 23, 25 and 27 to 31 of the financial review are an integral part of these financial statements.

SAV-A-STOP INCORPORATED

Five Year Summary of Operations and Financial Data

OPERATING RESULTS	1975	1974	1973	1972	1971
	(In thousands of dollars except for per share data)				
Net Sales	$ 201,910	219,160	212,941	184,881	163,156
Cost of Sales	146,977	160,238	153,870	134,665	119,812
Other Expenses, net	53,765	56,540	52,159	43,730	37,572
Interest Expense	3,162	3,024	1,665	948	784
Income tax expense (benefit)	(889)	(189)	2,494	2,657	2,544
Earnings (loss) from continuing operations	(1,105)	(453)	2,753	2,881	2,444
Loss from discontinued operations	—	(379)	(576)	—	—
Extraordinary item	—	—	—	566	—
Cumulative effect of change in accounting principle	(506)	—	—	—	—
Net earnings (loss)	$ (1,611)	(832)	2,117	3,447	2,444
Per share data*:					
Earnings (loss) from continuing operations	$ (.35)	(.17)	.67	.71	.60
Discontinued operations	—	(.10)	(.15)	—	—
Extraordinary item	—	—	—	.15	—
Cumulative effect of change in accounting principle	(.13)	—	—	—	—
Net earnings (loss)	$ (.48)	(.27)	.52	.86	.60
Pro forma amounts assuming change in accounting principle applied retroactively:					
Earnings (loss) from continuing operations	$ (1,105)	(495)	2,679	2,807	2,439
Net earnings (loss)	(1,105)	(974)	2,102	3,373	2,439
Per share data*:					
Earnings (loss) from continuing operations	$ (.35)	(.18)	.65	.69	.60
Net earnings (loss)	(.35)	(.28)	.50	.84	.60
Number of shares used in per share calculations	3,809,177	3,790,427	3,790,153	3,768,847	3,724,503
Cash dividends:					
Total common and preferred	—	554	1,109	1,100	1,085
Per common share	—	.12	.24	.24	.24

*Earnings per common share reflect the annual provision of $199,117 for dividends on the cumulative preferred stock.

Year End Financial Position					
Current assets	$ 52,127	$ 62,362	$ 61,782	$ 53,128	$ 45,486
Current liabilities	19,499	28,559	33,600	23,681	25,542
Current ratio	2.67:1	2.18:1	1.84:1	2.24:1	1.78:1
Working capital	32,628	33,803	28,182	29,447	19,944
Inventories	32,299	40,069	41,122	35,747	29,512
Long-term notes, unsecured	16,153	18,762	10,325	10,404	2,790
Capitalized leases	3,601	3,017	3,044	3,140	3,229
Stockholders equity	29,126	30,706	32,092	31,005	28,402
Debt to equity ratio	40/60	47/53	45/55	34/66	31/69
Total assets	$ 69,733	$ 82,762	$ 80,450	$ 69,083	$ 60,361

Management's Analysis of Summary of Operations

CONSOLIDATED FOODS CORPORATION (JUN)

Financial Review

Management's Discussion and Analysis of Operations

Sales

Sales of $2.4 billion from continuing operations in fiscal 1975 were the highest in the history of the corporation and an increase of 7% over fiscal 1974. This increase resulted primarily from higher selling prices required to recover where possible spiraling costs, although some of the corporation's many product lines registered increases in unit volume. For details on the contribution of specific product lines, see the Operating Review.

Sales of our food operations in 1975 were up 10% to almost $1.6 billion,which was 64% of total sales. Sales of non-food operations increased only 2% to almost $900 million. A summary of sales by lines of business is shown on page 20.

In fiscal 1974 net sales of $2.3 billion from continuing operations showed an increase of 15% over the prior year, reflecting both higher selling prices and greater unit volume. For 1974 both food operations and non-food operations grew at the same rate and contributed 62% and 38% of total sales, respectively.

Earnings

Earnings from continuing operations for fiscal 1975 were $50.6 million, down 36% from the $78.9 million earned in 1974. Earnings per share for the year were $1.63 from continuing operations as compared with $2.67 in 1974.

Operations to be discontinued incurred an operating loss of $9 million in 1975, or $.32 a share, as compared to a loss of $7.3 million in 1974, or $.26 a share.

During the third quarter of fiscal 1975, a provision of $28.9 million after income taxes, or $1.04 a share, was made for the estimated eventual loss on disposition of the Fuller Brush Company and four furniture companies. As a result, net income for fiscal 1975 was reduced to $12.7 million, equal to $.27 per share. This compares to net income in fiscal 1974 of $71.6 million, or $2.41 a share. Proceeds to be received from the sale of these businesses will be available for reinvestment at a more satisfactory return.

Several major factors contributed to the decline in earnings from continuing operations in fiscal 1975. The world-wide recession and accompanying inflation impacted both sales and profit margins. Details of the significant earnings performance of various product lines are shown in the Operating Review.

Food operations in fiscal 1975 contributed $91 million to earnings before taxes, interest and corporate expenses, an increase of 18% over the prior year. Non-food operations contributed $48 million, a decrease of 51%.

In fiscal 1974, earnings from continuing operations were up 3% as compared to fiscal 1973. Food operations in 1974 contributed $77 million to earnings before taxes, interest and corporate expenses, up 22% from the prior year. Non-food operations contributed $98 million to earnings, an increase of 1% from the prior year.

Cost and Expenses

Cost of sales increased to 70.2% of sales in fiscal 1975 from 69.1% in fiscal 1974. This reflects higher costs of materials, labor and processing and packaging expenses, not all of which could be recovered through higher selling prices. These increased costs were particularly severe in the non-food companies where they increased to 58.3% of sales from 54.6%. Conversely, the food companies experienced a decline in cost of sales in 1975 to 76.7% of sales from 78.1%.

Cost of products sold in 1974 increased over the previous year due to inflationary pressures, shortages which affected raw material prices and price controls which prevented recovery of some of the increased costs. This resulted in an overall cost of 69.1% of sales as compared to 67.4% in 1973.

Selling, general and administrative expenses increased in fiscal 1975, reflecting the higher sales and the increased cost of doing business in the current inflationary economy—high payroll and employee benefit costs and other operating expenses. In fiscal 1974, these expenses increased over the prior year for the same reasons, but they represented a smaller percentage of sales than in the prior year.

Interest expense applicable to continuing operations, net of interest income, was up slightly in fiscal 1975.

During the first half of the fiscal year, interest expense was significantly higher than in the first half of the prior year due to a greater amount of borrowing at higher interest rates. During the second half, the reverse was true as short-term debt was being paid off and interest rates were falling. Consolidated Foods Credit Corporation financed installment accounts receivable of the corporation during the last half of the year, otherwise interest expense in 1975 would have been somewhat higher.

In fiscal 1974 net interest expense increased $7.5 million or 68% as compared to 1973. This resulted from higher short-term interest rates on an increase in borrowings, principally required to finance higher inventories.

Other expense was up in fiscal 1975 from the prior year, reflecting primarily costs arising from plant consolidations.

Income Taxes

The effective income tax rate for continuing operations in 1975 was 50%, while for 1974 it was 46%. The increase is primarily due to higher average state income tax rates, certain expenses and losses which are not deductible for income tax purposes and reduced investment credits.

Operations to be Discontinued

In 1975 the corporation announced its intention to sell its Fuller Brush Company and four furniture companies. As a result, the sales of these businesses are not included in the financial statements and their operating loss is shown separately from the continuing business. As of August 31, 1975, approximately half of the furniture operations had been disposed of and negotiations for the sale of certain remaining operations were in process.

The increased loss from operations of these divisions in

1975 as compared to 1974 was the result of significantly lower sales in the furniture companies. The furniture industry was depressed as a result of general economic conditions and the low level of new housing construction.

In fiscal 1974, the operating loss of these discontinued divisions as compared to their profit in 1973 was caused primarily by substantial shrinkage in profit margins and lower sales volume.

JOHN FLUKE MFG. CO., INC. (SEP)

Management's Discussion and Analysis of the Consolidated Summary of Operations

The following table sets forth the increase in certain items of the Company's Consolidated Summary of Operations for the fiscal 1975 as compared to 1974, and fiscal 1974 as compared to 1973, and the ratios of those items to net sales for 1973, 1974, and 1975. The following should be read in conjunction with the information in the table and the company's Consolidated Summary of operations for the five years ended September 30, 1975.

Increase As Compared to Prior Fiscal Year (Thousands of Dollars)					Ratio To Net Sales (%)		
1974		1975					
Amount	%	Amount	%		1973	1974	1975
$7,078	27	$8,089	24	Net sales	100.0	100.0	100.0
3,283	24	2,971	18	Manufacturing costs of sales	50.9	60.0	47.4
355	14	993	35	Product development costs	9.5	8.5	9.3
2,274	34	2,542	28	Selling and administrative expenses	25.4	26.8	27.2
26	7	25	6	Contributions to employee benefit plans	1.4	1.2	1.0
168	126	21	7	Interest expense	.5	.9	.8
780	23	1,666	40	Income before income taxes	12.7	12.4	14.0
385	24	705	36	Income taxes	6.0	5.9	6.5
395	22	961	45	Net income	6.7	6.4	7.5

The increase in sales is attributed to continuing world-wide demand for products developed prior to 1973 and to increased market acceptance of new models of certain products introduced subsequently, together with certain price increases since the end of Federal price controls. The Company acquired two subsidiaries in 1973, broadening its product line. Foreign sales in 1975 were 38% of total net sales. While net sales increased 24% in 1975 and 27% in 1974, foreign sales increased at the rate of 38% in 1975 and 37% in 1974.

Income has continued to increase during the periods as sales have increased. In general costs and expenses reflected in the summary of operations have increased in relation to the increase in volume. However, they have remained overall at a relatively constant percentage of net sales. With respect to cost of sales, the Company regards cost control procedures implemented during the periods as an important factor in maintaining this ratio. During these periods, the Company combated operating cost increases with improved productivity, resulting from lowering of labor hours per product in the manufacturing process, improved production and test methods, and utilization of the latest labor-saving technology.

Product development cost is the amount the Company elects to spend for the development of its products and can vary from year to year, depending on Management's decision as to what products will be developed to broaden the Company's product line. During the last three fiscal years these costs ranged from 8.5% to 9.5% of net sales.

Selling and administrative expenses and certain other costs and expenses (advertising, repairs and maintenance, taxes other than income, and depreciation) increased primarily in proportion to the general increase in the volume of business. The increase in depreciation expense is due to an increase in capital expenditures during the periods.

Interest expense increased moderately during fiscal 1975. Interest expense increased during fiscal 1974 because of increased volume, long-term financing of plant facilities, and higher interest rates.

Currency exchange adjustments (arising from currency exchange and translation adjustments) reflect the effects of variations in the relative value of the U. S. dollar and the currencies of other countries in which the Company has operations. The adjustments arose primarily from fluctuations in the exchange rate of the Dutch Guilder, British Pound and the German Mark.

The provision for income taxes is discussed in Note 7 of Notes to Consolidated Financial Statements.

Net income has increased as a result of the factors described in the preceding paragraphs.

FRUEHAUF CORPORATION (DEC)

Analysis of Operations

The following comments should be read in conjunction with the Consolidated Statement of Net Earnings on page 22 for the years 1974 and 1975 and with the data included in the Ten-Year Summary on pages 30 and 31.

Revenues

Sales increased 81% in 1974; primarily due to the inclusion of the results of Kelsey-Hayes Company for the full year. The Company was purchased October 31, 1973. Sales decreased 17% in 1975 due to a sharp reduction in unit sales of truck trailers. Truck trailer sales in 1974 were increased by pre-buying in anticipation of the cost increases from a government requirement for installation of skid control devices on units manufactured after January 1, 1975. This requirement was announced in late 1973 and stimulated sales from date of announcement through late 1974. Sales of automotive parts and components decreased slightly in 1975, primarily due to a reduction in the rate of car and truck production, which was offset by increased penetration of markets for disc brakes, skid control systems, and other automotive products. The significant decrease in leased equipment rentals in 1975 was caused by a sharp reduction in utilization of the equipment in the short-term rental fleet which is customary in a period of economic downturn. The problems in the economy were also responsible for a much lower volume of long-term trailer lease additions during 1975.

Income related to financing operations increased 11% in 1974 and 22% in 1975 amounting to a record total of $22,000,000. As discussed more fully in the section devoted to Fruehauf Finance Company commencing on page 32, the Finance Company portfolio was at a record year-end level of $480,000,000. The increased portfolio, a gradual easing in short-term interest rates during 1975, and continuing minimal credit losses, combined to give the Finance Company record earnings for the sixth consecutive year.

The significant decrease in license revenue and equity in earnings of international affiliates was caused primarily by the liquidation of the wholly-owned German subsidiary. The impact of the operations and liquidation of this subsidiary during 1975 resulted in a loss of $5,070,000 after United States income tax benefits. The Corporation will continue to be represented in Germany by a newly formed partnership, 98% owned by the Corporation.

Costs and Expenses

All components of costs and expenses reflect increases in 1974 as a result of the inclusion of Kelsey-Hayes operations for only two months of 1973 and all of 1974.

Cost of products sold in 1974 and 1975 followed the pattern of sales and as a percent of sales showed a healthy decrease to 80.8% in 1975 from 83.8% in 1974. Results for 1974 were adversely affected by parts shortages and severe cost increases for purchased steel and aluminum, Fruehauf's primary raw materials. The cost of raw steel rose approximately 40% while aluminum increased about 50% during 1974. These significant cost increases, in conjunction with commitments at fixed prices applicable to trailer order backlogs extending many months into the future, resulted in a price-cost squeeze. During 1975, Fruehauf was able to maintain a more normal relationship between selling prices and material costs.

The decrease of $7.4 million in selling and administrative expenses resulted from the cost reduction programs implemented by the Corporation in late 1974 and early 1975 in response to the decrease in sales.

The increase in interest expense in 1974 was caused by higher interest rates on short-term borrowings and increases in the amount of such borrowings. Efforts dedicated to the reduction of inventories and receivables with application of the proceeds to the reduction of short-term debt was very successful in 1975. Lower average outstanding short-term debt, combined wtih falling short-term interest rates resulted in a decrease in interest expense in 1975.

Taxes on Income

The effective tax rate was 31.8% in 1974 and 36.8% in 1975. The principal reason for the difference between the statutory rate and the actual rate of payment was the investment tax credit, $5,500,000 in 1974 and $3,600,000 in 1975. In addition, the earnings of international affiliates (exclusive of Canada) are recorded on the equity method; therefore, the earnings are reported in the caption "License Revenues and Equity in Earnings of International Affiliates" are stated after appropriate provision for income taxes imposed by the country of domicile and generally required no additional provision for income taxes imposed by the United States.

GRANITEVILLE COMPANY (DEC)

Management's Discussion and Analysis of The Consolidated Summary of Operations

The following is Management's discussion and analysis of certain significant factors which have affected the Company's earnings during the three fiscal years ended December 28, 1975, and should be read in conjunction wtih the Consolidated Statement of Income and related notes together with the other financial statements and notes appearing elsewhere in this report. The years referred to are the fiscal years of the Company.

A summary of the year-to-year changes in the principal items included in the Consolidated Summary of Operations is shown below:

	Increases (Decreases) Dollars in Thousands			
	1974 Compared to 1973		1975 Compared to 1974	
Net sales	$49,569	28.0%	$(14,565)	(6.4)%
Cost of sales	32,077	21.3	(6,811)	(3.7)
Gross profit on sales	17,492	67.4	(7,754)	(17.9)
Selling, general and administrative expenses	1,524	11.7	4,720	32.4
	15,968	123.7	(12,474)	(43.2)
Other income	(560)	61.2	46	12.9
	15,408	111.5	(12,428)	(42.5)
Interest charges	67	5.0	15	1.0
Income from continuing operations before income taxes and equity in earnings of Company 50% owned	15,341	122.9	(12,443)	(44.7)
Provision for estimated income taxes	8,037	131.0	(7,972)	(56.2)
Income from continuing operations before equity in earnings of Company 50% owned	7,304	115.1	(4,471)	(32.7)
Equity in earnings of Company 50% owned	23	—	14	60.9
Income from continuing operations	7,327	115.4	4,457	(32.6)
Discontinued operations:				
Loss from operations of Company 50% owned	(137)	—	—	—
Profit on sale of Company 50% owned—				
Net of applicable income tax credit of $552,000	(106)	—	—	—
Net income	$ 7,358	116.5%	$ (4,457)	(32.6%

Net Sales

Company sales rose by 28% in 1974 as compared with 1973. This increase was the result of (1) improving markets, including international, (2) price increases caused in substantial part by inflationary cost increases, and (3) improved product mix favoring heavier weight fabrics.

In 1975, sales declined 6% from the prior year. Essentially, this resulted from lower prices and demand in the first half caused by the severe economic recession. The second half showed steady improvement over the first half.

Cost of Sales

Cost of sales in the period from 1973 through 1975 reflects, in addition to sales volume, the continuing inflated costs of labor services, supplies, energy and petroleum-base fibers and chemicals.

The Company has used the LIFO method of valuating cotton content inventory for a number of years. Beginning in 1974, the LIFO method was also applied to synthetic fiber content, which application increased the cost of sales in that year by approximately 1%. See Note 1, Summary of Significant Accounting Policies, and Note 2, Change in Accounting Method, for further details.

Cotton costs increased by 45% in 1974 as compared to 1973. Cotton cost (per pound) declined 20% in 1975 from the extremely high level in 1974.

Polyester costs have seen less extreme gyrations, having remained fairly stable through 1973 and then having increased significantly in 1974 and again in 1975. Average cost of polyester per pound increased 34% during the last three years.

Substantial increases in all costs of energy, labor and supplies in 1974 and 1975 added to the cost of goods sold.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased continuously during the period 1973 through 1975. As compared to the prior year, these expenses rose in 1974 and 1975 by 12% and 32%, respectively. Certain selling, general and administrative expenses are closely related to sales and production levels and rose as activity increased. Inflation also helped to boost these costs plus sizeable increases in employee benefit costs and Sales Office expenses.

Other Income

In 1973, the increase in other income was due to an increase in commission sales for other textile companies. which declined drastically in 1974, accounting for most of the $560,000 drop.

Provision For Estimated Income Taxes

Generally, full income tax rates are applicable to the Company's income. Taxes paid or accrued by the Company are reduced by the investment tax credits, which amounted to $242,000, $199,000 and $1,159,000 for the years 1973 through 1975, respectively. See Note 1, Summary of Significant Accounting Policies, and Note 6, Income Taxes.

Equity in Earnings of Company 50% Owned

In 1974, a joint venture was started in Japan. Graniteville's share of the earnings was $23,000 in 1974 and $36,000 in 1975.

Discontinued Operations

After several years of losses, the Company in 1973 sold its 50% interest in Kenville, Inc., its knit operation.

Net Income

Net income in 1974 was the highest in the Company's history for the reasons discussed above. In 1975, net income declined as described above, but it was nevertheless the second highest in the Company's history.

J. B. LIPPINCOTT COMPANY (DEC)

Management's Discussion and Analysis of The Summary of Operations

Net Sales of Books and Journals

Sales increased $6,299,276 (22%) in 1974 over 1973 and increased $6,513,536 (19%) in 1975 over 1974. This reflects for the most part a greater number of units sold and to a lesser extent the results of price increases. The pricing policies of the Company are based on current costs. During the year 1973 and early 1974 when Federal price controls were in effect the Company was unable to increase its prices as quickly as its suppliers.

Sales of each division other than the Trade Division increased in 1975. Significant sales increases were realized in both 1974 and 1975 in journal subscription income (Medical Division), in the sale of medical books, including Blackwell Publications (Medical Division), and in the Elhi Division by sales of its language arts materials. During 1974 the Higher Education Division experienced a large increase in sales of its major nursing titles including a new reference manual, and in sales of the Ballinger Publishing Company. In 1975 the Higher Education Division experienced a more moderate increase in sales. The Holman Division achieved record sales in 1973 as a result of the sales of *The Living Bible-Holman Illustrated Edition* introduced in that year. Sales of the Holman Division decreased in 1974 due to *The Living Bible* not sustaining its 1973 sales volume. The sales increase in 1975 was led by the improved performance in sales of the *New American Standard Bible*. The Trade Division sales improvement in 1974 was due primarily to the increase in the number of better selling titles to the total titles published, including a national best seller *Alive*. During 1975 the Trade Division decrease in sales was attributed to several factors: an industry wide heavy return of merchandise during late winter and early spring, the effect, industrywide, of recession tendencies at the retailer level and the postponement of several important titles from the 1975 list to the 1976 list.

Journal Advertising

Journal advertising increased $383,722 (20%) in 1974 over 1973 and increased $282,903 (12%) in 1975 over 1974.

Increases in journal advertising sales in both 1974 and 1975 were attributed to both increases in advertising pages sold and increases in rate schedules.

Other Income

Other income increased $388,712 (39%) in 1974 over 1973 and increased $720,756 (52%) in 1975 over 1974.

This category includes the Company's share of income from the sale of subsidiary rights to other publishers and its share of sales of books of other publishers with whom it has distribution contracts. The major increase in "other income" during 1974 was the result of sizeable rights contracts on several adult titles published in 1974 which increased the publishers share of revenue from the sale of subsidiary rights. Most notable in such increases was the increase in sales of reprint rights to paperback publishers. While sale of rights increased in 1975 the majority of the increase in "other income" in 1975 over 1974 was due to the fees realized under distribution contracts with two publishers that the Company did not represent prior to 1975.

Cost of Sales

Costs of sales as used in the publishing industry consists of manufacturing costs, which includes pre-printing costs ("plant") and paper, printing, and binding costs ("production"); and royalty expense, representing amounts earned by authors and proprietors of the Company's publications. For the year 1974 such costs increased $3,494,672 (25%) over 1973 and for the year 1975 increased $3,376,219 (19%) over 1974. These increases were primarily attributable to the increase in sales of books, journals and journal advertising.

Selling, General and Administrative Expenses

Some expenses included in this item vary directly with changes in the level of net sales while others vary to a lesser degree or are fixed in nature. Expenses increased $2,413,904 (16%) in 1974 over 1973 and increased $3,719,576 (21%) in 1975 over 1974. Aggregate increases in expenses from 1973 to 1974 and from 1974 to 1975 were generally attributable to increases in net sales. From 1973 to 1974 the amount of expense increase was not proportionate to the amount of sales increase due to a favorable change in the Company's product mix. The amount of expense increase in proportion to the amount of sales increase was less favorable from 1974 to 1975 than in the previous year, but more favorable than each of the three annual periods preceding 1973.

Interest Expense

Interest costs rose $517,745 (86%) in 1974 over 1973 and rose $78,504 (7%) in 1975 over 1974. The 1974 increase was due to both higher average interest rates and larger borrowings. The 1975 increase was due to larger borrowings.

Pre-Tax Income and Net Income

Pre-tax income increased $645,389 (50%) and net income increased $299,274 (42%) in 1974 compared with 1973. Pre-tax income increased $342,894 (18%) and net income increased $217,730 (22%) in 1975 compared with 1974. Except for the changes in income taxes, described below, the reason for the changes in pre-tax income and net income for the years 1974 and 1975 are those caused by changes in total revenues, costs, and expenses explained above. Pre-tax is determined by deducting from total revenues total costs and expenses.

Taxes on Income

The tax expense increased $346,115 (61% in 1974 over 1973 and $125,164 (14%) in 1975 over 1974 principally as a result of increased pre-tax income in each year. In 1975 the tax on such income was reduced because of additional investment credit resulting from increased capital expenditures and the change from a 7% to 10% rate of credit against the federal income tax.

Maintenance and Repairs—Printing Plates

These costs increased $41,189 (23%) in 1974 and decreased $28,072 (13%) in 1975 and represent the repair or replacement of original printing plates considered unusable upon reprinting.

Depreciation and Amortization

The amortization of printing plates increased $403,787 (23%) in 1974 over 1973 and $291,687 (14%) in 1975 over 1974. The increases reflected both an inflationary increase in average costs and an increasing number of titles published.

Depreciation and amortization of property and equipment increased $11,063 (11%) in 1974 over (1973) and increased $23,193 (21%) in 1975 over 1974. Such costs include depreciation of home office building and building improvements, amortization of leasehold improvements of leased offices, and depreciation of furniture and equipment. The major portion of this expense was attributable to a higher investment in furniture and equipment and reflects inflation in the costs of replacements, the needs of a larger staff, and the necessities of the Company to handle a growing volume of business.

Taxes—Payroll

Payroll taxes increased $34,901 (10%) in 1974 over 1973 and $117,100 (30%) in 1975 over 1974. The increases were due to a combination of higher taxable bases, increased tax rates, increased salaries and wages, and salaries of a larger staff.

Taxes—State and Local

These taxes increased $30,029 (39%) in 1974 compared with 1975 and decreased slightly in 1975. The increase in 1974 was due in part to the increase in sales and profits, and in part to an additional prior year tax assessment. The 1975 decrease was due primarily to a reduction for a prior year Pennsylvania Tax.

Rental Expense

Rental expenses increased $66,175 (10%) in 1974 over 1973 and increased $12,407 (2%) in 1975 over 1974. The Company leases an automobile fleet for use of its field representatives, office and warehouse space in various locations, and a variety of computer, data entry, and other office equipment. For the year 1974 we had increased lease commitments in each of these categories. During 1975 the lease commitment costs increased for the automobile fleet, and for office and warehouse space. The net rental commitments for the various office equipment items decreased in 1975 due to the termination or reduced rental cost of leases on older computer equipment.

Royalties

Royalties increased $832,220 (28%) in 1974 over 1973 and increased $516,275 (14%) in 1975 over 1974. Royalties are paid to authors and proprietors of most of the Company's publications. Increased royalties in 1974 and 1975 are due to increased sales.

Advertising Expenses

Advertising expenses increased $188,737 (9%) in 1974 over 1973 and $668,797 (29%) in 1975 over 1974. In educational publishing, the cost of samples of the products to professors, committees and teachers in advertising is a major expense. The increase in advertising in both 1974 and 1975 was largely related to the increased sales of the Company. In addition, in 1975 the review and sample copy cost of elementary books and kindergarten materials was higher than that relating to the increase in sales due to the large sampling required by the states adopting these materials.

MOSINEE PAPER CORPORATION (DEC)

Management's Discussion and Analysis of the Summary of Operations

1972 vs. 1971

The modest improvement in 1972 operations was the result of the Company's continued efforts at creating greater manufacturing efficiency, eliminating products not contributing to long range growth plans and zeroing in on markets most profitable and appropriate to the Company's capabilities. The program of discontinuing loss operations was completed during this period. Such operations had an adverse effect on earnings during the first half of 1972. Net earnings were further enhanced by a lower effective tax rate resulting from an increased amount of investment tax credit.

1973 vs. 1972

1973 was a year of heavy demand for the Company's products. Contributing to the substantial increase in earnings were the benefits derived from the rebuild of No. 2 paper machine, completed in December of 1972. This rebuild enabled the Company to increase production and take advantage of a strong demand for papers produced by this machine. Other contributing factors were consolidation and refinement of our product lines; greater use of hardwood and chips to meet our fiber requirements; and the raising of prices, within regulations, to cover substantial cost increases. A reduced amount of investment tax credit for 1973 contributed to a higher effective income tax rate.

1974 vs. 1973

The year 1974 was a year of rapidly rising costs and raw materials shortages for much of the year. The heavy demand for the Company's products enabled it to pass cost increases on as they occurred and record sales and earnings were achieved. Profitability was enhanced by greater emphasis on the sale of products with higher profit margins. In order not to overstate reported profits as a result of inflation during the year, the Company changed its method of accounting for most of its inventories from the average cost method to the last-in, first-out (LIFO) method. This was necessary because of the rapid increase in price in 1974 which caused inventories sold to be replaced at substantially higher prices. The effect of the change was to decrease reported earnings by approximately $860,000 or $.89 per share.

1975 vs. 1974

The first quarter of 1975 was a period of low demand for the Company's products resulting from the reduction of customers' inventories and the effects of the economic recession. As these conditions moderated, utilization of productive capabilities improved for the balance of the year and earnings for each subsequent quarter were higher than the preceding quarter. Earnings per share for 1975 decreased $.95 from the record $3.48 reported for 1974. Of this decrease, approximately $.64 per share is attributable primarily to a reduction of 10% in net sales volume and the balance of $.31 per share to higher interest cost associated with an increased level of borrowing for the new pulp mill—power plant modernization project scheduled to be completed in the latter half of 1976. Our effective income tax rate was approximately the same for both years.

Net sales, net earnings and net earnings per share for each quarter of 1975 are shown in the following table:

Thousands of Dollars	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Net sales	$9,175	$11,005	$13,005	$14,525	$47,710
Net earnings	272	576	718	877	2,443
Net earnings per share	.28	.60	.74	.91	2.53

OHIO FERRO-ALLOYS CORPORATION (DEC)

Management's Discussion of Operations

Reviewing our operations for the last five years, we find that 1971 was a traditional year of build-up of steel stocks in anticipation of a steelworkers' strike. The first half of the year was exceptionally good although a flood of imported steel and ferroalloys came into the country and was sold in the market at well below domestic prices. In October, all of our plants were struck by the United Steelworkers Union for a period of 24 days before a new three-year contract was agreed upon. Our prices were frozen at levels well below realistic values in August by Executive Order while wages were allowed to be increased.

1972 was a very difficult year because of events which started in 1971, particularly the price freeze, while costs were allowed to increase due to political pressures. Production was halted at our Tacoma, Washington Plant, which later led to the closing of this high cost plant built in 1940. $1.5 million was borrowed via the industrial revenue bond route to cover the cost of two large volatilized silica collectors at our Powhatan, Ohio Plant to meet air quality standards in effect.

1973 was a year of operating under price control but with some relief afforded for passing through certain cost increases. The market for our products was exceptionally good, and we were able to record the highest sales revenue in our history. Further borrowing through a $2 million issue of tax-free revenue bonds was accomplished to cover the cost of equipment to meet clean air standards for one of our large furnaces at our Philo, Ohio Plant.

During the year 1974, ferroalloys were in short supply worldwide creating an unprecedented demand for our product. Sales and earnings set all time records for our Company with sales exceeding $100,000,000 for the first time. We sold the plant property at Tacoma, Washington and announced the construction of a new three-furnace silicon metal plant at Montgomery, Alabama. During the year a three-year labor contract was signed with the United Steelworkers Union for our Ohio Plants. While our level of operations was still very good, there were some early signs of a weakening market at year-end.

Discussion of 1975 operations can be found in the President's Report to Shareholders.

RICHFORD INDUSTRIES, INC. (DEC)

Management's Discussion and Analysis of The Summary of Operations

During 1975, the Company's consolidated net sales declined by approximately 16.6% to $30.5 million from the $36.6 million reported in 1974. The loss of $1,476,610 incurred in 1975, as compared with the $150,739 profit reported in 1974, is attributed by management primarily to this sales decline as well as to a non-recurring loss in the Zipper Division resulting from the disposition of the Company's zipper assembly and distribution facilities.

The reduction in net sales was experienced in all three of the Company's operating divisions, although the most substantial decline (21.9%) occurred in the Packaging Products Division. Approximately half of the sales decline in that Division was attributable to the discontinuance in February, 1975 of the Company's housewares distribution operation. This operation was unrelated to the Company's principal business activities and management determined that the resources formerly allocated to this operation, as well as the net proceeds derived from the disposition of the facilities employed therein (approximately $226,000), could be utilized more appropriately in the principal areas of the Company's business. This Division also experienced a substantial reduction in sales of packaging products to the cosmetic and toiletry industry, primarily as the result of inventory reduction measures and reduced purchasing activities on the part of the industry in response to generally depressed economic conditions prevailing during 1974 and most of 1975.

Sales in the Zipper Division declined only 8.5% during 1975, due primarily to the sale by the Company during the third quarter of its Miami and Los Angeles zipper assembly and distribution facilities. The decline in volume was offset in part, however, by sales of zipper chain and sliders to the purchasers of these facilities pursuant to new long-term requirements contracts.

The Building Products Division experienced a reduction of approximately 13% in net sales during 1975, primarily as the result of dramatically depressed conditions in the construction industry during that year. These conditions were most significantly reflected in a sharp decline in multiple-unit construction in Florida (the principal market for the Company's steel doors and door frames), which more than offset increased sales of these products in other states. The overall sales decline in this Division was mitigated, however, by a continuation of sales of the Company's decorative lighting fixtures at 1974 levels, notwithstanding the sharply downward trend in 1975 in the lighting industry as a whole.

Costs of sales expressed as a percentage of sales increased from 70.6% in 1974 to 76.2% in 1975, reflecting, in principal part, the fact that the decline in total sales volume was not paralleled by reductions in fixed overhead. In addition, increased costs of materials were experienced in all areas of the Company's business, but could not be fully passed on to customers because of decreased demand and increased competitive conditions reflective of a recessionary economy. Increases in labor costs were mandated by union agreements, by cost-of living increases to non-union personnel whose services were deemed essential to the Company and by general increases in the costs of "fringe benefits" (such as Social Security contributions, workmen's compensation premiums and group medical insurance costs).

Selling, general and administrative expenses in 1975 were reduced approximately 10.7% from 1974 levels (which, in turn, were approximately 19% higher than 1973). Approximately 59% of the reduction was attributable to the Zipper Division, reflecting, in large measure, savings resulting from the disposition of the Company's zipper assembly and distribution facilities. Interest costs also declined by approximately 10% during 1975 from 1974 levels due to the reduction in generally prevailing interest rates.

Although the Zipper Division reported a loss during 1975 of $3,445,201, representing an increase of approximately 21.2% from the loss of $2,842,468 reported in 1974, the 1975 results include a non-operating loss of $1,391,222 attributable to the disposition of the assembly and distribution facilities and 1974 reflected a write-off of goodwill in the amount of $751,210; effectively, therefore, operating losses in the Zipper Division declined by $37,279 between 1974 and 1975.

THE SHERWIN-WILLIAMS COMPANY (AUG)

Management's Discussion and Analysis of The Summary of Operations

The following are Management's operational comments highlighting significant events and reasons for change during the current year as well as the 1974 year. They are intended to be used in conjunction with the Notes to Financial Statements and as a complement to the Five-Year Comparative Financial Summary on page 17.

Fiscal 1975 Compared to Fiscal 1974

Consolidated net sales were the highest in the history of the Corporation at $866,853,000 and represent a $64,587,000, or 8.1%, increase over last year. The 1975 sales increase is primarily due to higher selling prices since most of the Corporation's product lines registered decreases in unit volume.

Consolidated cost of products sold increased 12.3% and may be attributed primarily to the effects of inflation since the business of the Company, measured in terms of volume of products produced and sold, were generally less than 1974. As a consequence of the higher costs of raw materials, labor, and packaging, not all of which could be recovered through higher selling prices, gross profit as a percentage to net sales declined.

Consolidated pre-tax income before the gain on sale of Ashtabula operations for 1975 was $37,505,000, a decline of 34.9% from last year's record high. The rate of change in operation profits did not keep pace with the percentage gains in sales in 1975. Profit margins were under pressure throughout the year, primarily the result of low levels of production and highly price competitive markets. This environment did not permit selling price increases to be implemented to the degree or frequency needed to maintain 1974's profit margins. The pre-tax gain of $12,728,000 resulted from the sale to the SCM Corporation of our former Ashtabula titanium dioxide operations. Consolidated net income in 1975 of $28,588,000 declined a modest 2.4% from last year.

Interest expense increased $3,896,000 from the preceding year, principally the result of the $50,000,000 9.45% Debentures Due 1999 issued in December 1974 and to a lesser extent continued high short-term interest rates.

Rent expense increased $2,957,000, or 12.1%, during the year, with the largest segment of the increase centering in new and relocated Coatings retail stores and a continuing growth in existing stores. Contributing to a lesser degree were increased data processing equipment rentals and the expanding leased truck fleet. Introduction of the Coatings Group new Dealer organization, combined with the presentation of the Corporate Identity Program, comprise the largest segment of the $3,536,000 advertising expense increase.

The Company's effective tax rate declined principally because of the gain of $12,728,000 from the sale of Ashtabula operations, a portion of which was taxed at the lower capital gains rate. The $6,690,000, or 23.6%, decline in income taxes principally results from the combination of lower pre-tax income and the above capital gain.

Fiscal 1974 Compared to Fiscal 1973

Consolidated sales increased 13.8% due to selling price increases and to a lesser extent added volume. The Company's three major groups (Coatings, Auxiliaries, and Chemicals) contributed the larger portion. Sales of the Coatings Group rose 10.2%, with all major paint segments and decorating sales showing gains. Sales increases in the Auxiliaries Group of $17,002,000 (24.0%) were obtained in all divisions, with the Container Division contributing heavily with a series increase of $9,017,000, or 22.5%. Zinc oxide, saccharin, and cresol products led the Chemicals Group with a 30.8% sales increase.

Consolidated cost of products sold increased 13.8% due to production cost increases and to a lesser extent added volume. All Groups experienced greater production costs due mainly to higher priced raw materials; increased wages, salaries, and employee benefits; and production scheduling problems due to raw materials shortages.

The Company experienced a 10.5% rise in selling, general and administrative expenses, while the expenses as a percentage of sales improved to 28.3% as compared to 29.1% in fiscal 1973. Interest expense rose $1,660,000 (25.8%) as a result of increased short-term borrowings at higher interest rates, principally used to finance increased levels of inventories and receivables. Income taxes increased over 1973 by $6,912,000 (35.7%) primarily because taxable income increased by $11,689,000, or 26.6%.

TRIANGLE INDUSTRIES, INC. (DEC)

Management Discussion and Analysis of the Consolidated Summary of Operations

1975 Compared to 1974

Net sales in 1975 totaled $181 million, a decrease of 30% from 1974. The combination of the severe decline of the housing industry, the lack of new commercial and industrial expansion, and a weak primary copper market caused declines in the volume and pricing levels of our copper products. Other income continued to rise as a result of increases in interest income on installment receivables.

The cost of products sold decreased by 27% from 1974 reflecting the reduction of sales levels in 1975. Pricing of basic raw materials declined in 1975, however, labor rates in accordance with labor contracts, energy unit costs and other purchased materials and services continued to increase resulting in lower gross profit margins.

Selling, general administrative expenses were reduced by 18% as a result of lower employment levels, reduced purchase and service costs and lower commissioned sales expense.

Other expense declined from 1974 primarily from a reduction in reserve requirements of notes and accounts receivable. In 1974, increased provisions for accounts receivables were required in our Far East operations where economic conditions had deteriorated severely during the year.

Taxes on income reflect the effect of lower pretax income together with an increase in the investment tax credit and the undistributed earnings and tax benefits related to foreign operations for which no U.S. tax is applicable.

Net income decreased significantly in 1975 from the record net income of 1974, but to a lesser extent than pretax income because of reduced taxes on income. Net income for 1975 of $2,679,000 or $1.35 per share, was 67% less than the record net income of $8,074,000 or $4.06 per share for 1974.

1974 Compared to 1973

Net sales in 1974 were $257 million representing an increase of 14% over 1973. The combination of improved product mix and favorable market conditions for the pricing of copper products constributed to this increase. Other income rose as a result of increased interest income on installment receivables.

The cost of products sold increased by 9% over 1973. The increase includes the impact of the accounting change of valuing copper and steel inventories from the first-in, first-out method (FIFO) to the last-in, first-out method (LIFO) adopted by the company in 1974. Prices of raw materials, labor rates in accordance with labor agreements and other services increased substantially during the year.

Selling, general and administrative expenses rose 18% over the prior year as a result of increased employment levels during the first nine months of 1974 and higher employment related costs.

Interest expense increased 17% over prior periods, reflecting the higher interest rates which prevailed in 1974.

Income was adversely affected because of increased requirements for accounts receivable provisions in our Far East operations where economic conditions deteriorated severely during the year.

Income before income taxes rose 93% for 1974. A slightly higher effective world-wide income tax rate resulted in a 87% gain in net income after taxes for the year.

Description of Company's Business

ANCHOR HOCKING CORPORATION (DEC)

Profile

ANCHOR HOCKING CORPORATION is a diversified manufacturer of a broad range of products used both in the home and by industry. The Company's extensive product lines include consumer and institutional food service products made of glass, plastic, and ceramic materials; cabinet and decorative hardware; glass and plastic containers; plastic and metal closures; and industrial glass and plastic components.

Anchor Hocking's operations are divided into two major groups—Consumer and Technical Products and Packaging Products.

CONSUMER AND TECHNICAL PRODUCTS GROUP is made up of Tableware, Plastics, Inc., Phoenix Glass, Taylor, Smith & Taylor, and Amerock.

The Tableware Division is America's largest manufacturer of glassware products for the home, with the industry's most complete line of machine-made pressed and blown glassware for the retail and institutional markets. Its broad product line includes tumblers, stemware, mugs, heat resistant and tempered dinnerware and ovenware, servingware, kitchenware, and decorative accessories. The Division also manufactures industrial glass components for the electrical, appliance, and lighting industries.

Plastics, Inc. is the principal supplier of plastic airline food service components as well as offering the industry's most complete line of single-service plastic drinkware and dinnerware products. Phoenix Glass is the country's largest producer of lighting glass components for indoor and outdoor lighting fixtures. And, Taylor, Smith & Taylor manufactures fine stoneware and ceramic dinnerware for the retail and promotional markets.

Amerock Corporation, acquired in November, 1975, is a leading producer of cabinet and decorative hardware in the United States and Canada.

PACKAGING PRODUCTS GROUP is composed of Glass Container, Carr-Lowrey, Plastic Container, Closure, Moldcraft, Zanesville Mould, and Anchor Cap & Closure Corporation of Canada, Limited.

Anchor Hocking is the third largest manufacturer in the nation of glass containers, with glass container facilities located strategically throughout the country. The Division's products are utilized by the food, soft drink, beer, liquor, drug, and household products industries. Carr-Lowery is a leader in manufacturing intricate, highly styled, and beautifully decorated glass containers for the toiletries and cosmetics industry.

Blow molded plastic containers for medicinal and health products, cosmetics, and hosehold products are produced at the two plants of the Plastic Container Division.

The Closure Division manufactures the industry's most complete line of vacuum and non-vacuum sealed metal closures, as well as paper lined closures for soluble products such as coffee and tea. Moldcraft Incorporated produces both plastic screw caps and dispensing type closures primarily for household and health care products in addition to compression molded electrical components.

Internationally, Anchor Hocking's Tableware and Taylor, Smith & Taylor product lines are exported to more than 125 countries around the world. Also, the Company has manufacturing operations in Canada, the Netherlands, and Spain.

Anchor Cap & Closure Corporation of Canada, Limited and its two subsidiaries, Plasticap Limited and Premier Plastics Limited, are leading manufacturers of metal closures, plastic closures, and plastic containers for the Canadian market. Lindner Industries B. V., located in the Netherlands, produces metal closures for the European market. In Spain, Anchor Hocking is engaged in a joint venture with Romachelar, S. A. a producer of glass containers for that country's pharmaceutical and cosmetics industries. Additionally, the Company has licensing agreements with manufacturers in eight other countries.

RICHFORD INDUSTRIES, INC. (DEC)

Description of Business

The Company's operations are concentrated in three principal operating divisions: Packaging Products, Building Products and Zippers.

Packaging Products Division

The Company manufactures and distributes specially designed packaging products for cosmetics and toiletries; distributes general purpose and specially fabricated glass, plastic and metal containers and metal and plastic closures for the food, beverage, paint, drug, pharmaceutical, chemical and allied industries and, in addition to domestic marketing of these packaging products, the Company exports them, primarily to Latin America and the Caribbean. General purpose containers and closures are purchased from a variety of manufacturers.

The Company's principal cosmetic and toiletry packaging products consist of a complete line of highly-styled glass containers and plastic closures and are available in a variety of styles and interchangeable combinations together with applicators, atomizers, mechanical aerosols, attachments, dispenser caps and related products.

Cosmetic and toiletry containers are manufactured for the Company by independent contractors using the Company's own molds and designs while plastic closures are primarily manufactured by the Company. The Company also silkscreen decorates and metallizes certain of its own containers and closures as well as those produced and distributed by others.

Building Products Division

The Company manufactures steel doors and door frames as well as a broad line of indoor and outdoor decorative lighting fixtures.

In the sale of steel doors and frames, the Company concentrates on meeting contractors' custom specifications for construction projects involving multiple dwellings, hospitals, institutions, schools and commercial structures.

The Company's lighting fixtures are handcrafted from solid brass and copper. The line consists of traditional and contemporary lighting including wall, hanging, post and table lanterns, chandeliers and specialty lighting products such as ceiling modules. In addition to the standard line primarily sold through lighting showrooms and to architects and designers for installation in residences, hotels and motels, restaurants, commercial buildings and yachts, the Company also manufactures custom lighting to the specifications of architects, builders, designers and showrooms.

Zipper Division

The Company is a manufacturer of component parts for the assembly of finished zippers, including continuous metal and synthetic zipper chain which it sells to end users (such as apparel and furniture manufacturers) and to independent zipper assemblers who cut the continuous chain to specified lengths, insert top and bottom stops and sliders and distribute the assembled zippers.

On the industrial level the Company's customers serve the apparel, sporting goods, luggage, handbag, footware, upholstery and related industries. On the retail level, the Company distributes Robin metal and synthetic zippers to mass merchandisers, chains, department stores, specialty stores and wholesale jobbers for sales of unpackaged zippers to the homesewing market utilizing the Company's own display fixtures.

ST. JOE MINERALS CORPORATION (DEC)

Annual Report 1975

St. Joe Minerals Corporation is a growing natural resources and energy company with basic strengths in lead, zinc, coal, and oil. The Corporation is a major producer of lead and zinc in the United States, and operates the nation's largest lead and zinc smelters. Since 1974 St. Joe has moved aggressively into coal and last year sold 14.6 million tons in the United States and overseas. It produces oil and natural gas in Canada and the United States and holds significant oil and gas interests in the North Sea, the Gulf of Mexico, and the Gulf of Suez. In 1975, St. Joe's sales totaled $729.4 million and earnings $81.7 million.

SAV-A-STOP INCORPORATED (AUG)

Sav-A-Stop Profile

Save-A-Stop Incorporated conducts business through four divisions. Largest of these and leader among the country's service merchandisers is Save-A-Stop Services which operates in 28 states and accounts for about 65% of the Company's sales. Service merchandising or "rack jobbing" was the original business of Sav-A-Stop when it began in 1952 and since that time has been the foremost activity of the Company. Save-A-Stop Services supplies approximately 11,250 supermarkets, convenience food stores, discount stores, dollar stores, drug stores, department stores and other retailers with health and beauty aids, housewares, toys, stationery and school supplies, notions and other non-food consumer merchandise. It has developed merchandising concepts and a variety of service programs that have made it the leading firm in its field. Most of the items sold by Save-A-Stop Services are nationally advertised brands.

Through the Scottie division, the Company operates about 145 retail discount stores on a self-service, cash and carry basis. They are located primarily in the southeastern states and include both small downtown stores designed to serve pedestrian traffic and larger stores located in selected shopping centers. They primarily sell a wide selection of health and beauty aids but also carry other merchandise such as candy, tobacco products, housewares, stationery and school supplies and a limited selection of soft goods. Forty-three of the stores have pharmacy departments, thirty-one of which are operated by others as licensed departments.

Save-A-Stop Services and Scottie operate from three distribution centers located in Jacksonville, Florida; Salem, Virginia, and Amarillo, Texas. A new distribution center in Orange Park, Florida will replace the existing Jacksonville, Florida distribution center in March, 1976.

The Top Dollar division sells wearing apparel, domestic goods, housewares, toys, health and beauty aids and other similar merchandise at budget prices on a cash and carry basis through 225 stores located primarily in the southeast and southwest, principally in Alabama, Georgia and Florida. Top Dollar stores are supplied from a Jasper, Alabama distribution center and a Birmingham, Alabama warehouse. Most Top Dollar stores average about 3,000 sq. ft. Top Dollar also operates 48 larger stores averaging about 7,000 sq. ft. which sell a broader range of merchandise than the smaller stores.

The McDuff Appliance division sells large and small household appliances, television sets and similar items including most of the nationally advertised brands from six stores in Jacksonville, Florida. McDuff also supplies merchandise to 11 associate stores which display the McDuff name. In addition, McDuff operates an appliance repair service department and sells contracts to provide service for appliances.

THE SHERWIN-WILLIAMS COMPANY (AUG)

Brief Description of the Business

The Sherwin-Williams Company is a diversified marketing and manufacturing organization. Headquarters are in Cleveland, Ohio, with plants, offices and other facilities located throughout the United States and Canada and in several other countries. The company also owns and operates stores in the United States, Canada, Mexico, Brazil, Jamaica, The Netherlands and Belgium.

The company is organized in six operating groups. These are: Coatings, which manufactures and markets paints, varnishes, enamels, lacquers and allied products, and markets painting accessories as well as wall coverings, floor coverings and other decorating materials; Chemicals, which produces and markets saccharin and specialty chemicals for a wide variety of uses; Sherwin-Williams Canada, which manufactures paint products and markets them along with decorating items throughout Canada; Sprayon Products, which is a custom aerosol packager and also markets aerosol specialties under its own brand names; and International Coatings, which directs operations of coatings plants in foreign countries and provides technical and marketing assistance to licensees.

WM. WRIGLEY JR. COMPANY (DEC)

Description of Business and Line of Business

The Company's principal line of business is manufacturing and selling chewing gum. The total of all other products or services constitutes less than 10% of net sales and earnings before income taxes.

Line of Business Breakdown

CONSOLIDATED FOODS CORPORATION (JUN)

Operating Results of Continuing Operations by Lines of Business*

(in millions of dollars)

	1975		1974		1973		1972		1971	
	Sales	Pre-Tax Income	Sales	Pre-Tax Income	Sales	Pre-Tax Income	Sales	Pre-Tax Income	Sales	Pre-Tax Income
Home Products and Services	$ 572.0	$ 39.4	$ 548.5	$64.5	$ 478.6	$ 63.1	$ 384.2	$ 51.4	$ 332.2	$ 45.8
Commercial Products and Services	136.5	7.3	137.8	15.5	123.8	16.4	113.7	13.8	111.2	12.8
Apparel	181.9	1.1	185.3	17.6	155.4	17.6	129.6	13.1	110.3	11.0
Total non-food operations	890.4	47.8	871.6	97.6	757.8	97.1	627.5	78.3	553.7	69.6
Frozen and processed foods	801.9	52.5	755.3	42.8	651.3	36.9	609.2	29.4	614.8	31.8
Food services	548.4	23.4	473.4	21.4	415.0	17.6	377.5	17.3	380.4	18.0
Soft drinks and confections	239.3	15.2	213.0	12.8	187.5	8.4	180.5	8.7	151.8	8.9
Total food operations	1,589.6	91.1	1,441.7	77.0	1,253.8	62.9	1,167.2	55.4	1,147.0	58.7
Total	2,480.0	138.9	2,313.3	174.6	2,011.6	160.0	1,794.7	133.7	1,700.7	128.3
Intercompany sales	(37.0)	—	(31.5)	—	(26.1)	—	(23.2)	—	(21.8)	—
Interest, net	—	(20.3)	—	(18.5)	—	(11.0)	—	(7.5)	—	(9.0)
Unallocated corporate expense	—	(11.7)	—	(10.1)	—	(7.7)	—	(5.6)	—	(4.6)
Other income (expense), net	—	(5.5)	—	(.4)	—	1.2	—	.2	—	(2.6)
Net sales and pre-tax income	$2,443.0	$101.4	$2,281.8	$145.6	$1,985.5	$142.5	$1,771.5	$120.8	$1,678.9	$112.1

*Restated to include the financial statements of business acquired in transactions accounted for as poolings of interests and to reclassify the financial statements of operations to be discontinued.

J. B. LIPPINCOTT COMPANY (DEC)

Sales and Revenues by Division

	1975		1974		1973		1972		1971	
	Amount	%	Amount	%	Amount (In thousands)	%	Amount	%	Amount	%
Higher Education	$12,085	27	$10,471	28	$6,517	21	$6,380	23	$5,900	23
Medical	12,826	28	10,083	26	8,365	27	7,625	27	7,348	28
Elhi	11,941	26	8,900	23	8,458	27	6,941	25	6,358	24
Trade Book	5,044	11	5,989	16	4,525	15	4,807	17	4,538	17
Holman	3,076	7	2,197	6	2,671	9	1,769	6	1,573	6

Income Before Taxes by Division

	1975		1974		1973		1972		1971	
	Amount	%	Amount	%	Amount (In thousands)	%	Amount	%	Amount	%
Higher education	$ 1,360	60	$ 1,204	62	$ 484	38	$ 612	44	$ 654	45
Medical	877	39	539	28	511	40	494	36	460	31
Elhi	336	15	15	1	110	9	196	14	363	25
Trade book	(411)	(18)	92	5	(268)	(21)	(185)	(13)	(257)	(17)
Holman	74	3	18	1	379	30	177	13	158	11

THE SINGER COMPANY (DEC)

Financial Summary

Sales by Major Product Areas:	1975	1974	1973	1972	1971
		(Amounts in Millions)			
Consumer sewing machines and related products	$1,069.5	$ 969.5	$ 917.2	$ 800.6	$ 794.1
Aerospace systems	360.6	371.0	335.6	323.3	337.5
Industrial sewing and textile machinery	166.9	179.0	188.3	166.5	152.5
Housing	151.2	122.8	157.1	136.0	109.4
Metering and controls equipment	138.6	154.9	148.1	128.9	116.8
Furniture	102.2	178.5	166.1	85.2	72.2
Other	222.7	250.1	255.9	272.8	275.1
	2,211.7	2,225.8	2,168.3	1,913.3	1,857.6
Less sales of unconsolidated housing subsidiary	151.2	122.8	157.1	136.0	109.4
Total sales from continuing operations	$2,060.5	$2,103.0	$2,011.2	$1,777.3	$1,748.2

Operating Income (loss) by Major Product Areas:	1975	1974	1973	1972	1971
		(Amounts in Millions)			
Consumer sewing machines and related products	$ 79.0	$ 65.8	$ 44.4	$ 49.9	$ 62.4
Aerospace systems	16.5	17.3	23.1	22.9	26.9
Industrial sewing and textile machinery	(17.1)	14.1	22.2	19.5	19.8
Housing	12.6	4.4	16.5	18.2	14.6
Metering and controls equipment	9.4	17.1	20.9	19.4	17.1
Furniture	(7.3)	11.1	17.9	10.2	10.3
Other	.9	10.0	21.9	22.5	21.6
	94.0	139.8	166.9	162.6	172.7
Less operating income of unconsolidated housing subsidiary	12.6	4.4	16.5	18.2	14.6
Operating income	81.4	135.4	150.4	144.4	158.1
Income before tax of unconsolidated subsidiaries	25.5	13.9	29.8	29.8	27.3
Interest	(50.5)	(45.3)	(31.8)	(23.4)	(28.5)
Foreign exchange adjustments	(24.3)	(23.0)	4.1	(5.9)	(4.9)
Other income and expense	.3	12.7	9.5	9.2	10.2
Provisions for facility closings and other items	(63.7)	—	—	—	—
Provision for income taxes	(10.0)	(33.0)	(67.1)	(65.8)	(71.0)
Income (loss) from continuing operations	$ (41.3)	$ 60.7	$ 94.9	$ 88.3	$ 91.2

Note: Operating income of each major product area is determined by deducting from sales the related cost of sales and selling and administrative expenses, which, except for Housing, includes an allocation for corporate administrative expense. Operating income does not include income before tax of unconsolidated subsidiaries, interest expense, foreign exchange adjustments, other income and expense, provisions for facility closings and other items, and provision for income taxes. The major product areas have been restated in 1975 to reflect the Company's current business activities.

NORTON SIMON INC. (JUN)

Lines of Business

	1975	1974	1973	1972	1971
			in thousands of dollars		
Sales					
Food & food service	$ 847,692	$ 683,041	$ 551,909	$ 510,965	$ 481,414
Cosmetics & fashion	333,724	293,450	259,413	218,690	207,884
Soft drinks	180,032	153,903	127,789	119,325	113,958
Distilled spirits	153,449	160,272	155,682	138,409	127,171
Packaging & other	181,504	177,522	171,164	170,274	161,579
Continuing operations	1,696,401	1,468,188	1,265,957	1,157,663	1,092,006
Discontinued operations	173,146	185,226	214,552	208,062	213,549
Total	$1,869,547	$1,653,414	$1,480,509	$1,365,725	$1,305,555
Income before taxes					
Food & food service	$ 55,362	$ 28,152	$ 32,633	$ 32,772	$ 32,268
Cosmetics & fashion	32,595	36,681	37,904	32,319	27,801
Soft drinks	13,861	13,727	12,688	9,761	7,261
Distilled spirits	17,699	23,342	23,462	20,653	18,870
Packaging & other	23,711	15,785	15,770	18,520	19,074
Continuing operations	143,228	117,687	122,457	114,025	105,274
Discontinued operations	1,829	12,928	20,460	12,031	4,122
Total	$ 145,057	$ 130,615	$ 142,917	$ 126,056	$ 109,396

Market Price and Dividend Data

DIAMOND SHAMROCK CORPORATION (DEC)

Stock Market Price and Dividends

Market Price Range		1975				1974			
		1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
Common	High	32	45½	53⅞	58	29⅜	27¾	25⅝	27⅛
	Low	21¾	30⅛	44¾	48	23½	21⅝	21½	20½
$4.00 Initial Series			Not Actively Traded				Not Actively Traded		
$4.00 Series B			Not Actively Traded				Not Actively Traded		
$2.00 Series C	High	38¾	52¼	60½	65½	35¼	33	31½	33¼
	Low	27	37⅛	51½	55¼	31	28	26¾	25¾
$1.20 Series D	High	17½	22¾	25⅜	26⅝	16¾	15¾	15½	15⅝
	Low	14	17⅛	21¼	22⅛	15¼	13⅞	12	13⅛
$ 1.15 Series F	High Bid	23½	33¾	39½	42¾	21½	20¼	19¼	19¾
	Low Bid	18	22¾	33¾	36¼	18½	17¼	16½	15¾

Source: Wall Street Journal

Quarterly Dividend Rate								
Common	$ .35	$ .40	$ .40	$ .45	$ .275	$ .30	$ .30	$ .35
$4.00 Initial Series	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
$4.00 Series B	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
$2.00 Series C	.50	.50	.50	.50	.50	.50	.50	.50
$1.20 Series D	.30	.30	.30	.30	.30	.30	.30	.30
$1.15 Series E	.2875	.2875	.2875	.2875	.2875	.2875	.2875	.2875

ELECTRIC HOSE & RUBBER COMPANY (AUG)

Quarterly Stock Comparison

The common stock of Electric Hose & Rubber Company is traded on the American Stock Exchange under the symbol EH. The high and low sales price and dividend payments by fiscal quarter are listed below.

Fiscal 1975	High	Low	Dividends Paid
First Quarter	4⅞	3¾	$.10
Second Quarter	4⅝	3¾	.10
Third Quarter	5⅝	3⅞	.10
Fourth Quarter	6⅞	4⅞	.10

Fiscal 1974	High	Low	Dividends Paid
First Quarter	7½	4⅞	$.10
Second Quarter	5¼	3⅞	.10
Third Quarter	5½	4⅜	.10
Fourth Quarter	5	3⅞	.10

J. B. LIPPINCOTT COMPANY (DEC)

**Market and Dividend Information*

*The company's common stock is traded over the counter and is quoted on the NASDAQ quotation system. The symbol is LIPP.

1975 Quarter	1st	2nd	3rd	4th
High	5	5⅛	4⅜	4⅝
Low	2½	3¾	4	4¼
Dividend paid				
Regular	$.05	$.05	$.05	$.05
Special		$.04		
Stock		4%		

1974 Quarter	1st	2nd	3rd	4th
High	3⅜	4	3⅝	3⅛
Low	2¾	3	2⅞	2⅜
Dividend paid				
Regular	$.04	$.05	$.05	$.05
Special		$.04		

GULTON INDUSTRIES, INC. (FEB)

Management's Discussion and Analysis of the Summary of Operations

Market and Dividend Information

The Company's Common Stock is traded on the New York Stock Exchange; the Preferred Stock is traded in the over-the-counter market. The following table sets forth, for the periods indicated, the high and low sales price of the Common Stock, the range of bid and asked quotations (exclusive of retail markups, markdowns, or commissions) of the Preferred Stock, and dividends paid on the Preferred Stock. No dividends were paid on the Common Stock during such periods.

Fiscal Year Ended In	Common Stock		Preferred Stock				Dividends on Preferred Stock
			Bid		Asked		
	High	Low	High	Low	High	Low	
1974							
1st quarter	$7	$4⅛	$20	$17½	$22	$19½	$.50
2nd quarter	5⅞	4⅜	17	16	19	19	.50
3rd quarter	7⅛	4⅛	17	16	20	19	.50
4th quarter	4	3	17	11	15	14	.50
1975							
1st quarter	4⅜	2⅝	13⅝	12	15	15	.50
2nd quarter	4¼	2⅛	13⅝	9	15	13	.50
3rd quarter	2⅜	1¾	9½	9½	13½	13½	.50
4th quarter	2⅞	1½	9½	8	12½	12	.50

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:

Capital Stock

1974 Quarter	1st	2nd	3rd	4th
High	$8⅞	$8¼	$6⅞	$4⅛
Low	7⅜	5¼	3⅜	2⅜
Dividend paid	None	None	None	None
1975 Quarter	**1st**	**2nd**	**3rd**	**4th**
High	$8	$6¾	$7⅛	$5¾
Low	3⅛	4	4⅞	4½
Dividend paid	None	None	None	None

$1.20 Preference Stock

1974 Quarter	1st	2nd	3rd	4th
High	$13.⅜	$13¼	$11	$8⅜
Low	12¼	11¼	7½	4⅝
Dividend paid	$.30	$.30	$.30	None
1975 Quarter	**1st**	**2nd**	**3rd**	**4th**
High	$8⅝	$7½	$7½	$7½
Low	5⅜	5½	5¾	6
Dividend paid	None	None	None	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. the only bid price available for the $3.00 Preferred Stock was $15 per share in November 1974; in 1975 the bid prices ranged between $19-$23½ per share. The only bid price available for the $3.20 Preference Stock was $40 per share in January 1974; subsequent 1974 bid prices are not available from the National Quotation Bureau, Inc., but the Company was informed of one actual transaction December 31, 1974 at a price of $13 per share; in 1975 bid prices ranged between $19-23½ per share. These bid prices represent inter-dealer 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 listed below:

$3.00 Preferred Stock

1974 Quarter	1st	2nd	3rd	4th
Dividend paid	$.75	$.75	$.75	None
1975				
Dividend paid	None	None	None	None

$3.20 Preference Stock

1974 Quarter	1st	2nd	3rd	4th
Dividend paid	$.80	$.80	$.80	$.80
1975				
Dividend paid	None	None	None	None

UV INDUSTRIES, INC. (DEC)

Financial Section

Stock Market Information

The high and low price of the Company's voting stock as traded on the New York Stock Exchange by quarter for the last two calendar years is reported below. Market prices for the common stock have been restated for the 1st Quarter 1974 to give effect to the 3-for-2 split of the common stock paid April 30, 1974.

	1975 High	1975 Low	1975 Dividend Paid	1974 High	1974 Low	1974 Dividend Paid
Common						
1st Quarter	23⅜	17	$ .25	29⅜	19⅝	$ .25
2nd Quarter	26	20¼	.25	30⅞	19½	.25*
3rd Quarter	25¼	17¾	.25	25	14	.25*
4th Quarter	20⅝	17½	.25	24⅛	14⅝	.25*
$5.50 Cumulative Preferred						
1st Quarter	57	50¼	$1.375	68½	65	$1.375
2nd Quarter	57½	55	1.375	67	54½	1.375
3rd Quarter	59	55½	1.375	55¼	51¾	1.375
4th Quarter	58¾	56	1.375	56	50	1.375
New Preferred Stock $1.265						
1st Quarter	27	20½	$ .316	34⅞	24	$ .316
2nd Quarter	30	24¼	.316	36⅝	24	.316
3rd Quarter	29⅜	21⅜	.316	28½	17	.316
4th Quarter	24	20⅝	.316	28	18	.316

*Dividend rate of $.25 per share maintained after the 3 for 2 stock split thereby representing a fifty (50) percent increase in dividends.

Quarterly Financial Data

BOWNE & CO., INC. (OCT)

Notes to Consolidated Financial Statements

Note 5–Quarterly data (unaudited)—Summaries of the Company's 1975 and 1974 results on a quarterly basis follow:

1975	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Net sales	$9,557,000	$12,694,000	$11,802,000	$11,265,000	$45,318,000
Income before income taxes	834,000	2,246,000	1,687,000	1,413,000	6,180,000
Income taxes	443,000	1,169,000	845,000	681,000	3,138,000
Net income	391,000	1,077,000	842,000	732,000	3,042,000
Per share	.20	.57	.45	.39	1.61
Average shares outstanding	1,909,746	1,881,875	1,881,875	1,882,625	1,889,239
1974					
Net sales	$7,624,000	$ 9,667,000	$ 9,734,000	$11,387,000	$38,412,000
Income before income taxes	549,000	1,725,000	890,000	1,432,000	4,596,000
Income taxes	310,000	848,000	478,000	730,000	2,366,000
Net income	239,000	877,000	412,000	702,000	2,230,000
Per share	.12	.44	.21	.36	1.13
Average shares outstanding	2,000,275	2,000,275	1,961,527	1,929,032	1,972,551

THE DOW CHEMICAL COMPANY (DEC)

Notes to Financial Statements

Note M: Quarterly Statistics Quarterly results (unaudited were as follows:

1975	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year
Net sales (in millions)	$1,138.0	$1,197.4	$1,274.5	$1,278.2	$4,888.1
Products and services operating income (in millions)	223.1	256.2	311.8	284.4	1,075.5
Net income (in millions)	125.9	143.3	180.2	166.3	615.7
Earnings per share (in dollars)	1.36	1.55	1.94	1.80	6.65
Cash dividends paid per share (in dollars)	.35	.35	.35	.40	1.45
Market price range of common stock on the N. Y. Stock Exchange (in dollars):					
High	78.25	92.88	94.00	95.50	95.50
Low	53.75	72.00	83.63	83.50	53.75
1974					
Net sales (in millions)	$1,016.6	$1,325.4	$1,346.3	$1,250.2	$4,938.5
Products and services operating income (in millions)	129.3	335.3	442.1	231.5	1,138.2
Income before extraordinary items and cumulative effect of change in accounting (in millions)	69.9	159.7	234.4	123.4	587.4
Earnings per share on income before extraordinary items and cumulative effect of change in accounting (in dollars)	.76	1.72	2.53	1.34	6.35
Net income (in millions)	69.9	159.7	203.7	124.1	557.4
Earnings per share (in dollars)	.76	1.72	2.20	1.35	6.03
Cash dividends paid per share (in dollars)	.25	.25	.30	.30	1.10
Market price range of common stock on the N. Y. Stock Exchange (in dollars):					
High	64.00	70.00	69.12	68.50	70.00
Low	50.12	59.38	50.00	49.88	49.88

The first three quarters of 1974 were restated to reflect the change to the LIFO method of valuing inventories which were adopted as of September 30, 1974. Net income for the third quarter of 1974 included the cumulative effect to December 31, 1973 of retroactive application of the change to the declining balance method of providing depreciation on overseas facilities, as described in Note D.

W. R. GRACE & CO. (DEC)

Notes to Financial Statements

Note 13: Unaudited Summaries of Quarterly Results

The following interim information has not been audited in accordance with generally accepted auditing standards and accordingly the independent accountants express no opinion thereon:

	(Dollar amounts in millions except per share)			
1975	First Quarter*	Second Quarter	Third Quarter	Fourth Quarter
Sales	$855.2	$922.3	$836.1	$915.6
Income before taxes	$ 59.7	$132.1(1)	$ 63.6	$ 40.5(2)
Provision for taxes	29.3	52.8	30.5	24.9
	30.4	79.3	33.1	15.6
Effect of change in accounting for:				
Translation	3.5	3.3	7.9	(6.9)
Business combinations	.5	—	—	—
Net income	$ 34.4	$ 82.6	$ 41.0	$ 8.7
Earnings per common and common equivalent share:				
Income before effect of changes in accounting	$ .94	$ 2.52	$ 1.06	$ .49
Effect of change in accounting for:				
Translation	.11	.11	.25	(.22)
Business combinations	.05	—	—	—
Earnings per common and common equivalent share	$ 1.10	$ 2.63	$ 1.31	$ .27
Earnings per common share assuming full dilution:				
Income before effect of changes in accounting	$ .86	$ 2.23	$ .96	$ .46
Effect of change in accounting for:				
Translation	.10	.09	.22	(.19)
Business combinations	.04	—	—	—
Earnings per common share assuming full dilution	$ 1.00	$ 2.32	$ 1.18	$ .27
1974*				
Sales	$749.3	$890.2	$882.7	$978.2
Income before taxes	$ 48.4	$ 79.1	$ 75.1	$ 57.9(2)
Provision for taxes	24.4	35.9	36.5	29.6
	24.0	43.2	38.6	28.3
Effect of change in accounting for:				
Translation	(4.0)	2.6	3.2	(8.2)
Business combinations	(2.2)	(.2)	(.2)	(6.0)
Net income	$ 17.8	$ 45.6	$ 41.6	$ 14.1
Earnings per common and common equivalent share:				
Income before effect of changes in accounting	$ .75	$ 1.33	$ 1.21	$ .85
Effect of change in accounting for:				
Translation	(.13)	.09	.10	(.27)
Business combinations	(.05)	.05	.03	(.13)
Earnings per common and common equivalent share	$ .57	$ 1.47	$ 1.34	$ .45
Earnings per common share assuming full dilution:				
Income before effect of changes in accounting	$ .68	$ 1.20	$ .109	$ .79
Effect of change in accounting for:				
Translation	(.11)	.07	.09	(.23)
Business combinations	(.04)	.04	.02	(.13)
Earnings per common share assuming full dilution	$ .53	$ 1.31	$ 1.20	$ .43

*Restated for pooling of interests.

(1) Includes gain on sale of Jacques Borel International S.A. of $48.8

(2) Net of loss on disposal of business $26.6 (1974—$21.3).

THE SIGNAL COMPANY, INC. (DEC)

Notes to Financial Statements

Note 19: Comparative Quarterly Financial Information (Unaudited):

	(Dollars in thousands, except per share amounts)				
1975	First	Second	Third	Fourth	Year
Sales (restated for discontinued operations)	$402,798	$572,911	$601,384	$564,855	$2,141,948
Income from continuing operations	$ 6,256	$ 18,267	$ 14,928	$ 1,966	$ 41,417
Loss from discontinued operations	—	(460)	(444)	(843)	(1,747)
Income before extraordinary income	6,256	17,807	14,484	1,123	39,670
Extraordinary income	366	366	366	367	1,465
Net income	$ 6,622	$ 18,173	$ 14,850	$ 1,490	$ 41,135
Earnings per share:					
Income from continuing operations	$ .28	$ .84	$ .69	$ .09	$ 1.90
Loss from discontinued operations	—	(.02)	(.02)	(.04)	(.08)
Income before extraordinary income	.28	.82	.67	.05	1.82
Extraordinary income	.02	.02	.01	.02	.07
Net income	$ .30	$ .84	$ .68	$ .07	$ 1.89
1974					
Sales	$405,448	$430,561	$396,594	$412,400	$1,645,003
Income from continuing operations	$ 13,219	$ 20,675	$ 16,906	$ 13,619	$ 64,419
Gain from sale of discontinued operations	110,182	—	—	—	110,182
Income before extraordinary income	123,401	20,675	16,906	13,619	174,601
Extraordinary income	367	366	366	366	1,465
Net income	$123,768	$ 21,041	$ 17,272	$ 13,985	$ 176,066
Earnings per share:					
Income from continuing operations	$ .54	$ .86	$ .77	$ .63	$ 2.80
Income from discontinued operations	4.80	—	—	—	4.80
Income before extraordinary income	5.34	.86	.77	.63	7.60
Extraordinary income	.02	.02	.01	.01	.06
Net income	$ 5.36	$ .88	$ .78	$ .64	$ 7.66

Earnings are down in each of the quarters this year compared to last year principally because of Mack Trucks and reduced investment income (see the discussion and analysis by management on page 33).

The fourth quarter of 1975 includes year-end adjustments of approximately $2,700,000 as a result of the write-off of receivables, provision for guarantees by UOP and amortization of the excess of purchase price over the book value of net assets acquired (see Note 3).

The fourth quarter of 1974 includes the goodwill write-off of $9,134,000 referred to in Note 9.

RALSTON PURINA COMPANY (SEP)

Notes to Financial Statements

(Dollars in millions except per share data)

Quarterly Results (unaudited)

	1975	1974
First quarter		
Sales	$830.6	$737.6
Gross profit	137.7	120.1
Earnings	25.6	22.0
Primary earnings per share	.72	.62
Second quarter		
Sales	758.5	750.7
Gross profit	129.1	121.6
Earnings	20.9	24.1
Primary earnings per share	.59	.68
Third quarter		
Sales	764.3	731.8
Gross profit	135.0	115.5
Earnings	25.0	23.1
Primary earnings per share	.70	.65
Fourth quarter		
Sales	795.7	853.1
Gross profit	150.5	134.8
Earnings	28.0	21.5
Primary earnings per share	.79	.61

NATURAL BUSINESS YEAR

For years, the accounting and legal professions, printers, the Securities and Exchange Commission, 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, by the month in which a fiscal year ends, the fiscal year endings of the survey companies. For tabulation purposes, if a fiscal year ended in the first week of a month, the fiscal year was considered to have ended in the preceding month.

One hundred and one survey companies used a 52-53 week fiscal year.

During 1975, five companies changed the date of their fiscal year end. Examples of such changes and examples of fiscal year definitions follow.

TABLE 1-3: MONTH OF FISCAL YEAR END

	1975	1974	1973	1972
January	22	22	23	24
February	14	15	16	12
March	16	19	20	18
April	7	5	5	5
May	10	8	10	12
June	36	37	39	35
July	12	13	14	12
August	17	18	17	18
September	38	38	39	38
October	30	28	31	33
November	12	13	13	13
Subtotal	**214**	**216**	**227**	**220**
December	386	384	373	380
Total Companies	**600**	**600**	**600**	**600**

Change in Date of Fiscal Year Ending

DOYLE DANE BERNBACH INC. (DEC)

Consolidated Balance Sheets

October 31, 1974 (Note B) — *December 31, 1975*

Statement of Consolidated Income

Year Ended

October 31, 1974 (Note B) — *December 31, 1975*

Statement of Consolidated Changes in Financial Position

For the Years Ended

October 31, 1974 — *December 31, 1975**

**Represents the changes in financial position for the period from January 1, 1975 to December 31, 1975.*

Statement of Consolidated Additional Paid-In Capital

For the Year Ended

October 31, 1974 (Note B) — *December 31, 1975*

Statement of Consolidated Retained Earnings

For the Year Ended

October 31, 1974 (Note B) — *December 31, 1975*

Note B: Change in fiscal year—In 1975, the Registrant changed its fiscal year from October 31 to December 31. The results of operations for the two months ended December 31, 1974, which have been credited to retained earnings, are summarized below:

Gross advertising billings	$59,223,101
Income from commissions and fees	$ 9,204,454
Dividends, interest, purchase discounts, etc.	230,525
	9,434,979
Expenses (including depreciation and amortization of $156,627)	7,081,111
Net income before taxes on income	2,353,868
Provision for taxes on income (net of deferred tax credits of $80,831)	1,150,200
Net income ($.66 per share)	1,203,668
Retained earnings—November 1, 1974	20,183,807
Retained earnings—December 31, 1974	$21,387.475

FEDDERS CORPORATION (OCT)

Consolidated Balance Sheet

October 31, 1975 and August 31, 1974

Consolidated Statement of Operations

Years ended October 31, 1975 and August 31, 1974

Consolidated Statement of Retained Earnings

Years ended October 31, 1975 and August 31, 1974

Consolidated Statement of Changes in Financial Position

Years ended October 31, 1975 and August 31, 1974

Notes to Consolidated Financial Statements

Note 10: Change in fiscal and year-end adjustments

The Company changed its fiscal year-end from August 31 to October 31 and charged to retained earnings the net loss applicable to common stockholders for the two months ended October 31, 1974. The condensed results of operations for that period are shown below:

Net sales and other income	$38,848,000
Costs and expenses	48,970,000
	(10,122,000)
Recovery of federal and state income taxes	4,824,000
	(5,298,000)
Preferred stock payments and related amortization net of tax benefits	(135,000)
Net loss applicable to common stockholders	$ (5,433,000)
Net loss per common share	$(.49)
Reduction in working capital	$ 6,359,000

Year-end 1975 adjustments resulted in charges of approximately $3,350,000, net of taxes. Of this amount, $1,438,000 was applicable to the two months ended October 31, 1974 and has been reflected therein; the remainder is substantially applicable to the first three fiscal 1975 quarters. Of these adjustments, approximately $5,400,000, net of taxes, arose from changes related to inventories, due primarily to corrections of earlier overestimates of the LIFO effect of inventory reductions, and $2,000,000, net of taxes, was attributable to credits arising from the change in accounting for warranty costs (see Note 1).

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 1975 ended March 29, 1975; fiscal year 1974 ended March 30, 1974. Both of these years comprised 52 weeks.

GAMBLE-SKOGMO, INC. (JAN)

Notes to Consolidated Financial Statements

Summary of Accounting Policies (in part)

Definition of Fiscal Year—The company's fiscal year ends on the last Saturday in January. Fiscal 1975 ended on January 31, 1976 and fiscal 1974 on January 25, 1975. The years are comprised of 53 and 52 weeks respectively.

SEARS INDUSTRIES INC. (DEC)

Notes to Financial Statements

Note 1 (in part): Accounting Policies and Definition of Fiscal Year

Definition of Fiscal Year—The Corporation's fiscal year ends on the last business day of the last full week in December. The fiscal years ended December 27, 1975 and December 28, 1974 each comprised 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 a Securities and Exchange Commission 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.

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*"—or in millions of dollars.

TABLE 1-4: ROUNDING OF AMOUNTS

	1975	1974	1973	1972
To nearest dollar	226	244	294	310
To nearest thousand dollars:				
Omitting 000	188	174	137	125
Presenting 000	161	166	158	155
To nearest million dollars	25	16	11	10
Total Companies	**600**	**600**	**600**	**600**

NOTES TO FINANCIAL STATEMENTS

Securities and Exchange Commission 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.

Long-term lease agreements.

Assets subject to lien.

Preferred stock data

Pension and retirement plans.

Restrictions on the availability of retained earnings for cash dividend purposes.

Contingencies and commitments.

Depreciation and depletion policies.

Stock option or stock purchase plans.

Consolidation policies.

Business combinations.

Computation of earnings per share.

Subsequent events.

Quarterly data.

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. Notes on specific topics are illustrated in this book in the sections dealing with such topics.

TABLE 1-5: NOTES TO FINANCIAL STATEMENTS

	1975	1974	1973	1972
General and direct references	330	325	337	346
General reference only	236	237	224	207
Direct reference only	29	33	36	42
No reference to notes	5	5	3	5
Total Companies	**600**	**600**	**600**	**600**

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.

Table 1-6 shows the nature of information frequently disclosed in summaries of accounting policies and the number of survey companies disclosing such information. Examples of summaries of accounting policies follow.

THE NEWHALL LAND AND FARMING COMPANY (FEB)

Notes to Consolidated Financial Statements

Note 1–Summary of Significant Accounting Policies:

Accounting policies related to each of the Company's lines of business, (see Note 3) are:

Food/Agriculture—Revenue is recognized as crops are sold. Most of the crops are sold to farmers cooperatives (or to food processors), which market the crops throughout a period of approximately one year after harvest. Upon harvest, the Company estimates the remaining proceeds to be received from sales of the current year's crop and records these amounts as unbilled receivables. In the year following the harvest, the Company records any final adjustments of such estimated amounts resulting from changing market conditions. Net income for the years ended February 28, 1975 and 1974 increased approximately $700,000 and $450,000, respectively, resulting from such adjustments.

TABLE 1-6: DISCLOSURE OF ACCOUNTING POLICIES

	Number of Companies 1975	1974
Depreciation methods	583	582
Consolidation basis	578	576
Interperiod tax allocation	557	558
Inventory pricing	556	556
Property	497	510
Translation of foreign currencies	401	378
Employee benefits	359	312
Amortization of intangibles	333	168
Earnings per share calculation	234	174

Costs directly related to crops are included in inventory until a sale is recognized. Costs incurred during the development stage of vineyard and orchard crops (ranging from three to ten years) are capitalized and amortized over the productive life of the vines or trees.

Agricultural inventories include materials and supplies, crops in process and processed crops (primarily dehydrated or suncured alfalfa products) and are valued at the lower of cost or market, determined on the first-in, first-out method.

Food/Cattle—Revenue is recognized upon sale. Cattle inventory is valued at the lower of cost or market determined on an average cost basis.

Recreation—Amusement park revenues of food and merchandise are recorded as cash sales. Revenues from ticket sales are recognized as the tickets are presented for admission.

Energy—Oil royalties (and the Company's share of the revenues from refined products derived from royalties paid in kind) are recognized as the oil is produced and sold. Gas is sold under a long-term contract with a major utility and revenue is recognized as the gas is produced. Drilling and development costs of producing gas wells are capitalized and amortized over a period, which approximates the period of recovery of the mineral reserves. Costs relating to nonproductive drilling are charged against income as incurred. Acquisition costs of unproven oil or gas properties are deferred and expensed as the leases are abandoned.

Shelter/Commercial—Revenue from leasing commercial, industrial and multi-family housing properties is recognized in accordance with the provisions of the leases.

Shelter/Land—Land sale transactions are generally under agreements which require release of the land sold from the lien securing the related notes receivable approximately in proportion to the amount of cash received. Accounting for land sales follows that prescribed by the industry accounting guide "Accounting for Profit Recognition on Sales of Real Estate."

Shelter/Residential—Revenue from sale of single family and condominium living units is recognized at the close of escrow. Inventory, including property taxes and interest on construction borrowings, is relieved based on the ratio of the sales value of each unit to the estimated total sales value of the project.

Other general accounting policies are:

Basis of Consolidation—The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. All significant intercompany transactions are eliminated.

Property and Equipment—Property is stated at cost (or, if on hand as of March 13, 1913, at appraised value as of that date), less proceeds from sales of easements and rights of way.

Depreciation of property and equipment is provided on a straight line basis over the estimated useful lives of various assets. Lives used for calculating depreciation are as follows: buildings—25 to 40 years; entertainment park facilities—15 years; equipment—4 to 10 years; water supply systems, orchards, roads and other land improvements—20 to 60 years.

Expenditures for maintenance, repairs and minor renewals are charged to income as incurred; expenditures for improvements, replacements and major renewals are capitalized. Assets retired, or otherwise disposed of, are eliminated from the asset accounts along with related amounts of accumulated depreciation. Any gains or losses from disposals are included in income.

Income Taxes—Taxes are provided on all revenue and expense items included in income, regardless of the period in which such items are recognized for tax purposes, except for items representing a permanent difference between pre-tax accounting income and taxable income. Investment tax credits are recognized in the period in which the qualifying assets are placed in service.

Per Share Amounts—Income per share is computed by dividing the applicable income by the weighted average number of shares outstanding during the year (5,466,206 in 1975 and 5,452,963 in 1974). The conversion provisions of the debentures do not have a dilutive effect.

Retirement Plans—The Company has a contributory retirement plan covering substantially all of its employees. Pension expense is based on actuarially computed normal service costs.

THE SIGNAL COMPANIES, INC. (DEC)

Notes to Financial Statements

Note 1: Summary of Accounting Policies:

Principles of Consolidation—All significant majority owned subsidiaries of The Signal Companies, Inc. (Company) are consolidated except for Mack Financial Corporation and Signal Landmark Properties, Inc., whose finance and real estate activities are dissimilar to the manufacturing operations of the consolidated group. Investments in unconsolidated subsidiaries and associated companies (20% to 50% owned) are accounted for under the equity method.

Inventories—Inventories are stated at lower of cost or market, cost being determined by the average, specific identification, first-in, first-out, and last-in, first-out methods.

Property and Depreciation—Land, buildings, and machinery and equipment are stated at cost less accumulated depreciation which is computed on the declining balance and straight-line methods over estimated useful lives.

Major expenditures for property and those which substantially increase useful lives are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Intangibles—Goodwill arising from acquisitions of consolidated and unconsolidated subsidiaries and associated companies are considered to have continuing value and is not being amortized except for minor amounts arising after October 31, 1970.

Patents are being amortized over estimated useful lives which are not in excess of 17 years and formulae are being amortized over 30 years.

Recognition of Income

Aerospace contract accounting—Sales and related costs under fixed-price contracts are recorded as shipments are made. Anticipated future losses on contracts are evaluated on an overall program basis and charged to income as soon as such losses become evident. Sales and related costs under cost-reimbursable contracts are recorded as costs are incurred.

Long-term construction contracts—Sales and related costs under cost-reimbursable contracts are recorded as costs are incurred. Sales and related costs under all other contracts are deferred until completion of the contract. 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.

Royalties—Royalty income for a paid-up license is deferred until the installment payments are due; however, where a paid-up license is sold and promissory notes are received in payment thereof, the income is recorded currently.

Leased manufactured trucks—Income from leases of manufactured trucks is recognized over the lease period under the operating method of accounting.

Finance operations—Finance fees included in the face amount of retail installment receivables and vehicle leases receivables are taken into income over the lives of the contracts under the sum-of-the-digits method. Income on floor plan receivables is recorded as earned based on the outstanding balances, and income on other simple interest bearing receivables is recorded as installments are collected.

Real estate operations—Sales are recorded at the time of escrow closings, provided the buyer has made an adequate financial commitment. Income from construction contracts is recorded under the completed contract method of accounting. Interest and property taxes related to construction projects in process are capitalized during the period of improvement. Interest and property taxes with respect to completed projects and land held for development or sale are charged to income as incurred.

Income Taxes—Deferred income taxes are provided for timing differences between the accounting for financial statement purposes and the accounting for tax purposes, except for the portion of undistributed earnings of certain foreign subsidiaries which will be reinvested. Investment tax credits are accounted for under the flow-through method as a reduction of the current provision for income taxes.

THE SINGER COMPANY (DEC)

Summary of Accounting Policies

Principles of Consolidation—The accompanying financial statements include the accounts of all subsidiaries other than wholly-owned finance and home building companies. These finance and home building companies, together with all other inventories in which the Company exercises significant management influence, are reported in the financial statements as investements carried on the equity basis and, accordingly, the Company's share of their results of operations is included in income. All other investments are carried at cost.

During 1975 and 1974, the Company discontinued operations of certain business segments. Accordingly, the statements of income prior to discontinuance have been retroactively restated to set forth separately the activities of all discontinued operations. In addition, the balance sheet at December 31, 1974 has been restated to segregate the assets of discontinued operations.

All significant intercompany transactions are eliminated in consolidation.

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.

Accounts Receivable—Receivables discounted without recourse with unaffiliated financial institutions are removed from the balance sheet, and earned carrying charges and all discount expenses are recognized immediately. Receivables discounted with recourse are considered a financing arrangement, and accordingly the liability for such discounted receivables is included in notes and loans payable. Earned carrying charges and discount and related financing expenses are recognized as the receivables are collected.

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.

Property, Plant and Equipment—Land, buildings, equipment, leasehold, and other 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.

Other Assets—The Company amortizes deferred charges such as start-up costs and plant rearrangements over the periods to be benefited, generally not exceeding three years. Goodwill arising after October 31, 1970 is being amortized over periods not exceeding 40 years. Goodwill arising prior to that date is not amortized.

Revenue Recognition—Sales are generally recorded as products and services are delivered. Long-term contracts are accounted for on both the percentage of completion method (primarily on a delivered unit and cost reimbursement basis) and the completed contract method. Revenue under long-term contracts is approximately 15 percent of net sales for 1975 and 1974.

Pension Plans—The Company has a number of pension plans which cover substantially all of its employees who meet eligibility requirements. Prior service costs are amortized over periods not exceeding 30 years. Costs are charged to earnings as accrued and funded after giving consideration to the financial condition of each fund. The provisions of the Employee Retirement Income Security Act of 1974 are not expected to have a material effect on the Company's pension expense or funding policy.

Income Taxes—The accompanying financial statements reflect the income from instalment sales and the elimination of unrealized intercompany profits in inventories. Income tax laws of the United States and various other countries permit or require different treatment of these and other items, such as depreciation, in the determination of taxable income generally resulting in the postponement of income tax payments. The resulting tax effects are generally deferred in the financial statements. The effects vary widely from year to year, principally due to the number of taxing jurisdictions and the variety of tax laws with which the Company must comply. Deferred taxes have been used to offset losses in 1975 and, prior to the recognition of any future tax benefits, such deferred taxes will be restored.

The profit or loss arising from foreign exchange transactions is subject to different tax treatments and tax rates in each of the countries in which the Company operates. The after-tax effect of foreign exchange transactions may vary from year to year.

United States income taxes have not been provided on the earnings of the Company's Domestic International Sales Corporation (DISC) subsidiary or on the unremitted earnings of subsidiaries incorporated outside of the United States that have been or are intended to be permanently reinvested.

The Company accounts for the investment tax credit as a reduction of tax expense in the year in which the related asset is placed in service.

TABLE 1-7: ACCOUNTING CHANGES

	Number of Companies			
	1975	1974	1973	1972
Translation policy	82	2	16	6
Actuarial cost methods or assumptions	62	32	13	32
LIFO method adopted or extended	32	198	8	3
Interperiod tax allocation	27	—	—	—
Inventory valuation other than changes to LIFO	16	5	3	2
Valuation of equity marketable securities	15	—	—	—
Loss contingencies	13	—	—	—
Change in reporting entity	13	9	14	24
Research and development costs charged to operations	6	27	—	—
Equity method adopted	3	—	11	65
Other	33	42	50	58

ACCOUNTING CHANGES

Table 1-7 summarizes the nature of accounting changes disclosed by the survey companies in 1975 and the frequency with which such accounting changes were disclosed. Many of the accounting changes listed in Table 1-7 were necessitated by pronouncements issued by the Financial Accounting Standards Board. It is particularly interesting to note that a significant number of survey companies elected to comply with the requirements of *Statement of Financial Accounting Standards No. 8* before the Statement's effective date. Of the 27 survey companies commencing in 1975 to accrue deferred income taxes for costs associated with the exploration of oil and gas reserves, as required by *Statement of Financial Accounting Standards No. 9,* 18 accounted for the change by retroactively restating prior year financial statements and 9 accounted for the change under the prospective net method.

Accounting Principles Board Opinion No. 20 "defines various types of accounting changes and establishes guides for determining the manner of reporting each type." Examples of accounting changes not involving a restatement of prior year financial statements follow. Examples of accounting changes involving a restatement of prior year financial statements are presented in connection with Table 4-3.

Change in Accounting Estimates

APECO CORPORATION (NOV)

Notes to Consolidated Financial Statements

Note B: Changes in Accounting Estimates—In 1974 and prior years, the Company accrued for the possible payment of royalties to another corporation; these accruals totaled $1,291,000 at November 30, 1974. As a result of a court order issued in July, 1975, and an agreement signed in October, 1975, the Company was released from all liability for royalties under the subject patents, and the $1,291,000 accrual was therefore credited to income in 1975.

Additionally, during 1975, the Company changed the depreciable lives of certain assets and revised the basis of estimation with respect to certain accruals and income deferrals to more reasonably reflect the Company's actual experience. The effect of these changes in estimates was to increase operating income (before tax effect) by approximately $720,000.

In addition, as more fully described in Note I, during 1975 the Company reversed, as income-tax credits, certain prior year provisions for accrued and deferred income taxes totaling $917,000.

The aggregate effect of the above items on the Consolidated Statement of Operations and Retained Earnings for 1975 was to reduce the loss before income-tax credit by $2,011,000 and increase net income by $2,928,000 (per share—$.28).

CURTISS-WRIGHT CORPORATION (DEC)

Notes to Financial Statements

Note 11: Government Contracts in Process—Due to the marked increase of economic uncertainties in the Nuclear industry, particularly in the Nuclear Navy element and the resulting potential long-term adverse effect on the Corporation's involvement in these programs, management decided it would be prudent not to include a projection of new contract awards in the costs to complete calculation of these Nuclear contracts. In prior years, the assumption of additional contracts was factored into this calculation. This lack of projection of a quantity of Nuclear Navy installation contracts to be received through the remainder of the 1970's and the corresponding decrease in the projected future production rates has resulted in an increase in the estimated program average cost to be charged to cost of current production. This change in accounting estimate had the effect of reducing net earnings by approximately $1,820,000 or $.21 per share for the year 1975.

The Nuclear Components operation has continued to improve in its manufacturing performance and efficiencies, and the Corporation is vigorously addressing itself to the remaining market.

FMC CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 14: Retirement Plans—FMC has retirement plans for substantially all domestic employees and certain employees in foreign countries. The 1975 and 1974 pension provisions amounted to $24,815,000 and $26,069,000, respectively. Following a comprehensive actuarial study of FMC's retirement plans, changes were made in certain actuarial assumptions. These related primarily to increases in the assumed interest rate, rate of increase in compensation and a change to a preferable actuarial method of valuing pension plan assets. These changes had the net effect of reducing total pension costs for 1975 by approximately $8,000,000 and increasing net income by approximately $3,920,000, or $0.12 per share. As of the most recent valuation dates (December 31, 1974 for the most significant plans) the actuarially computed value of vested benefits exceeded the market value of assets of the plans by approximately $78,000,000. As of December 31, 1975 the market value of assets had increased by approximately $57,000,000.

WHEELING-PITTSBURGH STEEL CORPORATION (DEC)

Notes to Financial Statements

Note C: Pensions—Pension provisions charged to income were $49,000,000 in 1975 and $34,600,000 in 1974. The increase was attributable to improved pension benefits effective August 1, 1975, increased earnings of participants and a change in the assumed retirement age to recognize experience. This change in actuarial assumption decreased net income approximately $4,500,000 ($1.23 per share).

The actuarially computed value of vested benefits for employees on pension exceeded the market value of assets in the Pension Trusts and reserves provided for pensions by $53,200,000 at December 31, 1975. In addition, the actuarially computed value of unfunded vested benefits for active employees amounted to $263,600,000.

Management does not believe that compliance with the Employee Retirement Income Security Act of 1974 will have a material effect on the pension costs of the Corporation.

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)	1975	1974
Land and improvements to land....	$ 53,703	$ 44,301
Building and building equipment....	158,305	163,102
Machinery and equipment	635,831	616,920
Leasehold improvements	10,796	9,862
Construction in progress	83,275	62,288
	942,910	896,473
Less accumulated depreciation and amortization......................	511,487	494,443
	$431,423	$402,030

During 1975 depreciable lives of certain assets acquired in prior years were reduced prospectively with a consequent increase in depreciation of approximately $2,700,000 and a reduction in net income of $1,330,000 ($.11 per share).

Change in Accounting Principle

CROWN CENTRAL PETROLEUM CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note F: Income Taxes—The reasons for the difference between total tax expense and the amount computed by applying the statutory federal income tax rate of 48% to income before federal income taxes are as follows:

	1975	1974
48% of income before taxes.......	$3,975,000	$8,599,000
Increases (reductions) in taxes resulting from:		
Investment tax credit............	(692,000)	(550,000)
Production payment		2,110,000
Excess of tax over book depletion	(528,000)	(1,631,000)
Intangible drilling cost............		(745,000)
Other items........................	23,000	(38,000)
Total Tax Expense...................	$2,778,000	$7,745,000

Effective January 1, 1975 the Tax Reduction Act of 1975 eliminated statutory percentage depletion on oil and gas production with certain exceptions.

As a result, in October 1975 the FASB issued its Standard No. 9 requiring that deferred taxes be provided for intangible drilling and certain other costs which are reflected in financial and taxable income in different periods. Prior to January 1, 1975 the Company had followed the prevailing oil and gas industry practice of considering the benefits of tax deductions applicable to such costs as permanent tax differences. To comply with the new Standard, provision for deferred taxes, using the prospective net method, of $1,212,000 ($.71 a share) has been made for the year ended December 31, 1975.

The cumulative amount of intangible drilling and certain other costs for which deferred taxes had not been provided as of December 31, 1975 was $2,800,000. The components of deferred income tax expense are as follows:

	1975	1974
Intangible drilling and certain other costs	$1,212,000	
Turnaround costs	761,000	($464,000)
Excess of tax over book depreciation	178,000	409,000
Production payment	(944,000)	
Amortization of undeveloped leases	(208,000)	
Other	(265,000)	(87,000)
Total Deferred Tax Expense (Credit)	$ 734,000	($142,000)

ESMARK, INC. (OCT)

Financial Comments

Income taxes (in part)—The Tax Reduction Act of 1975, among other things, substantially reduced or eliminated percentage depletion as a federal income tax deduction for most oil and gas producing companies as of January 1, 1975. As a result, Esmark's federal income taxes currently payable for 1975 were increased approximately $2 million. Further, a required revision in deferred income tax practices as to capitalized oil and gas intangible drilling and exploratory costs due to the change in the tax law, increased 1975 deferred federal income taxes by $2.3 million. No deferred income taxes have been provided with respect to approximately $12 million of capitalized intangible drilling and exploratory costs deducted for income tax purposes prior to January 1, 1975. (See "Deferred income taxes and investment tax credits" on page 19.)

Deferred income taxes and investment tax credits—Prior to January 1, 1975, the Company did not provide deferred income taxes on differences between amounts capitalized as oil and gas properties for financial reporting and for income tax purposes as it was anticipated that no additional future income taxes would arise as such differences reversed due to the availability of percentage depletion deductions for income tax purposes in excess of cost depletion amounts. The Tax Reduction Act of 1975, among other things, substantially reduced or eliminated percentage depletion as a federal income tax deduction for most oil and gas producing companies as of January 1, 1975. Therefore, effective January 1, 1975, the Company began to provide deferred income taxes on the above described differences under the "net change method", as permitted by the Statement of Financial Accounting Standards No. 9, issued by the Financial Accounting Standards Board in October, 1975.

Investment tax credits are included as reductions of income tax expense in the year in which the credits are utilized.

PENNZOIL COMPANY (DEC)

Notes to Financial Statements

Note 2 (in part): Federal Income Tax—The "Tax Reduction Act of 1975" (Act) substantially eliminated percentage depletion for oil and gas companies and increased the amount of investment tax credit. Because the provision of the Act relating to percentage depletion, the Financial Accounting Standards Board (FASB) issued a statement requiring deferred tax accounting effective January 1, 1975, with respect to intangible drilling and development costs (IDC) and other exploration and development costs that enter into the determination of taxable income and pre-tax accounting income in different periods.

Pennzoil and its subsidiaries commenced providing, as of January 1, 1975, deferred Federal income tax on the excess of current tax deductions of IDC and other exploration and development costs over amortization of similar items previously capitalized for financial purposes. The additional deferred tax provided in 1975 reduced net income by $9,531,000 or $.28 in primary earnings per share.

The cumulative amount of accounting and tax differences as of December 31, 1975, on which deferred tax has not been provided is approximately $178,462,000 ($85,662,000 of deferred tax at the current statutory rate of 48%) for Pennzoil and its subsidiaries. The unrecorded deferred tax will decrease income in the future when and if the amortization of costs for financial reporting purposes exceeds such amounts currently deductible for tax purposes.

AMERICAN MAIZE-PRODUCTS COMPANY (DEC)

Notes to Financial Statements

Note 1 (in part): Summary of Significant Accounting Policies—Inventories are stated at the lower of cost or market. The last-in, first-out (LIFO) method is used to determine the cost of the corn content of the Company's inventory, and, in 1975, was initially applied in determining the cost of the tobacco and coffee contents of its subsidiaries' inventories (see Note 2). The aggregate LIFO cost of all such inventories was stated at $5,842,000 and $4,555,000 less than the corresponding replacement value at December 31, 1975 and December 31, 1974, respectively. The average cost and the first-in, first-out methods are used to value the remaining inventories.

Certain tobacco inventories of subsidiaries which will not be used within the next year, approximately $2,700,000 in 1975 and $3,300,000 in 1974, have been classified as current assets in accordance with industry practice.

Note 2: Change in Accounting Method for Certain Inventories—In 1975, two of the Company's subsidiaries adopted the LIFO method for determining the cost of raw material content, tobacco and coffee, of their respective inventories. The cost of these inventories previously had been determined utilizing the average and the first-in, first-out cost methods. The change was made 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 1975 net income by $1,134,000 ($.24 per share). For this type of accounting change, pro forma effects of retroactive application are not determinable, and there is no cumulative effect on retained earnings at December 31, 1974.

EX-CELL-O CORPORATION (NOV)

Notes to Consolidated Financial Statements

Note 1 (in part): Significant Accounting Policies:

Inventories—All domestic inventories in the aerospace and electronic products, precision parts and assemblies and expendable tools and accessories product groups at November 30, 1975 are valued at the lower of cost, determined by the last-in, first-out (LIFO) method, or market. At November 30, 1974, certain inventories in these product groups were valued at the lower of cost determined by the LIFO method or market. The remainder of inventories at November 30, 1975 and November 30, 1974 are valued at the lower of cost (first-in, first-out and average) or market. At November 30, 1973, all inventories were stated at the lower of cost (first-in, first out and average) or market (see note 2).

Note 2: Accounting Changes—Effective December 1, 1973, the Company changed its inventory valuation basis to the lower of cost, determined on the last-in, first-out (LIFO) method, or market for inventories maintained at certain domestic locations in the aerospace and electronic products, precision parts and assemblies and expendable tools and accessories product groups. The remainder of the inventories in these product groups were converted to the LIFO method effective December 1, 1974. The changes were made because management believes that the LIFO method more clearly reflects income by matching current costs to current revenues. These changes were implemented over two years to provide adequate time to properly implement LIFO inventory valuation techniques. The Company has decided not to adopt the LIFO method of inventory valuation for its machinery products group at this time.

The effect of the change in 1975 was to reduce net earnings by approximately $810,000 ($.10 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.

INTERNATIONAL HARVESTER COMPANY (OCT)

Income and Income Retained

	1975	1974
Income Before Extraordinary Item and Cumulative Effect of Change in Accounting Policy		
$2.48 per common share in 1975 and $4.24 in 1974...	$71,303,000	$117,929,000
Extraordinary Income		
Income tax benefits on net operating loss carryforwards	—	6,124,000
$.22 per common share in 1974		
Cumulative Effect on Prior Years (to October 31, 1974) of Change in Accounting Policy		
Modification of inventory valuation to full absorption method, net of income taxes	8,051,000	—
$.29 per common share in 1975		
Net Income	$79,354,000	$124,053,000
$2.77 per common share in 1975 and $4.46 in 1974 based on 27,797,000 average number of common shares outstanding in 1975 and 1974		

Financial Review

Change in Accounting Policy—In the first quarter of fiscal year 1975, the Company modified its method of valuing domestic inventories to the full absorption method, pursuant to recent Internal Revenue Service regulations, by changing the composition of elements of overhead costs included in inventory. This modification constitutes a refinement of the basis of valuation and more nearly reflects current inventory values. The cumulative effect of this change on prior years of $8.1 million, after reduction for income taxes of $8.2 million, was credited to income in the first quarter of 1975. The effect of this change for the year ended October 31, 1975 was to decrease income before cumulative effect of change in accounting policy by $6.5 million or 23 cents per common share.

Pro forma data on income before extraordinary item and net income are not provided as the effect of this change applied retroactively to the year end October 31, 1974 is not material.

SANTA ANITA CONSOLIDATED, INC. (JUN)

	1975	1974
Loss before extraordinary item and cumulative effect of accounting change on prior years	($2,884,000)	($ 641,000)
Extraordinary item, less applicable income tax benefit (Note 9)	—	(839,000)
Cumulative effect of accounting change on prior years (Note 1)	(4,105,000)	—
Net Loss	($6,989,000)	($1,480,000)
Per common share (Note 1):		
Income (Loss) from Continuing Operations	($ 1.07)	$ .12
Loss from discontinued operations	—	(.35)
Loss before extraordinary item and cumulative effect of accounting change	(1.07)	(.23)
Extraordinary item	—	(.31)
Cumulative effect of change	(1.52)	—
Net Loss	($ 2.59)	($ .54)
Pro forma amounts assuming retroactive application of new accounting method (Note 1)		
Loss before extraordinary item	($2,884,000)	($3,272,000)
Per common share	($ 1.07)	($ 1.25)
Net loss	($2,884,000)	($4,111,000)
Per common share	($ 1.07)	($ 1.56)

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

Real Estate Development—Real estate projects are carried at the lower of cost or market. Purchased real estate development rights relate to properties in Hawaii on which the Company has acquired leasehold interests. Projects in process consist primarily of commercial projects under construction, improved lots and houses in various stages of construction, and model home complexes. Costs of projects in process are generally charged to the cost of real estate sales on the basis of relative sales value.

The Company has changed its method of accounting for its homebuilding operation. Interest costs, property taxes and certain selling costs were formerly capitalized through the completion of construction and thereafter these costs were included in the cost of real estate sales. The Company now expenses these costs as incurred because the Company has reduced its activities in residential real estate operations during the past year and expects to continue this policy so long as the current slump in the homebuilding industry continues, expensing interest and other inventory carrying costs as incurred results in a more conservative and preferable accounting practice under current circumstances. The effect of this change resulted in a non-recurring write-off of $4,105,000 after a related income tax benefit of $4,327,000. This write-off relates to the effect of the accounting change on the operations of prior years. The pro forma effect of the change on the results for the fiscal year ended June 30, 1974 are included in the consolidated statement of operations. The net loss which would have been reported for fiscal 1975 had the accounting policy change not been adopted, would have approximated $4,984,000 or $1.85 per share.

Substantially all real estate projects are pledged as collateral for construction loans and certain long-term debt. Construction loans are substantially all due within one year, but are generally paid as the related properties are sold or refinanced.

A real estate sale is generally recorded and profit recognized when title to the property sold is passed to the buyer or a conditional sales contract is signed and the buyer has met down payment and continuing investment criteria. When it is determined that profits have not been earned, such unearned profits are deferred for recognition in future periods.

IPCO HOSPITAL SUPPLY CORPORATION (JUN)

Statement of Consolidated Income

	1975	1974
	($000 except per share amounts)	
Income before cumulative effect of accounting change	$ 1,736	$ 2,618
Cumulative effect on prior years (to June 30, 1974) for accounting change with respect to inceptive costs, net of income tax effect of $396,000 (Note 2)	(431)	—
Net Income	$ 1,305	$ 2,618
Earnings Per Common Share		
Income before cumulative effect of accounting change	$ .33	$ .50
Cumulative effect of accounting change	(.08)	—
Net Income	$ .25	$ .50
Pro forma amounts giving effect to retroactive application of writing off inceptive costs as incurred (Note 2)		
Net Income	$ 1,736	$ 2,517
Net Income Per Common Share	$ .33	$ .48
Average number of common shares outstanding and common stock equivalents	5,268,272	5,273,263

Note 2: Accounting Change—Effective July 1, 1974, the Company adopted the accounting policy of expensing as incurred all inceptive costs relating to the opening of new stores of its Optical division. In prior years such costs were deferred and amortized over a two-year period following the end of the first year of operation of newly opened stores. Management is of the opinion that this accounting change will result in financial reporting more consistent with that prevailing in industry today. The effect of the change on the results of operations for the year ended June 30, 1975, was to decrease net income by $683,000 ($.13 per share) of which $431,000 ($.08 per share) related to prior years' operations. The pro forma amounts shown on the Statement of Consolidated Income disclose the effect of retroactive application of the new accounting method as if the new method had been in effect in the prior year.

SAV-A-STOP INCORPORATED (AUG)

Consolidated Statements of Operations

	1975	1974
Loss from continuing operations before cumulative effect of change in accounting principle	$1,104,520	$452,699
Discontinued operations—losses on disposal (note 3)	—	378,805
Loss before cumulative effect of change in accounting principle	1,104,520	831,504
Cumulative effect on prior years (to August 31, 1974) of changing the method of accounting for merchandise purchase discounts (note 2)	506,213	—
Net loss	$1,610,733	831,504
Loss per share of common stock		
Loss from continuing operations	$ .35	.17
Discontinued operations	—	.10
Cumulative effect of change in accounting principle	.13	—
Net loss	$ .48	.27
Pro forma amounts assuming the new method of accounting for merchandise purchase discounts is applied retoractively:		
Loss from continuing operations	$1,104,520	495,025
Net loss	$1,104,520	873,830
Per common share:		
Loss from continuing operations	$ .35	.18
Net loss	$ .35	.28

Note 2: Change in Accounting Principle—In the fourth quarter of 1975, the Company changed its method of accounting for merchandise purchase discounts from the flow-through method to the more preferable method of deterring recognition of income from purchase discounts until the period in which the related merchandise is sold. The effect of the change was to reduce inventories by $964,287 at August 30, 1975 and to increase the net loss in 1975 by $501,287, as follows:

	Income tax effect	Net income (loss)	Per share
Cumulative effect on prior years	$(467,000)	(506,213)	(.13)
Effect on fiscal 1975 operations	4,000	4,926	—
Net effect on fiscal 1975	$(463,000)	(501.287)	(.13)

CONSOLIDATION POLICIES

Accounting Research Bulletin 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.

Securities and Exchange Commission Regulation S-X stipulates when a company must present in Form 10-K separate financial statements for consolidated subsidiaries engaged in finance-related operations. As interpreted by the SEC Staff in *Staff Accounting Bulletin No. 2*, annual reports to shareholders do not have to present such separate financial statements but should, at least, include summarized financial information for such subsidiaries for which separate financial statements are required in Form 10-K. This requirement concerning consolidated finance-related operations has limited applicability to the survey companies because the survey companies usually do not consolidate finance-related operations.

TABLE 1-8: CONSOLIDATION POLICIES

	1975	1974	1973	1972
Nature of Subsidiaries Not Consolidated				
Finance related				
Credit	92	89	78	76
Insurance	29	28	31	21
Leasing	20	20	16	15
Banks	14	12	14	16
Foreign	125	119	153	142
Real estate	33	29	28	25
Insignificant or inactive	64	63	57	53
Number of Companies				
Consolidating all subsidiaries	371	364	354	355
Consolidating certain subsidiaries	224	222	234	234
Not presenting consolidated financial statements	5	14	12	11
Total Companies	**600**	**600**	**600**	**600**

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 1-8 summarizes the consolidation policies of the survey companies. 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.

Foreign Subsidiaries Not Consolidated

ASHLAND OIL, INC. (SEP)

Accounting Policies

Principles of Consolidation—The consolidated financial statements include the accounts of all domestic and Canadian subsidiaries. Foreign subsidiaries and affiliates (other than Canadian) and domestic affiliates owned 50 per cent or less are stated in the balance sheet at cost, adjusted for Ashland's equity in undistributed earnings or losses and its share of the net income or losses of these companies is included in the statement of consolidated income except earnings which are not repatriable, but these are not significant

Notes to Consolidated Financial Statements

Note C: Unconsolidated Subsidiaries and Affiliates—Ashland's investment in unconsolidated subsidiaries and affiliates consists principally of a 48.9% interest in Arch Mineral Corporation, a coal company, and various interests in a number of foreign chemical and petroleum companies. Such investments are accounted for on the equity method. Following is a condensed summary of combined financial data of such companies for 1975.

	Domestic		
	Arch Mineral Corporation (48.9% owned)	Others (20% to 50% owned)	Foreign Subsidiaries and Affiliates (various interests)
	(Thousands of dollars)		
Total assets	$106,223	$47,896	$168,235
Total liabilities	71,746	29,636	113,427
Net assets	$ 34,477	$18,260	$ 54,808
Revenues	$116,819	$28,780	$224,924
Net income	27,040	6,125	7,400
Ashland's investment:			
Capital stock	21,029	6,357	28,873
Advances	11,700	—	5,093
Ashland's share of net income	13,842*	1,183	1,199
Dividends received	—	1,549	1,509

*Includes $1,517,000 tax benefit from loss carryforward.

CITIES SERVICE COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Significant Accounting Policies

Principles of Consolidation—The consolidated financial statements include the accounts of Cities Service Company, all domestic and certain foreign subsidiaries.

Investments in unconsolidated foreign subsidiaries, 50 percent owned companies and certain companies in which the ownership is less than 50 percent are accounted for under the equity method, with appropriate provision for the possibility of less than full realization of such equity. Combined, condensed, unaudited financial data relating to these companies as of and for the years ended December 31, 1975 and 1974 are as follows.

	Unconsolidated foreign subsidiaries		Other equity companies	
($ millions)	1975	1974	1975	1974
Working capital	$ (4.8)	6.2	(21.6)	(1.6)
Property, plant and equipment (net)	96.1	69.3	1,121.2	1,030.7
Other assets	3.3	3.2	16.7	74.7
Long-term debt	(53.0)	(41.9)	(835.6)	(850.1)
Other liabilities	(1.1)	(1.4)	(44.4)	(26.4)
Stockholders' advances and equity	40.5	35.4	236.3	227.3
Cities Service investment	$ 26.9	21.6	58.8	51.2
Gross income	$119.1	249.1	561.4	518.2
Net income	1.1	10.2	63.2	36.5
Cities Service equity	.1	7.7	14.7	8.0

A foreign crude oil trading subsidiary, which had been carried on the equity basis, was consolidated in 1975. In 1974 this subsidiary had gross income of $138.9 million, and net income of $3.5 million. Cities Service equity was $3.5 million.

NABISCO, INC. (DEC)

Statement of Accounting Policies

Consolidation Policy—Nabisco consolidates its subsidiaries, except certain foreign subsidiaries which in the aggregate are not significant and are stated on the equity basis. For companies in which it has a substantial interest, but owns 50 per cent or less, Nabisco also records its share of net income. The financial statements of most foreign subsidiaries are included on a fiscal-year basis, ending principally on November 30, to facilitate prompt reporting of year-end consolidated results.

PETTIBONE CORPORATION (MAR)

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 all domestic subsidiaries. The operations of a majority-controlled (66⅔%) Mexican company and wholly-owned subsidiaries in France and Germany have not been consolidated; however, the Company's investment in these subsidiaries has been adjusted for its share of the subsidiaries' net income or loss, which is not material.

All Subsidiaries Consolidated

AIRCO, INC. (DEC)

Statement of Accounting Policies

Principles of Consolidation—The financial statements include the accounts of all domestic and foreign subsidiaries. All intercompany accounts and transactions are eliminated.

ALLIED STORES CORPORATION (JAN)

Notes to Consolidated Financial Statements

Accounting Policies (in part)

Principles of Consolidation—The consolidated financial statements of Allied Stores Corporation include the accounts of all the Corporation's subsidiaries, which are the merchandising subsidiaries, Allied Stores Credit Corporation and Alstores Realty Corporation. Condensed financial statements of the credit subsidiary and of the real estate subsidiaries are presented on page 17.

ALPHA PORTLAND INDUSTRIES, INC., (DEC)

Summary of Significant Accounting Policies

Basis of Consolidation—The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Slattery Associates, Inc., H. Sand & Co. Inc. and Underpinning & Foundation Constructors, Inc., and its 80.5%-owned subsidiary, Grow Tunneling Corp. Certain 1974 amounts have been reclassified to conform with the 1975 presentation.

AMERICAN AIR FILTER COMPANY, INC. (OCT)

Notes to Consolidated Financial Statements

Summary of Significant Accounting Policies (in part)

Principles of Consolidation—Consolidated financial statements include the accounts, after elimination of all significant intercompany accounts and transactions, of all subsidiaries, all outside of the United States, and certain of which have fiscal years ending September 30. Cash, marketable securities, receivables and payables are translated at the exchange rate in effect at the balance sheet date. Deferred taxes are translated at rates generally applicable to the related assets or liabilities. Other assets, other liabilities, capital stock, and additional paid-in capital are translated at historical rates. Revenue and expense items relating to assets and liabilities translated at historical rates are translated at the related historical rates. Other revenue and expense items are translated at average rates for the period. Forward contracts are sometimes used to hedge foreign currency exposed net asset or net liability positions. The gains or losses on such contracts, after giving effect to the amortization of discount or premium over the life of the contract, are recognized in the determination of income in the current period.

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

Investments in common stock of less than 50%-owned associated companies, all outside of the United States, are accounted for by the equity method. The difference of approximately $248,000 between the cost of investments made after October 31, 1970, and the amount of underlying net assets is being amortized over forty years.

Certain reclassifications of amounts in the financial statements have been made to reflect comparability in both periods.

Subsidiaries and Investments in Associated Companies—The consolidated financial statements include the accounts of the Company's operating subsidiaries and finance subsidiary, all outside the United States, as follows:

	October 31, 1975		October 31, 1974	
	Operating	Finance	Operating	Finance
Assets	$78,822,000	$19,023,000	$68,976,000	$23,893,000
Liabilities	49,930,000	17,320,000	47,775,000	20,707,000
Parent company equity	25,312,000	1,703,000	18,205,000	3,186,000
Revenues	104,296,000	—	71,975,000	—
Net earnings (loss)	5,183,000	(1,215,000)	3,671,000	(174,000)

At October 31, 175, and 1974, $10,018,000 and $14,090,000, respectively, of the assets of the finance subsidiary, represented inter-company loans to the parent company.

AMERICAN BILTRITE INC. (DEC)

Notes to Consolidated Financial Statements

Note A (in part): Accounting Policies

Principles of Consolidation—The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. All significant intercompany accounts are eliminated upon consolidation.

The excess of net assets of acquired subsidiaries over cost is being amortized over ten-year periods from their respective dates of acquisition.

BEMIS COMPANY, INC., (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Accounting Policies:

Principles of Consolidation—The consolidated financial statements include the accounts of the Company and its majority owned subsidiaries. The equity method of accounting is used for investments in companies which are not controlled through majority stock ownership. All significant intercompany transactions and accounts have been eliminated in consolidation.

FAIRCHILD INDUSTRIES, INC. (DEC)

Notes to Financial Statements

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

Consolidation—The consolidated financial statements include the accounts of the Corporation and its majority-owned subsidiaries. All material intercompany transactions have been eliminated. See Note 2 for the change in policy in the current year with regard to the American Satellite Corporation.

Note 2: American Satellite Corporation—American Satellite Corporation (ASC), a wholly-owned subsidiary, has established a domestic communications system utilizing leased satellite capacity and ASC-owned earth segments.

Prior to 1975, the Corporation accounted for its investment in ASC on the equity basis. In 1975 the Corporation changed its policy to report its investment in ASC on a fully consolidated basis in recognition of the subsidiary becoming operational and its significance to the consolidated financial statements taken as a whole. Accordingly, the accompanying Consolidated Financial Statements for the year ended December 31, 1974 have been restated to consolidate ASC. This change in policy has had no effect on net earnings or stockholders' equity for 1974 as originally reported.

At December 31, 1975, the Corporation's net investment in and advances to ASC aggregated $12,833,000. During 1975, operating losses before income taxes aggregated $8,366,000. It is anticipated that ASC will become profitable on an operational basis during 1978.

GEO. A. HORMEL & COMPANY (OCT)

Notes to Consolidated Financial Statements

Note A (in part): Accounting Policies:

Principles of Consolidation—The consolidated financial statements include the accounts of the Company and all of its majority-owned subsidiaries. All significant intercompany accounts, transactions, and profits have been eliminated in consolidation. Investments in foreign companies (the Company's investment does not exceed 50% in any foreign operating company) has included in the financial statements at the Company's equity therein. Exchange adjustments (immaterial in amount in each year) are included in income as they occur. The excess of the cost of acquisitions over the Company's equity in net assets acquired is not material in amount and is being amortized over periods of ten to forty years.

PHILLIPS PETROLEUM COMPANY (DEC)

Notes to Financial Statements

Note 1 (in part): Accounting Policies:

Consolidation Principles and Investments—The consolidated statements include the accounts of companies owned more than 50%. Investments in companies owned 20% to 50%, inclusive, and in corporate joint ventures are accounted for using the equity method. Investments in other companies are carried at cost except that equity securities for which quoted prices are available are carried at the lower of aggregate cost or market, computed separately for current and noncurrent securities. Such securities were carried at cost in 1974. This change in accounting did not materially affect 1975 earnings.

All Significant Subsidiaries Consolidated

KIMBERLY-CLARK CORPORATION (DEC)

Accounting Policies

Basis of Presentation—The consolidated financial statements include the accounts of Kimberly-Clark Corporation (Parent Company) and all significant subsidiaries more than 50 percent owned and controlled by Kimberly-Clark Corporation. These subsidiaries are referred to as consolidated subsidiaries.

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

Kimberly-Clark Corporation's investments in companies which are neither consolidated subsidiaries nor equity companies are stated at cost and included in other assets. Income from these companies is included in consolidated net income only as dividends are received.

OWENS-ILLINOIS, INC. (DEC)

Statement of Accounting Policies

Basis of Consolidated Statements—The consolidated financial statements include the accounts of the Company and all significant subsidiaries. Subsidiaries organized or acquired during the period have been consolidated from the respective dates of organization or acquisition and did not have a significant effect on consolidated revenues, net earnings or assets.

Consolidated foreign subsidiaries are principally reported on the basis of fiscal years ending November 30.

Investments in companies owned 20% to 50% are accounted for by the equity method. Other domestic and foreign investments are accounted for at cost.

Goodwill which arose after October 31, 1970, relating to Owens-Illinois' investments in net assets of consolidated subsidiaries and companies accounted for by the equity method is being amortized generally over periods of 15 to 20 years.

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.

Less Than Wholly Owned Subsidiaries Not Consolidated

ENGELHARD MINERALS & CHEMICALS CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Accounting Policies:

Principles of Consolidation—The consolidated financial statements include the accounts of wholly-owned domestic and foreign subsidiaries, with intercompany balances and transactions eliminated.

Investments in subsidiaries and affiliates not consolidated in which the Company exercises significant influence are carried on the equity method of accounting, representing the cost of the investment adjusted for the Company's share of undistributed earnings or losses. Other income for 1975 includes $549,000 of undistributed net earnings of subsidiaries and affiliates not consolidated (1974—$244,000). Other deductions for 1975 include a provision of $4,000,000 for loss on termination of operations of a 50% affiliate in France engaged in the mining and processing of non-metallic minerals.

Other investments are stated at cost.

MARATHON OIL COMPANY (DEC)

Notes to Consolidated Financial Statements

Note A (in part): Accounting Policies:

Principles of Consolidation—The Company includes in its consolidated financial statements accounts of those wholly-owned subsidiaries engaged in domestic and foreign operations similar to those of the Company. Investments in unconsolidated subsidiaries and affiliates (in which ownership is 20% or greater) are stated at the Company's equity in their net assets. Intercompany profits in inventories of subsidiaries and affiliates are not material.

SHELL OIL COMPANY (DEC)

Accounting Policies

This summary of the major accounting policies of Shell Oil Company and its consolidated subsidiaries (hereinafter referred to as "Shell") is presented to assist the reader in evaluating Shell's financial statements and other data contained in this report. In all material aspects, Shell has consistently followed these policies for the five-year period covered by this annual report, and for the ten-year period covered by the statistical supplement. Originally reported net income has not been revised or restated.

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

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

Finance-Related Subsidiaries Not Consolidated

CHRYSLER CORPORATION (DEC)

Notes to Financial Statements

Summary of Significant Accounting Policies (in part):

Principles of Consolidation—The consolidated financial statements include the accounts of Chrysler Corporation and majority-owned and controlled subsidiaries except those engaged primarily in leasing, financing, insuring, retail selling and realty activities. Investments in unconsolidated subsidiaries, as well as investments in other companies representing 20% or more of the voting stock and pursuant to which some degree of management control is exercised, are carried at acquisition cost plus changes in equity in net assets from date of acquisition. Other investments are carried at cost or less.

FRUEHAUF CORPORATION (DEC)

Summary of Accounting Principles

Principles of Consolidation—The consolidated financial statements include the accounts of the Corporation and its domestic and Canadian subsidiaries other than Fruehauf Finance Company. The investments in Fruehauf Finance Company and foreign affiliates in which the Corporation has an ownership interest in excess of 20% are carried at equity in net assets in the consolidated balance sheet, and the proporationate share of their earnings for the year is included in net earnings.

THE GREYHOUND CORPORATION (DEC)

Significant Accounting and Financial Policies

Basis of Preparation—The consolidated financial statements include the accounts of Greyhound and its subsidiaries except for (1) Greyhound Leasing & Financial Corporation ("Greyhound Leasing"), a wholly-owned subsidiary engaged in general equipment leasing and financing, (2) Greyhound Lines of Canada Ltd. ("Lines of Canada") and Greyhound Computer Corporation ("Greyhound Computer"), both of which are not consolidated because there is a public market for their common stocks, (3) subsidiaries engaged in reinsurance operations, and (4) foreign subsidiaries. All unconsolidated subsidiaries are reflected in the accounts using the equity method of accounting. In addition, the equity method is used for reflecting investments in affiliated companies in which Greyhound has a 20 percent to 50 percent ownership of voting securities. All material intercompany transactions and accounts are eliminated in consolidation.

Notes to Consolidated Financial Statements

Note B: Unconsolidated Subsidiaries and Affiliated Companies—Pursuant to a reorganization of the corporate structure of Greyhound's leasing subsidiaries in February, 1976, Greyhound Leasing distributed its holdings of the capital stock of Greyhound Computer to Greyhound. The accompanying financial statements reflect the reorganization and present Greyhound Computer as an unconsolidated subsidiary of Greyhound for both 1975 and 1974. Such presentation has no effect on previously reported net income or retained income of Greyhound. In addition, in December 1975, Greyhound contributed $20,000,000 principal amount of 6½ per cent capital notes of Greyhound Leasing and $10,000,000 in cash to the capital of Greyhound Leasing.

During 1975 and prior years Greyhound formed three subsidiary companies (one domestic and two foreign) which are engaged in casualty reinsurance activities obtained principally through Lloyds of London.

Greyhound's investments in and advances to unconsolidated subsidiaries and affiliated companies at year-end and its equity in net income for 1975 and 1974 consist of the following:

	1975	1974
Investments and Advances:		
Greyhound Leasing (100% owned)	$ 61,256,576	$ 46,164,027
Greyhound Computer (84% owned)	49,099,927	47,902,839
Lines of Canada (62% owned)	25,131,261	21,967,150
Reinsurance subsidiaries (100% owned)	6,167,986	2,803,016
Other foreign subsidiaries	11,435,865	9,716,814
Affiliated companies	4,689,353	4,569,546
	$157,780,968	$133,123,392
Equity in Net Income:		
Greyhound Leasing	$10,942,549	$ 8,606,608
Greyhound Computer	1,197,088	1,407,465
Lines of Canada	5,466,774	4,528,111
Reinsurance subsidiaries	175,337	174,817
Other foreign subsidiaries	1,948,457	915,939
Affiliated companies	597,742	1,098,576
	$ 20,327,947	$ 16,731,516

Cattle Science Capital Corp., previously an unconsolidated subsidiary, discontinued its business of feeding cattle in commercial feedlots for sale on the public market in December, 1974. The net loss from such operations, set forth separately in the consolidated income statement for the year 1974, is stated net of related income tax reduction of $9,425,000.

Separate financial statements of Greyhound Leasing are presented elsewhere herein and condensed financial information of Greyhound Computer is presented in Note M.

HONEYWELL INC. (DEC)

Notes to Financial Statements

Note 1 (in part): Accounting Policies:

Consolidation—The consolidated financial statements and accompanying data include Honeywell Inc. and subsidiaries except finance and real estate subsidiaries 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 (see Notes 10 and 16). All material transactions between the consolidated companies are eliminated.

INTERNATIONAL TELEPHONE AND TELEGRAPH CORPORATION (DEC)

Notes to Financial Statements

Accounting Policies (in part):

Consolidation Principles—The consolidated financial statements cover the accounts of all significant majority-owned subsidiaries, after including Hartford Fire Insurance Comapny and other financial subsidiaries on an equity basis. Consolidated financial statements for Hartford and combined condensed financial statements for the other financial subsidiaries are shown in support of the consolidated financial statements of the Corporation. Investments in divestible operations are carried at cost plus undistributed earnings prior to the date the Corporation ceased consolidating the operations.

Marketable equity securities are carried at the lower of cost or market. Certain other investments are carried at cost, except investments in 20-50% owned companies ($77,671,000 and $63,943,000 at December 31, 1975 and 1974, respectively) which are included on an equity basis.

Intercompany transactions are eliminated in the financial statements except for intercompany profits in certain manufacturing inventories which are deemed to have no material effect on consolidated inventories or net income.

Divestitures

Consent Decrees: In September, 1971, the Corporation entered into consent decrees with the United States Government which terminated the Government's anti-trust suits challenging the Corporation's acquisitions of ITT Canteen Corporation, Grinnell Corporation and Hartford Fire Insurance Company, and required certain divestments. The decrees also provided certain restrictions affecting the Corporation's domestic acquisition program.

As of December 31, 1975, the Corporation had made the required divestments except for Grinnell Fire Protection Systems, Inc., 61% of Avis, Inc., and Levitt and Sons, Inc.; control of each has been transferred to an independent trustee pending disposal.

In January, 1976, the trustee of Grinnell Fire Protection Systems, Inc. sold the company for a minimum price of $28,500,000, or a maximum of $40,000,000, depending on the company's earnings over a period of years. The initial proceeds of sale amounting to $14,000,000 reduced the investment (which at December 31, 1975 was approximately $32,500,000) with no profit or loss being recognized.

At December 31, 1975 the Corporation's investment in Avis amounted to approximately $58,500,000, consisting of $4,587,000 common shares and $5,000,000 of preferred shares. The common shares are traded on the New York Stock Exchange and the closing price on March 10, 1976, was $11 per share. ITT understands that the Avis trustee intends to undertake a public offering of a portion of the common shares of Avis held by him during the second calendar quarter of 1976.

At December 31, 1975, the Corporation's net investment in Levitt amounted to approximately $150,000,000. The trustee is continuing to investigate different approaches to the disposal of Levitt. In this connection, a recent Court order provides for the return to ITT of certain inactive land holdings, not required for the on-going operations of Levitt, amounting to approximately $57,000,000. An equal amount of related debt is also to be transferred to ITT. Remaining assets of Levitt constitute the operating company which is to be disposed of in accordance with the consent decrees.

The Corporation ceased consolidating the accounts of Avis and Levitt as of October 1, 1974. Whether a gain or loss will ultimately be sustained on dispositions of these investments will be dependent upon the method, terms and time of dispositions approved by the Court.

Argentina: At December 31, 1975, the Corporation had an investment of approximately $100,000,000 (including bank guarantees) in a subsidiary in Argentina engaged principally in the manufacture of telecommunication equipment for the government-owned telephone company. Certain contract disputes between the subsidiary and the government-owned telephone company were being negotiated when the Argentine Decree Law supporting the contract was revoked in September, 1974. In October, 1974, the President of Argentina made a policy statement regarding "Argentinization" of the Corporation's subsidiary as well as two other companies. After the announcement of the "Argentinization policy" the Corporation was unable to effectively control the subsidiary's operations, and accordingly ceased to consolidate the accounts of this subsidiary and of other minor subsidiaries as of October 1, 1974. The results of operations of the Argentina subsidiaries are included in Divestible operations—Other. The extent to which the Corporation will realize its investment is dependent upon the terms of "Argentinization," which have not yet been announced.

Portugal: At December 31, 1975, the Corporation had an investment of approximately $50,000,000 (including bank guarantees) in subsidiaries in Portugal engaged in manufacturing and service facilities. The Corporation has been unable to effectively control such subsidiaries since certain managerial responsibilities have been assumed by workers' committees and because of the current unstable economic situation in the country. Accordingly, the Corporation ceased to consolidate the accounts of those subsidiaries as of July 1, 1975. The results of operations of those subsidiaries are included in Divestible operations—Other. The extent to which this investment will be realized is dependent upon future economic developments in Portugal.

Chile: During 1971, the Government of Chile intervened in the operations of certain subsidiaries of the Corporation, principally the 70%-owned Chile Telephone Company. Claims pursuant to the intervention have been settled with the Government of Chile and the Overseas Private Investment Corporation. In connection with the settlement, the Corporation recorded approximately $28,000,000 of interest income in 1974.

PEPSICO, INC. (DEC)

Notes to Consolidated Financial Statements

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

Principles of Consolidation—All domestic and foreign subsidiaries, except certain leasing subsidiaries carried at equity, have been consolidated, Prior to 1975, all leasing subsidiaries were reported on the equity method because their business is substantially different from PepsiCo's other businesses. PepsiCo has agreed to sell the major division of PepsiCo Leasing Corporation (see Note 2). The remaining leasing operations are not significant and have been consolidated, except for PepsiCo Truck Rental Inc., whose results are included in "other expenses" on the equity basis. The accompanying 1974 financial statements have been restated to conform to the 1975 presentation; such restatement had no effect on net income or shareholders' equity.

Note 2: PepsiCo Leasing Corporation—In January, 1976, PepsiCo executed an agreement with Walter E. Heller International Corporation (International) for the sale of the Chandler Leasing Division of PepsiCo Leasing Corporation (PLC), to Walter E. Heller & Company (Heller), a subsidiary of International. The Closing of the transaction is subject to certain conditions, primarily approval by the Federal Reserve Board.

Under terms of the agreement, PepsiCo will receive $21,000,000 in 5½%, non-voting, convertible preferred shares of Heller. The preferred shares can be converted at any time prior to December 31, 1991 into shares of International common stock at a conversion price of the higher of 115% of the average closing price of International stock for the ten trading days prior to the Closing or $32 per common share of International. Unless previously converted, the Heller preferred stock will be redeemed annually in specific amounts, beginning in 1983.

The investment in PLC represents PepsiCo's gross investment of $54,000,000 reduced by $34,000,000 of deferred taxes and investment tax credits previously recorded on PepsiCo's balance sheet. After considering the $21,000,000 sales value, taxes and other amounts related to the sale, no significant effect on PepsiCo's results of operations is expected. The investment in PLC's remaining smaller operations, which PepsiCo intends to sell, is stated at equity which is not greater than estimated realizable value.

At December 31, 1975, PLC had consolidated total assets of $262,000,000, including $199,000,000 in lease and contract receivables. Its 1975 revenues amounted to $34,000,000.

PULLMAN INCORPORATED (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Significant Accounting Policies:

Basis of Presentation—The accompanying consolidated financial statements include the accounts of Pullman Incorporated and all majority owned subsidiaries except its leasing and financing subsidiaries, all of which are wholly-owned. The investments in the latter companies (and those companies which are 20 to 50 percent owned) are included in the consolidated balance sheet at amounts which represent the Company's equity in their underlying net assets less approximately $7,500,000 of long-term amounts due these companies at December 31, 1975 and 1974. The consolidated financial statements reflect significant transactions with the leasing and financing subsidiaries. See the combined financial statements of the leasing and financing subsidiaries presented elsewhere in this Annual Report to Shareholders.

TABLE 1-9: BUSINESS COMBINATIONS

	1975	1974	1973	1972
Poolings of Interests				
Prior year's financial statements restated	18	30	55	67
Prior year's financial statements not restated	13	20	34	35
Total	**31**	**50**	**89**	**102**
Purchase Method	**75**	**143**	**163**	**160**

BUSINESS COMBINATIONS

Paragraph 8 of *Accounting Principles Board 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 and 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 1-9 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 interest commented usually that the reason for not doing so was immateriality. Examples of poolings of interests and purchases follow.

POOLINGS OF INTERESTS

AMERICAN HOSPITAL SUPPLY CORPORATION (DEC)

Notes to Financial Statements

Note B: acquisitions—In 1975, AHSC acquired HE Electronics, Inc., a manufacturer and distributor of auditory health care aids, in exchange for 132,151 shares of AHSC common stock. This transaction was accounted for as a pooling of interests and the accompanying financial statements have been restated as follows to include the operations of HC Electronics in periods prior to acquisition.

$ in thousands Year ended December 31	1974	1973	1972	1971
Net sales:				
Previously reported......	$981,788	$834,336	$691,550	$594,687
Adjustment for pooled company......	4,106	3,018	2,155	1,511
As reported herein	$985,894	$837,354	$693,705	$596,198
Net earnings:				
Previously reported......	$ 46,327	$ 40,810	$ 35,603	$ 30,171
Adjustment for pooled company......	264	160	60	25
As reported herein	$ 46,591	$ 40,970	$ 35,663	$ 30,196

Net sales and net earnings of HC Electronics in 1975 prior to its acquisition were $4.3 million and $247,000, respectively. In addition AHSC purchased two other businesses whose operations were not material in relation to AHSC's consolidated operations.

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 include the operations of the companies for periods prior to the respective dates of acquisition. In addition AHSC purchased a business in 1974 for approximately $1,020,000 whose operating results did not significantly affect reported 1974 earnings.

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. 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.

MCA INC. (DEC)

Notes to Consolidated Financial Statements

Note 2: Acquisitions—In December 1975 the Company exchanged 183,542 treasury shares of its stock for G.P. Putnam's Sons (Putnam), a book publisher. This combination has been accounted for as a pooling of interests, and accordingly the accompanying financial statements include the results of operations of Putnam for all periods prior to the combination. The Company's 1974 consolidated financial statements have been restated to include the financial position of Putnam at January 31, 1975 and the results of its operations for the year then ended. The revenues and net income for both companies included in the Consolidated Statement of Income for the years ended December 31, 1975 and 1974 are as follows:

	Revenues	Net income
1975		
MCA	$791,482,000	$94,536,000
Putnam (11 months)	20,002,000	977,000
Combined	$811,484,000	$95,513,000
1974		
MCA (as previously reported)	$641,874,000	$57,768,000
Putnam	21,299,000	1,462,000
Combined (as restated)	$663,173,000	$59,230,000

The operations of Putnam are included in the Consolidated Statement of Income under "Other operations."

In December 1975 the Company purchased a 50% interest in 46 West German motion picture theatres for $7,000,000 cash.

RORER-AMCHEM, INC. (DEC)

Notes to Financial Statements

Note 2: Acquisitions—On October 31, 1975, the company exchanged 600,000 of its Common Shares for all of the outstanding shares of Jacques Seed Company, a producer of hybrid corn and other crop seed. This transaction has been accounted for as a pooling of interests and, accordingly, the accounts of Jacques have been combined with those of the company for the years 1974 and 1975. Net sales and net income included in the accompanying consolidated statement of income for the periods prior to the combination are as follows:

	Rorer-Amchem, Inc.	Jacques Seed Co.	Combined
1974:	Year ended December 31	Year ended July 31	
Net Sales......	$226,005,000	$ 8,278,000	$234,283,000
Net Income....	26,290,000*	512,000	26,802,000
1975:	Ten months ended October 31 (unaudited)	Year ended July 31	
Net Sales........	$223,071,000	$11,698,000	$234,769,000
Net Income......	23,523,000	1,072,000	24,595,000

*Restated for change in accounting method—See Note 10.

Subsequent to the combination, Jacques' fiscal year was changed to one ending December 31 and its loss for the period August 1 to December 31, 1975 has been charged directly to consolidated retained earnings. Jacques' sales for this period were not significant. During 1975 and 1974, the company acquired portions of the outstanding minority interests in a consolidated foreign subsidiary for $50,000 and $605,000, respectively, and purchased interests in several other companies. These transactions had no significant effect on the consolidated financial statements.

THE TIMKEN COMPANY (DEC)

Notes to Consolidated Financial Statements

Note B: Acquisition—On April 25, 1975, the Company acquired Latrobe Steel Company for 611,100 shares of its Common Stock. The acquisition was accounted for as a pooling of interests and, accordingly, the accompanying financial statements include the accounts and operations of Latrobe for the years 1975 and 1974. Net sales and net income of the separate companies for the periods preceding the acquisition were:

	Three Months Ended Mar. 31, 1975 (Unaudited)	Year Ended Dec. 31, 1974
Net sales:		
The Timken Company............	$181,227,000	$665,492,127
The Latrobe Steel Company......	18,139,000	73,454,464
	$199,366,000	$738,946,591
Net income:		
The Timken Company............	$ 14,774,000	$ 52,932,127
The Latrobe Steel Company......	622,000	3,018,473
	$ 15,396,000	$ 55,950,600

PURCHASES

ALLEGHENY LUDLUM INDUSTRIES, INC. (DEC)

Notes to Consolidated Financial Statements

Note 2: Acquisitions—On February 28, 1975 the Corporation acquired all of the outstanding common stock of Standard-Thomson Corporation (Standard-Thomson) for cash and notes aggregating $15,483,000. Standard-Thomson is engaged in the manufacture and sale of thermo-mechanical and electro-mechanical controls and control components. The total purchase price was allocated to the net tangible assets acquired based on their estimated fair values, and included no goodwill. Since this acquisition was accounted for as a purchase, the results of operations of Standard-Thomson have been included in the consolidated statements of earnings from the date of acquisition.

The following table summarizes, on an unaudited pro forma basis, the consolidated results of the Corporation as though Standard-Thomson had been acquired on January 1, 1974:

	Year ended December 31,	
	1975	1974
	(In thousands, except earnings per share)	
Sales	$794,995	$1,006,952
Net earnings	29,874	46,616
Earnings per share of common stock:		
Primary	4.98	8.47
Fully diluted	4.32	6.75

The Corporation also acquired several other domestic businesses during 1975 for cash and notes aggregating $4,895,000. These transactions have been accounted for as purchases, and the excess of the purchase prices over the net assets acquired of $830,000 is being amortized over periods ranging from ten to forty years. The results of operations of these businesses are not material to the consolidated financial statements.

COLT INDUSTRIES, INC. (DEC)

Notes to Financial Statements

Note 2: Acquisition of Garlock Inc—During December, 1975, 92 percent of the voting common stock of Garlock Inc was acquired in a cash tender at $35 per common share. The transaction has been accounted for as a purchase and accordingly the assets and liabilities of Garlock Inc as of December 31, 1975 have been included in the accompanying consolidated balance sheet. The results of operations of Garlock Inc will be incorporated in the consolidated operating results of Colt Industries Inc beginning January 1, 1976. Garlock is primarily a manufacturer of gaskets, seals, and other devices to control or prevent the leakage of fluids. The purchase price, $87,400,000, exceeded the fair value of net assets acquired by approximately $15,408,000. This excess is being amortized on the straight-line method over a 40-year period.

On January 28, 1976, Garlock Inc was merged into its parent company, a wholly owned subsidiary of Colt Industries Inc. Under terms of the merger, Garlock shareholders would receive cash payment of $35 for each outstanding share of Garlock common stock held at the time of the merger. Garlock shareholders are being informed of the completion of the merger and of the procedure for surrendering their stock certificates and receiving the $35 per share cash payment.

The consolidated results of operations on a pro forma basis as though Garlock Inc had been acquired at the beginning of fiscal 1974 are as follows:

	1975	1974
Net sales	$1,181,847,000	$1,294,676,000
Net earnings	57,500,000	80,200,000
Earnings per common share	7.84	11.36

GENERAL CIGAR CO., INC. (DEC)

Notes to Consolidated Financial Statements

Note 1: Business Combinations—As of December 28, 1974, the Corporation acquired Moll Tool and Plastics Corporation ("Moll"), a plastics manufacturer located in Evansville, Indiana, in exchange for 150,518 shares of its common stock plus an additional 12,674 shares which were contingent upon Moll's average 1974/1975 pre-tax earnings and the market value of the Corporation's common stock. In addition 5,159 shares were issued to a finder as a result of this acquisition. 137,844 shares contingently issued in 1974 were returned from escrow and are being cancelled and will be accounted for as authorized but unissued stock. As a result the Corporation's common stock account has been reduced by $132,685. The final settlement of the contingent shares has been reflected in the 1975 accounts. The aggregate purchase cost of $1,468,000 was less than the fair value of Moll's net assets at date of acquisition and such difference has been allocated proportionately to noncurrent assets in accordance with the purchase method of accounting.

On July 17, 1975, the Corporation purchased for cash approximately 86% of the outstanding common stock of Helme Products, Inc. ("Helme"), a manufacturer and distributor of snack food and tobacco products, and on November 10, 1975, Helme was merged into the Corporation and 11½% Subordinated Debentures of the Corporation became issuable to the holders of the remaining minority interest in Helme. The total cost of the acquisition, which has been accounted for by the purchase method, was approximately $28,800,000, including expenses of the acquisition and discount on the debentures issued. Operating results of Helme have been included in the Corporation's Consolidated Statement of Income for the 24 weeks since date of its acquisition.

Generally accepted accounting principles require in a purchase transaction that assets acquired and liabilities assumed be recorded at fair values at date of acquisition. The Corporation has not yet completed the determination of the fair values for all accounts; however, such values when finally determined are not expected to be materially different from the estimated amounts consolidated at January 3, 1976.

Raw material inventories at January 3, 1976 include inventories of certain leaf tobacco of Helme which are determined on the last-in, first-out (LIFO) basis. These inventories, which have a historical cost of $4,580,000 (for book and tax accounting), have been increased in accordance with generally accepted accounting principles in consolidation by $8,300,000, representing the excess of estimated fair value over book value at date of acquisition. Current replacement value at January 3, 1976 approximates the recorded amounts of these inventories.

Net income since date of acquisition was not affected by the difference in LIFO inventory values for book and tax accounting.

The following data represents the consolidated results of operations of the Corporation on a pro forma basis as if Moll and Helme had been combined with the Corporation for its full fiscal years ended December 28, 1974 and January 3, 1976:

	Year Ended	
	Jan. 3, 1976	Dec. 28, 1974
Net sales and over revenue	$419,687	$402,993
Net income	6,714	6,362
Net income per common share	2.81	2.70

GIDDINGS & LEWIS, INC. (DEC)

Notes to Consolidated Financial Statements

Note 3: Acquisition—Effective September 1, 1975 a subsidiary of the Company acquired substantially all of the net assets (including a French subsidiary) of The Osborn Manufacturing Company (Osborn). Osborn manufactures industrial and maintenance brushes, foundry machines and grinding wheels. The aggregate purchase price of $13,816,000 was paid for with $13,000,000 in cash and the balance by issuance of notes. The acquisition has been accounted for as a purchase and accordingly, the results of operations of Osborn have been included in the consolidated financial statements from the date of acquisition.

The following summary prepared on a pro forma basis, including purchase accounting adjustments and additional interest costs, combines the consolidated operations of Giddings & Lewis, Inc. for the years ended December 31, 1975 and 1974 with the preacquisition earnings of Osborn for comparable periods:

	1975	1974
Net sales	$138,800,000	$125,451,000
Income before extraordinary credits	$ 5,780,000	$ 5,396,000
Net income	$ 6,533,000	$ 6,084,000
Per share of common stock:		
Primary:		
Income before extraordinary credits	$1.71	$1.60
Net income	$1.94	$1.80
Fully diluted:		
Income before extraordinary credits	$1.63	$1.53
Net income	$1.86	$1.75

TRANS UNION CORPORATION (DEC)

Notes to Consolidated Financial Statements

Purchase Acquisitions—During 1975 Trans Union acquired Muller and Phipps International Corporation and Frank Speno Railroad Ballast Cleaning Company, Inc. in purchase transactions for an aggregate net cost of $9,632,000. The primary activities of these companies are the providing of international marketing services and services for railroads, respectively. The accounts of these companies are included in the accompanying consolidated financial statements from the respective dates of acquisition. Goodwill arising in these transactions was not significant. Trans Union issued 658,395 common shares in connection with these acquisitions and purchased 179,800 common shares for the treasury with funds made available from the purchased companies. The value assigned to the net shares issued of $9,632,000 was lower than the indicated market value at the respective transaction dates in recognition of the restrictions on transferability of the shares. The following table reflects the consolidated revenues, net income and net income per share of Trans Union and its subsidiaries for the years 1975 and 1974 on an unaudited pro forma basis, including the results of these purchased companies as if they had been acquired as of January 1, 1974.

	1975	1974
	(Dollars in thousands)	
Revenues	$616,731	$506,249
Net income	20,194	36,606
Net income per share	1.87	3.43

CONTINGENCIES AND COMMITMENTS

Statement of Financial Accounting Standards No. 5 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, effective for fiscal years beginning on or after July 1, 1975, supersedes *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 1-10 summarizes the various contingencies and commitments (except leases which are summarized in Table 2-27) disclosed in the 1975 annual reports of the survey companies. Examples of contingency and commitment disclosures follow.

TABLE 1-10: CONTINGENCIES AND COMMITMENTS

	Number of Companies			
	1975	1974	1973	1972
Loss Contingencies				
Litigation	290	225	225	240
Guarantee of indebtedness	164	140	142	150
Possible tax assessment	74	68	68	76
Sale of receivables with recourse	68	65	67	70
Compliance with environmental standards	17	13	12	23
Other—identified	19	34	33	37
Gain Contingencies				
Operating loss carryforward	65	66	64	60
Investment credit carryforward	45	43	32	44
Plaintiff litigation	35	25	37	19
Other—identified	2	2	6	14
Commitments				
Plant expansion	93	95	95	94
Purchase or repurchase agreements	67	62	61	77
Additional payments in connection with an acquisition	49	55	52	67

LOSS CONTINGENCIES

Litigation

ADAMS-MILLIS CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note J: Commitments and Contingencies—Rental expense and future lease commitments are not considered to be material. Had financing leases been capitalized there would have been no material effect on financial position or results of operations.

In 1970, a subsidiary of the Company commenced litigation against Deering Milliken Research Corporation to have the Federal Court hold patents licensed by Deering Milliken in the false twist yarn texturing area invalid, non-infringed and unenforceable and damages were sought for antitrust violations while seeking to recover past royalties paid. Deering Milliken instituted litigation immediately thereafter against the Company for breach of contract, payment of royalties, injunctive relief against infringement, and a declaration of license enforceability. The Court has held no infringement of a substantial number of the twenty-two patents involved and several have been declared invalid. A motion for summary judgment to declare all of the Deering Milliken-Chavanoz patents unenforceable is pending consideration by the Court.

During 1970 the Company discontinued making royalty payments under the aforementioned agreements; however, pending outcome of these legal actions, a portion of the royalties have been accrued through December 28, 1975. Accrued royalties of $214,650 were charged to income in 1974. No royalties were accrued in 1975. At December 28, 1975, the total of estimated royalties so accrued was $1,090,664. In the opinion of special patent counsel for the Company the above described litigation and claims, taken as a whole and considering the amounts which have been accrued and not paid, will not have a material adverse effect on the Company's financial position and results of operations; therefore, the Company does not intend to accrue any further royalties.

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

ALLIED CHEMICAL CORPORATION (DEC)

Notes to Financial Statements

Commitments and Contingencies (in part):

Natural Gas Business (Quantities of natural gas not subject to audit)—In conjunction with the conduct of the Company's natural gas business, a substantial portion of the sales of natural gas is made through intrastate pipelines of the Company and its subsidiaries in Texas and Louisiana under long-term, essentially fixed-price contracts, entered into between 1962 and 1966 and extending in some instances through 1981. Although the after-tax profitability of the natural gas business as a whole was $3.6 and $3.0 million for the years 1975 and 1974, respectively, the intrastate pipeline segment of the natural gas business incurred after-tax losses of $21.7 million and $15.4 million, respectively, due principally to higher prices for purchased natural gas. Further substantial losses will continue to be incurred by such intrastate pipeline segment over the remaining lives of the contracts if the present shortage of natural gas continues or relief cannot be obtained by means of renegotiation or legislative, regulatory or judicial action from present contracts to sell natural gas at prices that are significantly below the prevailing market prices. However, as indicated in the paragraphs below, the amount of such future losses by the pipeline segment and the future profit or loss which may be incurred by the natural gas business cannot be reasonably estimated at this time.

In connection with certain commitments of the Company's intrastate pipeline in Texas, the Company beginning in 1972 curtailed deliveries and is now a defendant in a lawsuit (two others having been settled on a basis satisfactory to the Company in 1974 and 1975) in which the plaintiff was granted an interlocutory order holding it was entitled to damages. The amount of damages is to be determined in further proceedings. Such holding and determination are subject to appeal. The Company and its subsidiaries have not been in curtailment in Texas since January, 1975.

In June, 1975, the Texas Railroad Commission issued an Order denying the Company's application for revision of sales prices under its long-term gas contracts. In July, 1975, the Company filed an appeal from the Order in the District Court, Travis County, Texas. A prior and separate Interim Order of the Commission granted to Lo-Vaca Gathering Company, a principal supplier of natural gas to the Texas pipeline system, a higher rate for gas sold to the pipeline than had previously been paid by the Company to Lo-Vaca. The Company has attempted to pass through these higher costs to its customers, who have resisted payment through legal action in the District Court, Travis County, Texas. This action has been abated. Pursuant to the Commission's Order, a full evidentiary hearing on the merits of the pass-through issue was held, and on February 3, 1976, an examiner of the staff of the Commission submitted to the Commission a Report and Recommended Order which, if adopted by the Commission, would find that the Company is entitled to pass-through increased gas costs incurred from Lo-Vaca as a result of the above mentioned Interim Order. Such a pass-through would significantly reduce the Company's losses on the intrastate pipeline operations. The examiner stated that a determination of the correct amounts due and payable would be a matter between the Company and its customers.

During 1974 the Company's subsidiaries seling natural gas in Louisiana advised their customers and the Commission of Conservation of that state of the possibility of curtailment of deliveries of natural gas. There has been no material curtailment to date.

As of December 31, 1975, the estimated quantities of natural gas required to fulfill these long-term sales contracts in Texas and Louisiana through their various dates of expiration exceed the estimated quantities of natural gas available to meet such requirements (exclusive of projected Company requirements) as set forth below:

		Billion Cubic Feet	
Natural Gas Available to Pipelines Through 1981	Texas	Louisiana	Total
Contractually committed purchases............	73	289	362
Company production......	30	50	80
Total	103	339	442
Customer Requirements Through 1981			
Company estimate based on historical delivery volumes..............	107	353	460
Maximum contractual volumes..............	107	399	506

These estimates do not reflect possible future discoveries of purchases of natural gas.

During the month of December, 1975, the weighted average purchase price for natural gas purchased in Texas and Louisiana was approximately $1.33 and $1.18 per thousand cubic feet (Mcf.), respectively, which exceeded the average sales prices to customers by approximately $1.11 and $0.58 per Mcf., respectively. Prices for contractually committed purchases of gas for the Texas system may escalate if our principal supplier incurs increased costs. The prices at which

Company production is sold to the pipelines result in a production profit which is not included in the pipeline segment.

The other segments of the Company's natural gas business have been profitable in the past and their operations resulted in after-tax income of $25.3 million and $18.4 million for the years 1975 and 1974, respectively, including production profits attributable to the natural gas sold through the pipelines. Currently, these other segments include the production of natural gas and contained liquids in North America (Continental United States, the Gulf of Mexico, and Canada).

The natural gas reserves in North America owned by the Company at December 31, 1975, excluding those dedicated to intrastate pipelines of the Company and its subsidiaries, are estimated by the Company to be 631 billion cubic feet net of royalties. It is estimated that 410 billion cubic feet of these reserves will be produced through 1981. Of this production, it is estimated that approximately 262 billion cubic feet will be sold to interstate pipeline companies at rates regulated by the Federal Power Commission (FPC) which currently range from $0.23 to $0.51 per Mcf. Certain interstate gas contracts have escalation provisions and allowable maximum of $0.51 per Mcf. "for new gas" (gas produced from wells completed subsequent to January 1, 1973) escalates $0.01 per Mcf. annually under present FPC regulations. FPC regulations applicable to "old gas" (gas produced from wells completed prior to January 1, 1973) were recently changed and permit an increased rate under a major interstate gas delivery from a price of $0.23 to $0.235 per Mcf., effective January 1, 1976, and $0.295 per Mcf., effective July 1, 1976. In addition, the regulations now provide for 100% reimbursement of severence and production taxes.

Virtually all of the remaining 148 billion cubic feet of the Company's North American natural gas production is committed for sale to customers at prices ranging from $1.80 to $1.90 per Mcf., which prices escalate under certain conditions. During the month of December, 1975, the weighted average cost of produced gas was $0.18 per Mcf., which cover depreciation, depletion, amortization and lifting costs but excludes exploration costs, which are expenses as incurred. Other revenues were derived from the sale of liquids and sulfur extracted from produced natural gas.

In addition to its North American reserves, the Company is a participant in a joint venture which is developing gas fields in Indonesia. The Company estimates its share of these reserves to be 400 billion cubic feet. It is expected that initial production of gas from Indonesia will begin in late 1977 or early 1978 for liquefaction and shipment to Japanese markets under contracts entered into by Pertamina, the Indonesian national oil company.

Consistent with the Financial Accounting Standards Board Statement No. 5 issued during 1975, no provision has been made for possible future losses in connection with the Company's natural gas business because it is not possible to reasonably estimate the future profit or loss of the natural gas business as a whole because of substantial uncertainties affecting such business and its segments. Factors affecting the Company's inability to make such an estimate at this time include uncertainties as to:

1. Changes in purchase prices for natural gas, which may be affected by supply and demand and by governmental action or the possibility thereof;
2. Efforts by the Company to renegotiate certain of its sales contracts as to prices and quantities of natural gas and the substitution of other fuels;
3. Increases in prices on sales contracts where such increases are permitted;
4. Efforts by the Company to discover and develop new reserves of natural gas and to negotiate new purchase contracts;
5. Federal or state legislative, judicial or administrative action which could affect both the supply and demand as well as the prices, costs and end uses of natural gas; and
6. The ultimate outcome of the dispute over the Texas curtailment and of disputes over any possible future curtailments.

AMERICAN BRANDS, INC. (DEC)

Notes Accompanying Financial Statements

Pending Litigation—In two civil actions commenced in July 1974, and a third commenced in May 1975, the Company was named as a co-defendant with a number of other tobacco companies (including, in two cases, Gallaher Limited). The actions were brought by leaf growers for themselves and purportedly for classes of others similarly situated, and allege violations of the antitrust laws commencing in 1970. The actions all claim treble damages against the defendants, two of them aggregating approximately $2,500,000,000 and the third in an unspecified amount. The Company has filed answers to the complaints denying the material allegations thereof and raising several affirmative defenses, including defenses to the class action allegations. In one of the cases, the trial court has denied plaintiffs' motion to certify the suit as a class action, and plaintiffs are appealing that decision. While counsel for the Company are unable to predict the outcome of this litigation, it is their opinion, based on their investigation to date, that the Company's defenses have a substantial basis in fact and in law. These actions continue to be vigorously defended.

The Company is a defendant in five civil actions involving claims of race and sex discrimination at various of the Company's tobacco manufacturing and leaf handling facilities. Most of the actions are purportedly brought on behalf of classes of employees or former employees of the Company and all of them seek injunctive relief as well as back pay awards. In two of the cases trial has been held resulting in judgments adverse to the Company but both these judgments are on appeal. In the opinion of the Company and its independent auditors any amounts payable by the Company to satisfy adverse judgments in these cases would be accounted for as prior period adjustments. While counsel for the Company are unable to predict the outcome of this litigation, based on facts given to them by the Company, it is their opinion that although amounts payable to satisfy adverse judgments could, in the aggregate, be material in any given year, based on the assumption that such amounts would be accounted for as adjustments in each of the years in which the damages are alleged to have occurred, the amount chargeable in any given year would not materially affect the reported results of operations for any such year.

Contrary to the view of the Company and its independent auditors, the position presently being taken by the accounting staff of the Securities and Exchange Commission might result in charging any aggregate amounts payable to satisfy adverse settlements of the litigation described in the two preceding paragraphs against net income in the years in which the litigation is settled.

GENERAL REFRACTORIES COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 13: Litigation and Related Parties—On May 21, 1975, the United States Securities and Exchange Commission (SEC) filed a suit against the Company, two of its officers, directors, and others alleging, among other things, violations of the reporting and disclosure standards of the Securities Act of 1934 with respect to business transactions with, and shareholdings of, a European shareholder of the Company, Mr. Hermann Mayer, and certain companies owned or controlled by him (the Mayer companies).

The SEC action seeks, among other things, a permanent injunction against further violations of the Securities Act, the appointment of special counsel to conduct an investigation of transactions between the Company and Mr. Mayer and the Mayer companies; and disgorgement of benefits illegally or wrongfully obtained from the Company, if any.

Subsequent to the filing of the SEC action, three shareholder derivative suits and one class action suit were filed containing essentially similar allegations. The three derivative suits assert claims allegedly on behalf of the Company and the class action suit asserts claims against the Company and others on behalf of shareholders. The Company has denied the substantive allegations with which it is charged and is currently engaged in its defense.

While the ultimate outcome of the class action suit, which is the only one asserting claims against the Company, cannot be determined, the Company is of the opinion that its resolution will not materially affect the Company's financial position.

During 1975, the Company incurred approximately $1,100,000 in legal fees relating to the aforementioned litigation and this amount has been included in Selling, Administrative and General Expenses in the accompanying statement of income. It is anticipated that substantial amounts of legal fees will be incurred by the Company in connection with the ongoing litigation.

For many years, the Mayer companies have transacted business with the Company and its subsidiaries. These companies, located in a number of countries in Europe, are engaged under contract to provide to refractory consuming industries, primarily in Europe, marketing, sales, technical and related services in the refractory field. These companies earn commissions as agents or purchase refractories for resale for their own accounts.

In addition, one of the Mayer companies has exclusive contracts with two European subsidiaries of the Company which provide for the purchase from these subsidiaries of fixed annual quantities of deadburned magnesite, a raw material used in the production of refractory products.

The Company and its subsidiaries, other than the producing facilities themselves, purchase some of their own requirements from the Mayer companies. These resales include markups accruing to the Mayer companies.

A summary of transactions between the Mayer companies and the Company and its subsidiaries for the years 1975 and 1974 is as follows:

	1975	1974
	(dollars in thousands)	
Sales of finished products to or through the Mayer companies (principally foreign refractory sales)	$64,133	$56,474
Estimated gross commission and markups earned by the Mayer companies on sales of finished products	4,029	3,804
Total purchases of magnesite by the Mayer companies	11,118	12,512
Magnesite purchased by the Mayer companies resold to the Company and its subsidiaries (included above)	9,262	9,501

Based upon information available to the Company, it is estimated that the markup accruing to the Mayer companies on magnesite resold to the Company and its subsidiaries, net of related finance charges and transportation expenses, approximated $600,000 and $700,000 for 1975 and 1974, respectively. This markup and the estimated gross commissions on sales of finished products have not been reduced by any other related operating expenses incurred by the Mayer companies.

The SEC suit also alleges that Mr. Mayer also owns or controls a Liechtenstein company with whom certain subsidiaries of the Company have had transactions. The Company denies any knowledge of such ownership or control. A subsidiary of the Company currently holds debentures receivable from this company aggregating $1,166,000 and $1,415,000 at December 31, 1975 and 1974.

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) 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.

B) In connection with discontinuance of the distribution of imported china, crystal and figurines, a claim has been asserted by a supplier 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.

MARCOR INC. (JAN)

Financial Information

Litigation—A number of pending lawsuits against Marcor, Montgomery Ward and other retailers, some of which purport to be brought as class actions, attack under federal and state laws the legality of certain advertising, credit and billing practices. The relief requested in these lawsuits includes: refunds of finance charges collected during periods dating back to 1964; statutory penalties under state laws and the federal Truth-in-Lending Act; injunctive relief requiring changes in the challenged practices; relief preventing the collection of outstanding balances; punitive damages; and costs, including reasonable attorneys' fees. The ultimate liability under the lawsuits against Montgomery Ward and Marcor is not presently determinable, but such suits could, over a period of time, involve millions of dollars if they should be decided adversely. However, the management of the Company does not anticipate that the ultimate disposition of these lawsuits will have a material adverse effect on the business or the financial position of the Company.

A federal grand jury investigation of the folding carton industry, pending for some time in the United States District Court in Chicago, Illinois, was recently concluded with the indictment on February 18, 1976, of 23 companies, including Container Corporation of America. Indictments were also returned against a number of present or former executives of these companies, including four officers and four other employees of Container. The indictment alleges that in violation of the Sherman Act, during a period at least as early as 1960 until sometime prior to December, 1974, the defendants were involved in a combination and conspiracy to fix prices. The maximum penalty for each corporate defendant is a fine of $50,000 and, for each individual defendent, a fine of $50,000 or imprisonment for one year, or both. Also, on February 18, 1976, the Justice Department filed in the same court a civil suit alleging the same violations of the Sherman Act and seeking injunctive relief. The management of the Company does not anticipate that the ultimate disposition of the civil or criminal cases, even if adversely decided, will have a material adverse effect on the business or the financial position of the Company.

As of March 19, 1976, numerous private lawsuits, purporting to be class actions and seeking treble damages under the antitrust laws, had been filed in various sections of the country against the indicted companies, including Container. These cases allege in substance the same allegations made by the Justice Department in the criminal and civil cases, and seek treble damages with respect to some or all of the sales from at least as early as 1960 through 1974 of folding cartons and related products by members of the industry. It seems likely that additional class action suits involving or related to the folding carton industry will be filed. Management believes that the plaintiffs in the cases filed or to be filed will ultimately claim damages in material amounts, but due to the very recent commencement of this litigation and the uncertainty necessarily inherent in suits of this type, the ultimate cost to Container on an unfavorable disposition of these cases is not presently determinable. However, the management of the Company does not anticipate that the ultimate disposition of these lawsuits will have a material adverse effect on the business or the financial position of the Company.

A federal grand jury investigation of the shipping container industry is presently under way in the United States District Court in Houston, Texas. The investigation relates to compliance with the antitrust laws in the pricing of shipping containers in the southern part of the United States. Subpoenas have been issued to a number of companies in that industry, including Container. Container is in the process of producing the documents requested of it under its subpoena. As of March 19, 1976, no testimony by any employee of Container has been requested.

In June, 1974, Marcor was informed that the Department of Justice was investigating whether the acquisition by Mobil Oil Corporation of a controlling interest in Marcor would violate the antitrust laws. In the course of this investigation, the Department of Justice requested information, which Marcor supplied. The Department has said that it is continuing to study the acquisition; however, Marcor has not been advised by the Department of Justice whether or not it intends to take any legal action. Marcor was advised by its outside legal counsel prior to the acquisition of its stock by Mobil Oil Corporation that such acquisition would not violate the antitrust laws.

McDONNELL DOUGLAS CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note K: Litigation—MDC is a defendant in 16 lawsuits, including five determined to be class actions and two brought derivatively on behalf of MDC, arising out of sales of common stock and debentures of Douglas Aircraft Company, Inc. in 1966 before its merger into MDC. MDC and lead counsel for plaintiffs have submitted an agreement to the trial judge in New York City to terminate the litigation by MDC's paying $5,000,000 into a fund to settle all claims including plaintiffs' attorneys fees and other expenses. Other defendants and an insurance company have agreed to reimburse MDC for $1,550,000 of the settlement payment. Counsel for MDC are of the opinion that the proposed settlement will be approved by the judge and consummated. The amount of the settlement has been provided in prior years' financial statements.

MDC and Eastern Air Lines, Inc. have both appealed a $24,500,000 judgment against MDC for alleged inexcusable delays in the delivery of DC-8s and DC-9s ordered prior to the April 1967 merger of Douglas into McDonnell. Provisions have been made in the financial statements for the potential liability.

MDC is also a defendant in a number of product liability cases, including actions alleging substantial compensatory and punitive damages as a result of the crash of a DC-10 aircraft operated by Turkish Airlines on 3 March 1974. Insurance coverage is believed to be adequate to cover such damages as may reasonably be assessed in all of these actions.

MDC is also defendant in other civil actions, some of which are covered by insurance. These actions are considered either without merit or the potential liability would not materially affect the financial condition of MDC, although the aggregate amount of damages alleged is substantial.

THE RUCKER COMPANY (DEC)

Notes to Financial Statements

Note 11: Litigation—The Company is one of the defendants in two related breach of contract actions commenced in 1972 and 1975. In 1975, the Owner of three barge carrying cargo ships brought the principal action to recover damages in excess of $30.0 million from the Shipyard (the construction contractor), damages in excess of $12.0 million from the Company (the cargo handling system subcontractor) and damages in excess of $7.0 million from two of the Company's Subcontractors. During 1975, the Shipyard answered, counterclaiming for damages in excess of $80.0 million from the Owner, cross-claiming for damages in excess of $40.0 million from the Company, which claim includes claims in excess of $31.0 million against the two Subcontractors, as well as seeking indemnification against claims arising out of alleged defects in the cargo handling system.

The Company answered in 1975, claiming damages in unspecified amounts (including specific claims in excess of $1.0 million) and for indemnification against the Shipyard, the Owner and the Subcontractors. The Company also filed third party actions against the Naval Architect and the U.S. Government for damages arising out of alleged deficiencies in the contract specifications. The Subcontractors have answered, asserting similar counter and cross claims for damages in lesser amounts and indemnification right from certain of the parties including the Company.

In 1972 one of the Subcontractors commenced a breach of contract action involving similar issues against the Company seeking approximately $2.5 million in damages. In that action, similar cross claims, counter claims and indemnification rights have been asserted between the Shipyard, the Company and the Subcontractor.

The entire matter is in the early stages of discovery and legal analysis.

In addition the Company is involved in various patent, contractual, product liability and other legal claims and disputes none of which is considered material and which, for the most part, are normal to the Company's business. All product liability litigation and claims for damages for injuries to persons or property are insured. The results of the litigation and claims, against the Company are not presently determinable. However, in the opinion of management, the amount of losses that might be sustained, if any, would not materially affect the Company's financial position or operations.

Proposed Tax Assessments

AMPEX CORPORATION (APR)

Notes to Consolidated Financial Statements

Note 5 (in part): Matters in Contention—Examination by the Internal Revenue Service of Federal income tax returns of the Company for 1966 through 1971 has been completed, and the Company has received the report thereon. The primary adjustments related to the taxability by the U.S. of the income of two foreign subsidiary companies and the pricing of sales to a related company. The Company is contesting these adjustments and Counsel is preparing appropriate protest for filing with Internal Revenue Service. Further, there is pending in the Court of Claims a suit filed by the Company for an earlier year challenging the taxability by the U.S. of the income of one such foreign subsidiary company. In the opinion of special tax counsel, there is a reasonable possibility of this suit being resolved on a basis favorable to the Company. The maximum liability for additional taxes and interest, if the litigation and examination issues were resolved adversely, would be $2,100,000 in excess of amounts charged to earnings, primarily in prior years.

FAIRCHILD CAMERA AND INSTRUMENT CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 3: Federal Income Tax Assessment—The Internal Revenue Service has completed examinations of the Company's Federal income tax returns for all years prior to 1972 and has proposed numerous adjustments for the years 1964 through 1971. The most significant adjustments proposed relate to increases in inventory valuation and costing and transactions between the Company and its foreign subsidiaries. Federal income tax returns for years subsequent to 1971 were prepared on bases substantially consistent with those of prior years, and returns for 1972 and 1973 are currently being examined.

During 1974 and 1975, the Company adopted improvements in its inventory costing method which were intended to comply with Federal income tax regulations relating to this issue. The effect of these changes in inventory costing is described in Note 2 above. As a result of the elected changes, the aforementioned 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 28, 1975, 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 net of taxes) of approximately $11 million which would not be recoverable in future years. The Company is currently engaged in negotiating an overall settlement of the unresolved adjustments proposed by the Internal Revenue Service, the most significant of which relate to transactions between the Company and its foreign subsidiaries. Although any negotiated overall settlement is likely to result in a significant additional payment which would not be recoverable in future years, the Company cannot reasonably estimate the amount of such a negotiated overall settlement and there is no assurance that an overall settlement can be achieved through negotiation. If the pending negotiations do not result in final overall settlement of these matters, the Company will continue to contest and will defend vigorously against all significant adjustments proposed including, if necessary, recourse to the courts.

Inasmuch as a reasonable determination of ultimate liability, if any, cannot be made pending resolution of the proposed adjustments, no provision has been included in the accompanying financial statements for such contingent liability. However, any material tax deficiencies which might arise from the final disposition of this matter, and which would not be recoverable in future years, would be accounted for as a prior period adjustment and allocated on a retroactive basis to the periods to which they apply; income statements for 1974 and 1975 would not be affected by any such prior period adjustment. 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.

GREAT WESTERN UNITED CORPORATION (MAY)

Notes to Consolidated Financial Statements

Note 8 (in part): Income Taxes—Total tax expense from continuing operations amounted to $62,774,000 in 1975 and $11,092,000 in 1974 (effective tax rates of 51.2% and 48.4%, respectively). Such tax provisions differ from the amounts computed by applying the U.S. Federal income tax rate of 48% to earnings for continuing operations before income taxes. The reasons for these differences are as follows:

	1975	1974
Computed expected tax expense...	$58,897,000	$11,001,000
State income taxes, net of Federal income tax benefit..............	2,894,000	532,000
Estimated provision for income tax contingencies (see the two following paragraphs).............	1,470,000	—
Other, net...........................	(487,000)	(441,000)
	$62,774,000	$11,092,000

As previously reported, the Internal Revenue Service has completed an examination of the Company's consolidated Federal income tax returns through the fiscal year ended May 31, 1970 and has assessed additional income taxes for certain preceding taxable periods. The case is currently pending at the Appellate level of the Internal Revenue Service. In the opinion of management, an adequate amount has been provided for payment of any deficiencies relating to the Company and its subsidiaries that might result from the final disposition of the issues involved in the controversy. In addition, interest expense is being accrued for financial statement purposes on the amount provided.

The consolidated Federal income tax returns of the Company for the years ended May 31, 1971 and 1972 are currently under examination by the Internal Revenue Service. The Company has been notified of certain proposed adjustments which would increase its taxable income for those years and also for the current year.

Management has established an estimated tax provision for financial statement purposes in Fiscal 1975 amounting to $1,470,000 which it believes is adequate to satisfy any deficiencies relating to the Company and its subsidiaries that might arise from the final disposition of the issues resulting from such examination.

Based upon currently anticipated expenditures and continuing operations, it is anticipated that the cash outlay for income taxes will approximate tax expense for each of the three years subsequent to May 31, 1975, except for the effect of any deficiencies as finally agreed upon with the Internal Revenue Service.

HOFFMAN ELECTRONICS CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 9 (in part): Income Taxes—The company's consolidated tax returns for the years 1970 through 1974 are being examined by the Internal Revenue Service. The Service has proposed adjustments, substantially all of which are timing differences, which would result in the payment of income taxes in the amout of approximately $830,000. The company has provided and agreed to pay $454,000 of the total assessment and will contest the remainder. In the opinion of the management the additional tax due, if any, on the contested assessments will not have a material effect on the financial position of the company.

INTERNATIONAL TELEPHONE AND TELEGRAPH CORPORATION (DEC)

Notes to Financial Statements

Commitments and Contingencies—The Corporation is contesting the March, 1974 Internal Revenue Service revocation of the ruling relating to the tax-free nature of the Hartford acquisition and the position of the Internal Revenue Service that such transaction was taxable. ITT and its counsel believe that the ITT/Hartford exchange was tax-free and that this position should be sustained by the courts which will make the ultimate determination as to taxability. If the transaction is determined by the courts to be taxable, ITT will reimburse former Hartford shareholders for any net overall additional Federal income tax which might result, including any Federal income tax that might be due as a result of such reimbursement to the stockholders, and will record an extraordinary charge to income which would have a material effect on net income for the year in which the charge is made. On the basis of an independent survey of former Hartford stockholders, the Corporation estimates that it might have a contingent liability of approximately $100,000,000 for such reimbursement including interest and tax on the tax liability.

The Corporation and its subsidiaries consolidated are contingently liable for guaranteed borrowings of, and receivables discounted by, unconsolidated subsidiaries of approximately $38,000,000. In accordance with continuing operating arrangements, there are additional guaranteed borrowings of wholly-owned finance subsidiaries of approximately $120,000,000 at December 31, 1975, and contingent liabilities for receivables discounted of approximately $690,000,000 (including $345,000,000 of receivables reflected in the statements of financial subsidiaries) arising principally from sales of telecommunication equipment to public administrations. The Corporation and its subsidiaries are also involved in lawsuits, including various class actions. The ultimate liability with respect to lawsuits, guarantees, taxes, claims, etc., is not considered to be material in relation to the financial position of the Corporation and its subsidiaries consolidated.

STERLING DRUG INC. (DEC)

Notes to Financial Statements

Income Tax Contingency—The Internal Revenue Service, in its examination of the Company's federal income tax returns for the years 1970 and 1971, has proposed certain adjustments under Internal Revenue Code, Section 482, which, if accepted, would result in a tax deficiency for those years of approximately $2,600,000.

Transactions during 1970 and 1971 involved in the Section 482 adjustments were made on a basis consistent with those made in years prior to 1970 and not questioned by the Internal Revenue Service in its examinations of the income tax returns for such years. The same methods have been used by the Company for years subsequent to 1971, for which the Internal Revenue Service has not yet completed its examinations. If similar adjustments are proposed for these subsequent years, the Company estimates that the resulting tax deficiencies would be approximately $4,100,000.

The Company does not agree with the adjustments proposed by the Internal Revenue Service and has taken appropriate steps to contest the proposed tax deficiencies. Since the outcome of this matter is not presently determinable, no provision for the amount which may ultimately be assessed has been included in the accompanying financial statements. The Company is confident that upon final resolution of the issues, the tax deficiencies proposed by the Internal Revenue Service for 1970 and 1971 will be substantially reduced.

SYNTEX CORPORATION (JUL)

Notes to Consolidated Financial Statements

Note 8 (in part): Income Taxes—Income tax returns of the parent and subsidiary companies are subject to examination by the appropriate tax authorities. Assessments (see next paragraph) which may result from such examination will not, in the opinion of the management of the Company, have any material effect on the financial condition of the Company.

The Federal income tax returns of Syntex Corporation have been examined by the Internal Revenue Service for the years ended July 31, 1970 and July 31, 1971 and additional Federal income taxes aggregating $8,500,000 (exclusive of interest) have been proposed. The principal issue is whether profits from sales to U.S. customers, when goods are manufactured and the sale is concluded outside of the U.S., should be subject to tax. The Company's position is that such profits are not subject to U.S. income taxes. In the opinion of legal counsel, the Company's position is correct and should prevail. Federal income tax returns for years subsequent to July 31, 1971 are not currently being examined by the Internal Revenue Service. However, should the same adjustments proposed for the two years ended July 31, 1971 be asserted for the four years ended July 31, 1975, additional Federal income taxes of $11,500,000 (exclusive of interest) may be proposed. Management of the Company does not agree with the position taken by the Internal Revenue Service and has protested the proposed tax deficiencies. If a favorable result cannot be achieved through conferences with the Appellate Division, management intends to contest these issues in the courts. Inasmuch as a reasonable determination of ultimate liability, if any, cannot be made pending resolution of the proposed adjustments, no provision has been included in the accompanying financial statements for such contingent liability. However, any tax deficiencies which might arise from the final disposition of this matter 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 resulting from Internal Revenue Service examinations of the Company's tax returns for 1970 and subsequent years will not have a material adverse effect on the Company's operations or business.

WARNER-LAMBERT COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 6: Tax Litigation—The Internal Revenue Service in its examination of the 1960 federal income tax return of Parke, Davis & Company (which was merged with a subsidiary of Warner-Lambert in 1970) made a reallocation of income between Parke-Davis and its wholly owned subsidiary operating in Puerto Rico. Such reallocation resulted in the assessment of a tax deficiency and interest for the year 1960 of approximately $990,000 which has been paid. A suit for refund of the amount paid is pending. The trial date was postponed and no new date has been set.

The Internal Revenue Service has completed its examination of the tax returns of Parke-Davis for the years 1961 through 1970 and has proposed reallocations of income with respect to those years which would result in substantial tax deficiencies. While it is not possible to estimate the net tax cost of the resolution of these matters, Warner-Lambert and its counsel are of the view that the ultimate net tax cost should not exceed $37 million (which corresponds with the amount previously reported in corresponding footnotes in prior Annual Reports) with appropriate interest adjustments. Warner-Lambert is of the view that any ultimate liability will not materially adversely affect its business or operations. Payments of any deficiencies will be allocated for accounting purposes on a retroactive basis to the years in which they arose.

Receivables Sold With Recourse

THE BENDIX CORPORATION (SEP)

Notes to Consolidated Financial Statements

Commitments and Contingencies (in part)—There are various suits pending against the Corporation and its consolidated subsidiaries, some of which are for substantial amounts. It is the opinion of officials of the Corporation, on the basis of information furnished by counsel, that the ultimate liability, if any, resulting from such suits will not materially affect the consolidated financial position or results of operations of the Corporation and consolidated subsidiaries.

Certain subsidiaries outside the U.S. and Canada have agreements with local banks to sell their receivables with recourse. The agreements provide for repurchase of receivables from the bank in the event of a customer's default. Losses resulting from customers' defaults have not been significant and future losses are not expected to have a material adverse effect on the consolidated financial statements.

As is customary in the mobil home and recreational vehicle industry, Bendix Home Systems, Inc., a wholly-owned subsidiary of the Corporation, is a party to repurchase agreements with financing institutions which have provided floorplan financing to its dealers. The agreements provide for repurchase of products from the financing institution for the balance due it in the event of repossessions upon a dealer's default. The risk of loss under the repurchase agreements is spread over numerous dealers and is further reduced by the resale value of the units repurchased. Losses experienced under these agreements have not been significant; further, officials of the Corporation do not expect future losses will have a material adverse effect on the consolidated financial statements.

GAMBLE-SKOGMO, INC. (JAN)

Notes to Consolidated Financial Statements

Note 10 (in part): Contingent Liabilities and Litigation—Notes sold to banks under purchase-guarantee agreements are unconditionally guaranteed by Gamble-Skogmo, Inc. The uncollected balance of such notes was $38,900,000 at January 31, 1976 and $38,750,000 at January 25, 1975. All payments of principal and interest were on a current basis. The company has guaranteed indebtedness of unconsolidated service subsidiaries of approximately $15,200,000 plus an additional $20,000,000 which the subsidiary may repay from the proceeds of a future five year term loan which will not be guaranteed by the company.

MEREDITH CORPORATION (JUN)

Notes to Consolidated Financial Statements

Note 10: Commitments and Contingencies—The Company will spend approximately $2,391,000 to complete construction and equipment installation now in progress.

The Company has guaranteed $6,000,000 under a Meredith/Burda, Inc., lease agreement.

The Company is contingently liable for $5,544,000 relative to a note received and sold with recourse in connection with the sale of certain properties of discontinued operations.

Under an agreement with MCI Communications Corporation, the Company was requested to lend them $1,500,000. In the opinion of Company counsel, the necessary conditions were not met; therefore, the loan was not made. MCI Communications Corporation filed suit in October 1974, seeking performance on the loan demand plus $1,500,000 in punitive damages. In the opinion of Company counsel, it is unlikely that the Company would be held to have breached its obligations.

U.S. INDUSTRIES, INC. (DEC)

Notes to Financial Statements

Note I (in part): Commitments and Contingencies—The Corporation is party to an income maintenance agreement with certain creditors of USI Credit Corp., the major finance subsidiary, to make payments to USI Credit Corp. if that subsidiary's income falls below specified levels. The Corporation's obligations to make such payments amounted to $7.9 million for 1975 ($12.7 million for 1974).

Consolidated subsidiaries exclusive of Health Industries, Inc., were contingently liable for up to $29.7 million in respect of notes receivable and conditional sales contracts discounted. In addition, Health Industries, Inc. had contingent obligations of $22.7 million relating to contracts receivable discounted. Included in the foregoing amounts is $14 million of contingent obligations and guarantees to the Corporation's wholly-owned unconsolidated finance subsidiaries.

Compliance With Environmental Standards

THE ANACONDA COMPANY (DEC)

Notes to Financial Statements

Protection of the Environment—Federal, state and local jurisdications over nearly all company operation locations have been engaged in promulgating, amending, and enforcing regulations relating to the protection of the environment. The regulations include: emmission and ambient air standards that could materially affect company metallurgical operations; effluent and water quality regulations that could materially affect its mining, metallurgical, and manufacturing operations; and surface mining regulations that could materially affect its minerals exploration and open-pit mining operations. The level of the company's capital expenditures, its earnings and its competitive position are all subject to variation from the impact of these regulations and their enforcement, but the extent of the possible variation cannot presently be forecast with any assurance of accuracy.

The company and the State of Montana have agreed upon a pollution control program with respect to the company's copper smelter. Variances granted by the State of Montana with respect to state emission standards governing sulfur dioxide and particulates expire on June 30, 1976, and March 22, 1976, respectively. In October 1975 the federal Environmental Protection Agency (EPA) issued proposed regulations under the National Clean Air Act that would require a significant higher degree of control than is required in the control program agreed upon by the company and the State of Montana. The company has opposed EPA's proposed standards at a public hearing held in November 1975. If the proposed EPA standards become effective, it is estimated that additional costs of up to $23 million may have to be incurred with respect to air pollution facilities at the copper smelter. Anaconda would have the right to appeal the issuance of these regulations to the federal courts.

Also pursuant to an understanding with the State of Montana, the company is implementing certain steps designed to decrease emissions at the company's Columbia Falls aluminum reduction plant. A variance is presently in effect with respect to the state's emissions standards, and it is expected that operations will be unaffected during the course of the implementation period.

Federal water control regulations that have been issued or are in advanced stages of legislative development are expected to have a material impact on Anaconda over the next several years. Various regulations governing discharges from copper smelting and refining operations, from copper mining and milling operations, and from uranium mining and milling operations have been challenged in court by Anaconda. It is impossible to predict whether any of the proposed regulations will be adopted or, if adopted, the extent to which future operations will be affected thereby. However, the regulations relating to copper smelting and refining operations (and other regulations expected to be issued under federal water-related legislation) could, if issued and enforced in their present form, require capital expenditures by Anaconda in excess of $50 million in the next five to eight years, plus significant annual operating costs.

The federal Occupational Safety and Health Administration (OSHA) is in the process of formulating regulations dealing with in-plant levels of arsenic and SO_2. It is estimated that it would take at least $35 million of capital expenditures for the company to approach, but not achieve, compliance with the present form of certain proposed regulations. However, it is not possible to predict what the final form of any such regulations might be.

MOSINEE PAPER CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 11: Commitments, Contingencies and Litigation—As of December 31, 1975, Mosinee Paper Corporation and its subsidiaries had commitments for the purchase of machinery and equipment and the completion of other plant projects, primarily facilities relating to air pollution abatement and pulp mill modernization, in the approximate amount of $3,600,000.

Mosinee Paper Corporation is subject to Federal and State pollution control regulations with respect to air and water quality. Such regulations are under continuing development. Compliance with all regulatory requirements has resulted and will continue to result in substantial capital expenditures and operating expenses.

Presently, the Company is undertaking a two phase water pollution abatement program, with the first phase completed in November, 1973, at a cost of $1,400,000. Phase two of the program is scheduled for completion in 1977 at a currently estimated cost of $7,500,000 for the treatment facilities and approximately $4,000,000 for an in-plant effluent control program. It is expected that approximately forty percent of these costs will be financed through pollution control revenue bonds and the balance from internally generated funds.

On April 19, 1973, the Company received a final order from the Wisconsin Department of Natural Resources relating to the control of air pollution from its kraft mill in Mosinee, Wisconsin. A formal request to extend the final compliance dates in the order to late 1976 has been made to the DNR. Presently, the Company is constructing facilities designed to meet the requirements of the DNR order, primarily through the replacement of the present kraft recovery system, and to provide additional power, steam and manufacturing capacity. The total project cost is estimated to be $23,000,000, of which $12,520,000 has been expended through December 31, 1975. Financing of the project was completed in 1975 through long-term borrowings with three institutional lenders and the issuance of pollution control and industrial development revenue bonds. The State of Wisconsin has commenced an action against the Company alleging violation of the DNR order at the Company's manufacturing plant in Mosinee, Wisconsin, concerning submission of final control plans for the replacement of certain power boilers and violation of the Wisconsin Administrative Code in respect to air particulate limitations. Legal counsel is of the opinion that, based on negotiations with the State of Wisconsin and pretrial investigations to date, the pending litigation will be resolved without a materially adverse effect on the Company.

Other

BURLINGTON INDUSTRIES, INC. (SEP)

Notes to Consolidated Financial Statements
(All amounts in thousands, except per share data)

Note H: Commitments and Other Matters—Commitments for fixed asset expenditures amounted to approximately $65,000 at September 27, 1975.

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

Since January 1, 1975, the Company has provided for a severance supplement guarantee to members of the Profit Sharing Retirement Plan for hourly employees to cover any deficiency in the vested portion of all Company contributions, or if greater, all credits at December 31, 1973 to the accounts of members of the Plan. Also, as part of the severance supplement guarantee, the Company has guaranteed earnings on its contribution to members' accounts equivalent to compound interest at a rate to be approved by the Company from time to time (6% for the calendar year 1975). Individual payments may not exceed one year's wages. The Company's aggregate contingent liability to the Plan members as of September 27, 1975 is estimated to be $1,500, with $400 to be paid in fiscal 1976, assuming that the market value of the Plan's assets at December 31, 1975 (Plan year ending date) remains the same as at September 27, 1975. No provision for these contingent liabilities was recorded in the accounts of the Company at September 27, 1975 or September 28, 1974. Expenses under the guarantee during fiscal 1975 were $975.

KUHLMAN CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 7: Employee Retirement Income Security Act—The Company has a negotiated pension plan at one of its facilities covering hourly employees, the majority of whom are currently laid off. The enactment of the Employee Retirement Income Security Act of 1974 (ERISA) created the possibility of a claim with respect to this plan. In the event the plan is terminated and the Pension Benefit Guaranty Corporation (PBGC) determines that benefits claimed to be due under this plan are in excess of the plan assets, the PBGC may assert a claim for such unfunded amount, which could approximate $600,000, net of income tax. The PBGC is on record that, should a claim be asserted and upheld, it is willing to work out extended payment arrangements over a period of years for liquidation of such a claim if the employer corporation is financially sound.

The Company takes the position that, in the event the plan is terminated, it has no additional liability in excess of the plan assets, since the terms of the plan make no unrestricted promise to pay monthly benefits in excess of such assets and limit the Company's liability for benefits to contributions of a specified cents-per-hour for straight time hours worked, as agreed upon by the Company and the Union. The applicable section of ERISA under which a claim may be asserted has not been interpreted by the courts, either in general or as applied to this type of employee benefit plan. Legal counsel is unable to express a judgment at this time as to whether the PBGC would be successful in asserting a claim against the Company for any unfunded amount claimed to be due. Should a claim be asserted, it is the Company's intention to contest it in the courts.

The Union Agreement covering the plan expires on September 4, 1976, and should it not be renewed and the PBGC determines that the plan should be legally terminated, then the PBGC may assert the claim. It is the opinion of the Company and its legal counsel that the PBGC is not legally entitled at this time to make such a determination.

In the event sufficient levels of operations are maintained so that the plan is not terminated and it is determined that the Company must meet minimum funding requirements under ERISA to provide the claimed benefits, future annual provisions for pension expense would have to be increased only by an amount required to amortize the unfunded benefits over a period of up to forty years.

THE LODGE & SHIPLEY COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 9: Loss Contingencies—In accordance with Financial Accounting Standards Board Statement No. 5 issued in March 1975, the Company will be required in 1976 to change its method of accounting for obligations related to product warranties and product defects, and to restate its consolidated financial statements for prior years. Changes from previously reported amounts will result principally from the new requirement to accrue estimated costs of product warranties and the product defects at the time of the product sale, previously, such costs were expensed when incurred. The Company estimates (1) that the approximate effects at December 31, 1975 will be to increase (decrease) current assets $187,000, current liabilities $389,000 and stockholders' equity ($202,000) and (2) that the effect on net income for 1975 and 1974 will be immaterial.

PIZZA HUT, INC. (MAR)

Notes to Consolidated Financial Statements

Note I: Contingent Liabilities—The Company has guaranteed obligations of unconsolidated affiliated companies and others amounting to approximately $3,200,000.

At March 31, 1975, as a result of various transactions, the Company was guarantor of lease commitments of certain franchisees. The annual rentals and the estimated present value of these guaranteed leases is summarized as follows:

Transaction	Annual Rental	Present Value
Guaranteed for a fee	$302,440	$1,900,442
Guaranteed for minority interest	501,955	3,901,995
Formerly owned units sold to franchisees	143,719	860,378
	$948,114	$6,662,815

The Company is a party to lawsuits arising out of the normal course of its business. The disposition of such litigations will not, in the opinion of management and legal counsel, result in a material adverse effect on the Company's financial position.

NATIONAL TEA CO (DEC)

Notes to Consolidated Financial Statements

Note 9: Grand Jury Investigation—During 1975 the company was served with subpoenas issued by the United States District Court for the Northern District of Illinois requiring the production before a Grand Jury of information about certain business records of the company for the period March 31, 1968, to December 31, 1973. The company has been informed by the United States Attorney's office for the Northern District of Illinois that the Grand Jury's investigation of allegations of wrongful activity is directed not at the company or any of its present officers and employees but at several former officers and employees of the company in connection with certain company transactions under their control. The investigation is continuing and no further information is available from the United States Attorney's office. The company and its independent public accountants are cooperating with the United States Attorney's office in this investigation.

Subsequently, based on the above, the company and its independent public accountants conducted their own investigation and discovered evidence that certain promotional allowances from several suppliers were recorded in income in 1971, 1972 and 1973 in advance of their being earned by the company. The investigation also revealed evidence that in certain other transactions inflated prices for merchandise were paid to a supplier from 1967 through 1973 in return for

(a) payments from the supplier (characterized as discounts and recorded as income) in 1967, and (b) the purchase from the company by the supplier of property in 1969 and a subsidiary in 1971 at inflated prices.

The company's independent public accountants have advised current management that communications from several former company personnel and suppliers during the course of audits for the years in question involved the withholding or misrepresentation of material facts underlying the transactions. While acknowledging that investigations to date support the independent public accountants' position, the company considers it important to note that all parties concerned have not yet been given the opportunity to be heard.

Current management is satisfied and believes, however, that the questioned practices have been ended prior to 1974, and that these transactions have no material effect on the present financial condition of the company.

Although the timing and precise amounts of the adjustments that could be made as a result of the new information on these transactions cannot be determined exactly, these transactions are estimated to have the following approximate effect on prior years' reported results:

	Per Common Share as Previously Reported		Per Common Share Reflecting Estimated Adjustments	
Period Covered	Income (Loss) Before Extraordinary Items	Net Income (Loss)	Income (Loss) Before Extraordinary Items	Net Income (Loss)
Year ended December 31, 1967....	$1.18	$1.37	$1.08	$1.27
Three months ended March 31, 1968.	.25	.25	.25	.25
Year ended March 31,				
1969...........	.97	.92	.97	.92
1970	1.30	1.30	1.33	1.33
1971	1.01	1.01	1.02	.86
1972	1.18	1.18	1.13	1.13
1973	(1.20)	(4.74)	(1.07)	(4.53)
Nine months ended December 29, 1973.............	(1.96)	(1.96)	(1.90)	(1.90)

UNITED NUCLEAR CORPORATION (MAR)

Notes to Consolidated Financial Statements

Note 13: Contingencies—Bank letters of credit in the amount of $9,600,000, issued to guarantee repayment of deposits made by customers on future deliveries of uranium concentrate, are outstanding at March 31, 1975. The Company is guarantor for a loan of a 50%-owned affiliate in the amount of $1,625,000.

The Company has been advised of findings of the Defense Contract Audit Agency which could possibly result in a downward price adjustment on a contract of up to $2,700,000. This contract, which is in production, will be substantially completed by 1976. Management is of the opinion that these findings are without merit and any ultimate resolution will not have a material adverse effect on the consolidated financial condition.

WHITE MOTOR CORPORATION (DEC)

Notes to Financial Statements

Note K: Contingent Loss on Contract—In 1974 the Corporation entered into a contract for the sale of finished units and as a part of the contract agreed to provide parts and service for three years. Uncertainties have arisen regarding the performance of the parties to this contract. At December 31, 1975 the net assets at risk directly associated with this contract and a contingent liability under a performance bond which expires June, 1976 aggregate approximately $4,400,000. Management is presently unable to estimate the ultimate outcome of this uncertainty and accordingly has made no provision for loss at December 31, 1975.

GAIN CONTINGENCIES

Operating Loss or Investment Credit Carryforwards

BOBBIE BROOKS, INCORPORATED (APR)

Notes to Consolidated Financial Statements

Note 6 (in part): Federal Income Taxes—A subsidiary company operates in Puerto Rico under a tax exemption extending through 1985.

The following tabulation summarizes the carryforwards available to the Company at April 30, 1975 for future federal income tax reporting purposes:

Available Through Fiscal Year Ending in	Operating Losses	Investment Tax Credits	Foreign Tax Credits
1976	$ —	$ —	$ 75,000
1977	—	20,000	55,000
1978	—	5,000	70,000
1979	—	175,000	55,000
1980	7,300,000	310,000	60,000
After 1980....................	—	185,000	—
	$7,300,000	$695,000	$315,000

Both investment and foreign tax credit carryforwards may be applied against subsequently accruing income tax liabilities while the operating loss carryforwards are available for application against future consolidated earnings. Because of timing differences in the deduction of expenses, primarily depreciation, as between financial and income tax reporting, the operating loss carryforward available for financial statement purposes at April 30, 1975 approximated $6,100,000.

CONAGRA, INC. (JUN)

Financial Comments

Federal Income Taxes (in part)—The Company and its subsidiaries filing a consolidated Federal income tax return have net operating loss carryforwards of approximately $9,000,000 expiring principally in 1979 and investment tax credit carryforwards expiring as follows:

Fiscal Year	Investment Credits
1978	$ 32,000
1979	213,000
1980	460,000
1981	360,000
1982	235,000
	$1,300,000

In 1974 a tax benefit in the amount of $1,250,614 for a portion of this operating loss carryforward was reflected in the earnings as a credit against the deferred income taxes previously provided. To the extent to which the loss carryforward benefit is realized in the future, the deferred taxes eliminated in 1974 will be reinstated.

FOOD FAIR STORES, INC. (JUL)

Notes to Consolidated Financial Statements

Note 10: Income Taxes—The provision for income taxes or tax benefits is comprised of the following:

	1975	1974
		(000's omitted)
Federal:		
Current	($1,232)	$4,067
Deferred	(3,142)	1,099
Investment tax credit		(2,541)
State	323	1,540
	($4,051)	$4,165

For the fiscal year 1974, the financial income subject to tax includes approximately $1,350,000 taxable at capital gains rates.

For the fiscal year 1975, unused investment tax credits available for financial reporting purposes at August 2, 1975 ($3,500,000) have been applied in reduction of deferred income taxes.

The Company and its subsidiaries file a consolidated Federal income tax return. At August 2, 1975, the Company has available for Federal income tax purposes net operating loss and investment tax credit carryforwards of approximately $3,000,000 and $5,600,000, respectively. The net operating loss carryforward expires in 1980; the investment tax credit carryforwards expire as follows:

Fiscal year end	Amount
1978	$ 500,000
1979	1,400,000
1980	1,700,000
1981	900,000
1982	1,100,000
	$5,600,000

The Federal income tax returns of the Company and certain subsidiaries have been examined by Internal Revenue Service for the fiscal years 1964 through 1968. The Service has proposed adjustments which would result in additional taxes of approximately $9,000,000, exclusive of interest. Since the material issues may be litigated, it is not presently possible to estimate the ultimate outcome of the tax controversies.

PHOENIX STEEL CORPORATION (DEC)

Notes to Financial Statements

Note 9: Taxes on Income—At December 31, 1975 loss carryforwards of approximately $13.6 million were available to offset future taxable income for financial reporting purposes. Such carryforwards for income tax purposes are approximately $11.9 million and expire $3.8 million in 1976, $2.6 million in 1977, $3 million in 1978 and $2.5 million in 1980. Investment tax credits of approximately $4.3 million are available through 1982 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 result 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.

SPRAGUE ELECTRIC COMPANY (DEC)

Notes to Consolidated Financial Statements

Note C: Income Taxes—The Company and its domestic subsidiaries file a consolidated tax return. The various elements of the provision (credit) for income taxes for the years ended December 31, 1975 and 1974 are summarized as follows:

	1975	1974
Provision (credit) for Federal income taxes	$ (953,000)	$3,204,000
Provision for foreign income taxes	480,397	1,430,527
Investment tax credit	490,000	(490,000)
Provision (credit) for deferred income taxes	(1,125,630)	815,053
	$(1,108,233)	$4,959,580

In 1975, $1,067,935 of existing domestic deferred income taxes was eliminated as a result of the loss carryforward. In 1974, $487,605 of deferred income taxes relating to 1966 and prior years were charged to operations. In addition, in 1974, $327,448 was provided for current deferred income taxes. The incremental U.S. income taxes which would be payable upon distribution of the unremitted earnings of foreign subsidiaries would be substantially offset by foreign tax credits. Accordingly, no additional provision is made.

At December 31, 1975, the Company had an unused domestic tax net operating loss carryforward available through 1980 in the amount of $4,200,000. There are, at December 31, 1975, investment tax credit carryovers of approximately $2,238,000 of which $561,000 has been recognized for book purposes. Investment tax credits expire as follows: 1977—$385,000, 1978—$342,000, 1979—$308,000, 1980—$366,000, 1981—$644,000, and 1982—$192,000. The Company's Federal income tax returns for all years through 1968 have been examined and closed.

The Company has foreign net operating loss carryforwards of $7,000,000 which expire at the close of the various fiscal years as follows: 1976—$700,000, 1977—$1,000,000, 1978—$400,000, 1979—$400,000, 1980—$3,000,000, and no expiration date—$1,500,000.

WARD FOODS, INC. (DEC)

Financial Information

Income Taxes and Extraordinary Credit—The components of income taxes are:

	1975	1974 (As restated)
State and local—current	$ 160,480	$194,000
Foreign—current	157,509	106,581
	$ 317,989	$300,581
Federal—provision in lieu of such taxes	$1,900,000	$517,000

The provision in lieu of Federal income taxes represents income tax expense which will not be paid due to net operating loss carryforwards. The income tax benefit resulting from utilization of the carryforwards is presented as an extraordinary credit in the statement of earnings in accordance with Accounting Principles Board Opinion No. 11.

The 1975 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
Income taxes computed at the U.S. statutory rate	$2,178,527	48.0
Reduction in tax resulting from:		
State, local and foreign income taxes	(152,635)	(3.4)
Foreign income not taxable for U.S. purposes—net	(165,986)	(3.7)
Other—net	40,094	1.0
	$1,900,000	41.9

The Internal Revenue Service has examined and accepted all income tax returns of the Company through 1973. On the basis of these examinations and returns filed for 1974 and to be filed for 1975, the Company had tax carryforwards at December 27, 1975 as reflected below:

Expires at close of fiscal year	Net operating losses	Investment tax credits	Foreign tax credits
1977	$ 4,140,881	$ —	$ 82,248
1978	—	158,057	2,341,180
1979	7,211,290	536,166	96,924
1980	—	173,115	160,000
1981	—	354,635	—
1982	—	420,000	—
	$11,352,171	$1,641,973	$2,680,352

Because of differences in timing between expenses reported for financial statement purposes and deductions taken for income tax purposes, losses reported cumulative to December 27, 1975 for financial reporting purposes exceeded those reported for income tax purposes by approximately $6,000,000. The principal timing difference results from reserves established for losses and future expenses to be incurred in connection with the disposal of discontinued operations. These losses and expenses not yet deducted for tax purposes, the $11,352,171 tax net operating loss and the tax credit carryforwards will be available to reduce taxable income of future years.

Plaintiff Litigation

A. J. INDUSTRIES, INC. (MAR)

Notes to Consolidated Financial Statements

Note 5: Income Tax Refund Litigation—In September 1974, the Company received a favorable decision from the United States Court of Appeals in a case involving the refund of Federal income taxes relating to the years 1957 through 1961. The issue decided by the Court involved the proper year for a deduction claimed in connection with the abandonment of certain mining operations in Juneau, Alaska. Although the Court of Appeals ruled that a refund of prior taxes is due the Company, the final amount of the refund will be determined by the United States District Court, Central District of California. The Company believes that it is highly likely that the refund will total at least $900,000 and that it could amount to as much as $1,500,000 (such amounts include applicable interest and are net of the income taxes which would be due on such interest).

The income tax refund will be reflected in the accounts of the Company at such time as the proceedings in the United States District Court are finalized, and substantially all of the net proceeds will be recorded as a direct credit to stockholders' equity accounts.

AMERICAN BAKERIES COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 5 (in part): Contingencies—The Company is the plaintiff in two antitrust actions 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. In 1975, the Company received $920,000 from two of the defendants in a negotiated settlement in one of the cases. This settlement, less applicable legal expenses of $627,000, has not been included in the statement of income pending the final outcome of the case and related legal costs.

ARVIN INDUSTRIES, INC. (DEC)

Notes to Financial Statements

Note K: Litigation—On November 29, 1972, the Company filed in the United States District Court for the Southern District of Indiana its suit for treble damages and for injunctive and other relief against Maremont Corporation. On January 22, 1973, Maremont filed its answer as well as a counterclaim for damages, injunctive and other relief. The Company thereafter filed its answer to the counterclaim generally denying Maremont's allegations.

Both parties have requested a jury trial, and trial is currently scheduled to begin March 22, 1976.

Extensive discovery has taken place in connection with the claim of the Company. During the summer of 1975, Maremont filed a motion for summary judgment dismissing claims which the Company has made under Section 7 of the Clayton Act. The Company successfully opposed this motion by affidavits and deposition testimony, since the Court denied Maremont's motion on January 5, 1976.

Based on the most recent damage study documents filed with the Court by the Company, its claim against Maremont approximates a range of $17 to $37 million ($51 to $111 million trebled), whereas Maremont's claim filings do not exceed the maximum damages claimed by the Company.

While the Company's counsel do not express any opinion on the outcome as to the Company's complaint, it is their view, based upon the proceedings at date and the Court's denial on January 5, 1976 of Maremont's motion for summary judgment referred to above, that the Company's complaint properly states a claim for which relief may be granted. While the Company's counsel do not express an opinion on the outcome of Maremont's counterclaim, it is their view that the Company has meritorious defenses to the counterclaim.

Management believes, based on views of counsel and management's resulting understanding of the case, that the Company will not incur any material liability as a result of the aforementioned litigation.

MCA INC. (DEC)

Notes to Consolidated Financial Statements

Note 5 (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 will continue to use the carryovers from the years 1962 through 1970 in its federal income tax returns; the effect will be that approximately $26,000,000 of the amount shown as current income tax liability on the Consolidated Balance Sheet at December 31, 1975 ($9,000,000 at December 31, 1974) will not be paid currently.

MILTON ROY COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 13: Litigation—A suit has been filed against Automated Optics, Inc. (Automated) (see Note 1) alleging that it is infringing certain patents relating to the soft lens material being licensed to the Company. A determination that Automated is infringing such patents might have the effect of preventing Automated (the Company's sole source of supply) from supplying the Company with the licensed soft lens material. Although the litigation is expected to be protracted, the Company has been advised by its patent counsel that in their opinion, the licensed soft lens should not infringe valid patent rights of others. On November 12, 1975, the Company filed a suit in Federal Court seeking a declaratory judgment that its manufacture and sale of soft lenses from the soft lens material licensed by Automated to the Company does not infringe valid patent rights of others.

The Company is a defendent in several product liability law suits. The Company has adequate product liability insurance against such claims and believes none will have an adverse effect on the Company.

NORTHROP CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note K (in part): Litigation and Contingent Liabilities—In an action filed in Canada in December 1973, the Corporation claims $17.5 million against the Canadian Government and the Canadian Commercial Corporation. Approximately $9 million 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 $26.9 million. Counsel for the Corporation believes these counterclaims are substantially without merit.

U.S. INDUSTRIES, INC. (DEC)

Notes to Financial Statements

Note J: Litigation—The Corporation and certain subsidiaries are defendants in lawsuits involving, among other matters, alleged violations of the Federal Truth-in-Lending Act and certain provisions of the California Usury Law. While certain of the lawsuits involve substantial amounts, in the opinion of management, based on the advice of counsel, the ultimate resolution of such litigation will not have a material adverse effect on the Corporation's financial position.

In addition, the Corporation is plaintiff in several lawsuits, including one filed against one of its former directors. In the latter lawsuit, the Corporation alleges that certain losses, realized in 1975 by one of its divisions, resulted from improper actions in 1974 and prior years and that such actions were taken by or under the direction of the former director. The Corporation is seeking compensatory damages of approximately $3.7 million plus punitive damages.

COMMITMENTS

Capital Expenditures

ATLANTIC RICHFIELD COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 14 (in part): Other Commitments and Contingencies—At December 31, 1975, the commitments of the Company for construction of facilities, etc. amounted to approximately $2,500,000,000 including approximately $630,000,000 for the Company's projected share of the Trans Alaska pipeline and related lease commitments for facilities and equipment; $700,000,000 for development of the North Slope of Alaska; $250,000,000 for development of coal resources; $300,000,000 for manufacturing facilities; and $240,000,000 for five tankers. The uncertainties inherent in such projects may result in curtailment, postponement or cost escalation of certain of these commitments.

CANNON MILLS COMPANY (DEC)

Notes to Financial Statements

Note 4: Commitments—At January 1, 1976, the Company had committed approximately $8,800,000 for the purchase of machinery and equipment and plant expansion.

FOOTE MINERAL COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 10 (in part): Commitments and Contingencies—At December 31, 1975 the Company had authorized capital projects which contemplated commitments of approximately $14,200,000 (estimated to be expended in 1976). As of December 31, 1975, funds approximating $4,200,000, and related to the above commitments, were held in escrow, resulting from the Tax-Exempt Pollution Control Bond financing consummated in 1975. These funds will be available to the Company as the related capital expenditures are made.

GRANITEVILLE COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 10 (in part): Contingent Liabilities and Commitments—During 1975 the Company announced proposed expenditures of approximately $4,000,000 for expansion of production facilities. Such commitment is in addition to approximately $5,000,000 approved during the period for additions to and replacement of plant and equipment. A $10,000,000 expansion approved in 1973 was substantially completed in the current period.

INLAND STEEL COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 11 (in part): Commitments and Contingent Liabilities—The total amount of firm commitments of the Company and its subsidiaries to contractors and suppliers in connection with additions to property, plant and equipment approximated $325,000,000 at December 31, 1975. It is estimated that additional commitments in the amount of $410,000,000 will be required during the next several years to complete currently authorized projects.

In addition, it is anticipated that the Board of Directors during 1976 will authorize certain normal replacement projects and certain pollution abatement projects requiring total capital expenditures of $125,000,000 over the next several years.

SAFEWAY STORES, INCORPORATED (DEC)

Notes to Financial Statements

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 $27,511,000 at year-end 1975 as compared to $58,575,000 for 1974.

Financing Agreements

FAIRCHILD CAMERA AND INSTRUMENTS CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 10: Investment in Joint Ventures—Since 1972 the Company has participated with TDK Electronics Co., Ltd. in a 50-50 corporate joint venture. The venture, TDK-Fairchild Corporation, manufactures and sells semiconductor products and electronic equipment, parts and components thereof in Japan.

During 1975, the Company invested in a newly-formed corporate joint venture, Great Western Silicon Corporation. The venture is 45% owned by the Company and 55% owned by Applied Materials, Inc. The venture, whose plant is scheduled for completion in 1977, will manufacture and sell polycrystalline silicon. Fairchild and Applied have entered into a non-cancellable materials purchase agreement with Great Western providing generally that Fairchild and Applied will purchase 75% and 25%, respectively, of a specified level of production for a period of seven years after production commences. Such purchases are to be at the best price available to such parties from an independent U.S. source, but in no event at a price less than that which is necessary to provide Great Western with the funds required to pay its manufacturing costs and the costs of debt service and retirement.

In the event Great Western is unable to commence operations or fails to deliver acceptable quantities or quality of silicon, Fairchild and Applied are obligated to lend Great Western, in the ratio of their respective equity ownership, amounts sufficient to cover its operating costs and the costs of debt service and retirement. In the event Great Western ceases to deliver specified minimum quantities after commencing operations, under specified circumstances, Fairchild may be required to provide the funds required to cover Great Western's operating costs and the costs of debt service and retirement.

INTERLAKE, INC. (DEC)

Notes to Consolidated Financial Statements

Note 12 (in part): Commitments-With respect to the Company's interests 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.

WHEELING-PITTSBURGH STEEL CORPORATION (DEC)

Notes to Financial Statements

Note H (in part): Commitments and Contingencies—The Corporation has long-term contracts with several raw material suppliers in which the Corporation and other corporations are participants. The Corporation is committed under these contracts to pay its share of costs incurred by the suppliers, including principal and interest on long-term debt. The Corporation's share of the principal amount of such debt was $37.9-million at December 31, 1975, and $39.6-million at December 31, 1974, which is payable by the suppliers in annual installments through 1992. It is anticipated that funds available through the raw material sales will be sufficient to meet these obligations.

Purchase Of Inventories

AMTEL, INC. (DEC)

Notes to Financial Statements

Purchase Commitment—A subsidiary, Litwin S. A., has entered into long-term contracts with the U.S.S.R. In connection with one such contract to design and supervise construction of a petrochemical plant, the subsidiary has also entered into an agreement under which it agrees to purchase for resale, if tendered, up to a maximum of 31,000 tons of the plant's annual output of polystyrene at prices to be negotiated annually and based upon prevailing world market prices as defined in the agreement. The company expects that such negotiated prices will enable it to resell the product and recover not only its purchase price but other related costs, including customs duties and yield a brokerage margin. Such market price is subject to a minimum of approximately 2,500 French Francs per metric ton with a maximum total commitment of 600,000,000 French Francs over a maximum period of nine years beginning at the date of plant start-up which is estimated to be in 1978. At January 3, 1976, the prevailing world market price of polystyrene approximated 3,300 French Francs per metric ton.

BATES MANUFACTURING COMPANY INCORPORATED (DEC)

Notes to Consolidated Financial Statements

Note 7 (in part): Contingent Liabilities and Commitments—Commitments for cotton and other raw materials outstanding at January 3, 1976 aggregated approximately $1,900,000, which amount was approximately $250,000 below market values at that date.

Additional Payments Based on Future Earnings Of Acquired Companies

BELDING HEMINWAY COMPANY, INC. (DEC)

Notes to Financial Statements

Note G (in part): In connection with the acquisition of a subsidiary in 1971, the Company is obligated to issue additional shares of Common Stock if earnings (as defined) are achieved by the subsidiary in the six year period, as amended, ending June 30, 1977. During 1975 and 1974, the Company issued 5,000 and 11,000 shares of Treasury Stock for earnings achieved through December 31, 1974 and 1973, respectively. The Company estimates that the fair value of the shares issuable for earnings achieved during the year ended December 31, 1975 would not be material. The fair value of such shares is charged to "Intangibles Applicable to Subsidiaries Acquired" at the time of issuance.

FABRI-TEK INCORPORATED (MAR)

Notes to Consolidated Financial Statements

Note 3: Acquisitions and Related Transactions—In fiscal 1974, FTI issued 92,000 common shares for all of the preferred shares of Digiac Corporation ("Digiac") and 8,000 common shares were issued for certain preferred stock of an 80%-owned subsidiary of Digiac. In addition, 376,185 common shares were placed in escrow for future distribution to the Digiac common shareholders, based primarily upon Digiac meeting certain defined levels of earnings in fiscal years 1974, 1975 and 1976. The escrow agreement also provided for the distribution of escrow shares in certain circumstances if Digiac is disposed of by FTI, in the event of any merger or a like transaction where FTI is not the surviving corporation, or if a former Digiac shareholder was not released from his guarantee of certain bank indebtedness of Digiac. During fiscal 1975, 25,000 shares were distributed in connection with the guarantee of indebtedness and 119,929 shares were returned to FTI, as the defined level of earnings was not achieved in 1974. Since the defined level of earnings was not achieved in fiscal 1975, 115,628 additional shares will be returned to FTI.

In fiscal 1974, FTI sold its leased extension memory equipment and assigned the related lease contracts to Computer Investors Group, Inc. ("CIG"), resulting in a gain of $620,756. Simultaneously, FTI entered into a marketing agreement with CIG for the subsequent sales of certain extension memory products and acquired certain assets and rights from CIG, including $700,000 of notes receivable from Data Recall Corp. ("DRC"), for cash, indebtedness and 52,460 shares of FTI common stock.

Attendant with the CIG agreement, FTI entered into an agreement with DRC, a manufacturer of computer extension memories, for the acquisition of DRC in exchange for 254,262 common shares of FTI. One-half of the shares issued to DRC shareholders were placed with an escrow agent, to be returned to FTI in whole or in part in the event any claims or obligations arise out of or were not disclosed in the agreement. In fiscal 1975, 52,179 escrow shares were distributed to the former DRC shareholders and 74,412 shares remain in escrow at March 28, 1975. FTI has notified the DRC shareholders that it is making claims which could result in the return of the remaining escrow shares to FTI; however, FTI's management is unable to predict with certainty the number of shares which may ultimately be returned. The return of these shares would have no effect on operations, but the return of all remaining shares would result in a maximum reduction in shareholders' equity of approximately $228,000.

Employment Agreements

ANGLO COMPANY LIMITED (SEP)

Notes to Consolidated Financial Statements

Note 13 (in part): Commitments—A subsidiary has entered into employment agreements, expiring September 30, 1980, with three officers which in the aggregate provide for an average annual compensation of $160,000. In addition, the agreements provide that the officers will not compete with the company for the five years ending September 30, 1980 and guarantee the same individuals $195,000 of payments (included in other long-term obligations—Note 9) generally payable over the five-year period beginning September 30, 1980. This expense is being amortized on a straight-line basis over the five-year period beginning in July 1975.

GEARHART-OWEN INDUSTRIES, INC. (JAN)

Notes to Consolidated Financial Statements

Note 13 (in part): Commitments and Contingent Liabilities—The companies have entered into long-term employment contracts aggregating the following basic annual amounts for the respective fiscal years ending January 31:

Year	Amount
1977	$410,304
1978	389,354
1979	316,559
1980	223,024
1981	120,000

A significant subsidiary is involved in litigations involving claims totaling approximately $1,000,000. It is management's opinion that even in the event of the unsuccessful defense of these matters insurance coverage would be adequate to cover any damages that might be awarded.

TABLE 1-11: SUBSEQUENT EVENTS

	Number of Companies			
	1975	1974	1973	1972
Debt incurred, reduced or refinanced	38	48	28	28
Employee benefits	36	12	15	11
Sale of assets	33	13	19	37
Business combinations pending or effected	25	23	24	51
Litigation	23	20	9	21
Stock splits or dividends	14	8	13	23
Other	60	29	24	58

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 1-11 classifies disclosures of subsequent events in cluded in the 1975 annual reports of the survey companies.

Examples of subsequent event disclosures follow.

Debt Incurred, Reduced or Refinanced

COOPER LABORATORIES, INC. (OCT)

Notes to Consolidated Financial Statements

Note 12: Subsequent Events—On January 23, 1976 the Company terminated the Restated and Amended Revolving Credit Agreement (Note 7) and repaid the borrowings thereunder with proceeds of a $4,000,000 short term borrowing from commercial banks in the United States at ½% over prime rate on an unsecured basis. All collateral previously pledged pursuant to the Agreement is in the process of being returned to the Company by the banks.

On January 14, 1976 the United States Court of Appeals dismissed the appeal filed by counsel for plaintiff with respect to the purported class and derivative action (Note 11).

CITATION MANUFACTURING COMPANY, INC. (JUN)

Notes to Financial Statements

Note 13: Subsequent Events—On October 23, 1975 Union National Bank called its loan, described in footnote five to the financial statements, and filed suit to enforce its rights under the loan agreement. The Company voluntarily stopped production while searching for new sources of financing. The Company was successful in obtaining an eighty percent loan guarantee from the Farmers Home Administration, and Union National Bank agreed to provide $1,700,000 of long-term financing. The loan is at ten percent interest and is payable as follows: $1,000,000 payable in monthly installments over twenty years, and $700,000 payable in monthly installments over seven years.

The loan agreement contains restrictions on changes in management, additional borrowing, declaration or payment of dividends, increases in officers' salaries, bonuses, issuance of capital stock, acquisition or merger, new business lines, and acquisition of fixed assets. In addition, the agreement calls for a portion of the Company's annual profits to be applied on the loan, calls for the application of any monies received from the sale of golf caddy assets toward the reduction of the loan, and contains a provision whereby the bank may call the loan if they deem themselves to be in an "insecure" position as defined by the Uniform Commercial Code.

In connection with the refinancing of the bank loan, the Company also entered into agreements with various trade creditors, deferring payment on amounts owned as follows:

Ten creditors exchanged notes and accounts payable totaling $684,552 for promissory notes bearing interest at ten percent. The notes are payable in twenty-four equal monthly installments beginning February 10, 1976.

Forty creditors exchanged accounts payable totaling $203,974 for promissory notes bearing interest at ten percent. The notes are payable in six equal monthly installments beginning January 10, 1976.

One creditor exchanged an account payable of $5,000 for a promissory note bearing interest at nine percent, payable in thirty-six monthly installments beginning December 1, 1975.

Had the refinancing package been consumated at June 30, 1975, the effect on the Company's working capital would have been as follows:

	Balance June 30, 1975	Increase (Decrease)	Pro forma Balance
Current assets			
Cash	$ 166,937	$ 296,396	$ 463,333
Receivables	1,327,177	—	1,327,177
Inventory	1,720,948	—	1,720,948
Other current assets..	74,872	—	74,872
	$3,289,934	$ 296,396	$3,586,330
Current liabilities			
Short-term borrowing	$1,667,937	$(1,246,376)	$ 421,561
Current portion of long-term debt...	79,031	177,147	256,178
Accounts payable.....	1,452,524	(788,176)	664,348
Other current liabilities................	228,269	—	228,269
	$3,427,761	$(1,857,405)	$1,570,356
Working capital .	$ (137,827)	$ 2,153,801	$2,015,974

SMC INDUSTRIES, INC. (AUG)

Notes to Consolidated Financial Statements

Note H (in part): Long-term Debt—In October 1975 the Company entered into a loan agreement with a bank. Under the terms of this agreement the Company borrowed $417,500, repayable in quarterly installments of $42,500 with interest at 2% over prime. The proceeds of this loan were used to repay the promissory note to a bank.

Also in October 1975 a subsidiary of the Company, Nationwide Acceptance Corporation, entered into a loan agreement whereby up to $1,000,000 could be borrowed to be used exclusively by Nationwide to purchase customer contracts and notes created through the sale of Company merchandise. This loan bears interest at an initial rate of 1% over prime, is guaranteed by the Company, is renewable at specified intervals to December 1977 and then, providing certain conditions are met, is repayable in quarterly installments over five years.

Under the covenants of the loan agreement the Company has agreed to certain requirements including maintenance of minimum working capital, current ratio and net worth as well as restrictions on dividends and future borrowings.

TWENTIETH CENTURY-FOX FILM CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 19: Subsequent Events—On December 30, 1975, United Television, Inc., (United), the wholly-owned subsidiary of the Company, which owns the three television stations, entered into agreements with two institutional lenders. Under these agreements United will borrow $20,000,000 during February 1976. The proceeds of the borrowings will be used to reimburse the Company for funds advanced by it and used by United for the acquisition of the respective assets, businesses and licenses of the two television stations in Salt Lake City, Utah, and San Antonio, Texas. The borrowings, which are unsecured, and due in 1990, bear interest at the rate of 11% per annum and require annual payments of $1,000,000 beginning December 1, 1978 through December 1, 1983, and annual payments of $2,000,000 beginning December 1, 1984 through December 1, 1990. The parent company is not a guarantor under these agreements.

Sale of Assets

CADENCE INDUSTRIES CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 2: Discontinued Operations—Effective June 1975, the Company discontinued the operations of its catalog discount stores. A provision has been recorded for estimated losses on disposal of $2,500,000 (before applicable income taxes of $900,000) including $1,578,000 for losses from operations during the phase-out period.

In February 1976, the Company sold for cash its trading stamp and sales incentive business at its approximate book value. In 1974, management determined that intangible assets totaling $4,313,000 relating to the trading stamp and sales incentive activities had no continuing value and they were written off. The net assets of the business sold are included as a current asset in the 1975 balance sheet.

These businesses had revenues of $6,890,000 and $13,441,000 in 1975 and 1974, respectively.

NATIONAL TEA CO. (DEC)

Notes to Consolidated Financial Statements

Note 10: Subsequent Event—On February 12, 1976, the company announced it had reached agreement in principle to sell its Denver distribution facilities, warehouse, inventory, warehouse and transportation equipment and certain undeveloped real estate sites in the Denver area to Kelly, Douglas and Company, Limited, an affiliated company. The estimated proceeds from the sale of these assets are approximately $5.7 million which is approximately the net book value of these assets. In addition, Kelly, Douglas and Company, Limited, will operate the company's 33 Denver area stores under a management agreement.

Business Combinations

ARCHER DANIELS MIDLAND COMPANY (JUN)

Notes to Consolidated Financial Statements

Note 11: Subsequent Event—On August 8, 1975 the Company issued 1,000,000 shares of its Common Stock in exchange for all the outstanding shares of common stock of Tabor & Co. in a transaction to be accounted for as a pooling of interests. Pro forma results combining amounts for the Company for its fiscal year ended June 30 with amounts for Tabor & Co. for its fiscal years ended May 31 are as follows:

	1975	1974
Net sales and other operating income	$1,865,436,692	$1,579,970,729
Net earnings	40,474,064	40,081,926
Net earnings per share of Common Stock	2.30	2.30
Working capital at end of year	180,209,195	165,440,369
Shareholders' equity at end of year	236,389,524	199,776,026

BAKER OIL TOOLS, INC. (SEP)

Notes to Consolidated Financial Statements

Note 2: Merger with Reed Tool Company—On November 26, 1975 the Company and Reed Tool Company ("Reed") consummated a merger agreement whereby Reed became a wholly-owned subsidiary of the Company. The merger is the subject of a current investigation by the Antitrust Division of the Department of Justice. The Company has no reason to believe that the merger violates the antitrust law. The principal business of Reed and its subsidiaries is the manufacture and sale of petroleum drilling tools and equipment, mining tools and equipment, truck and tractor mounted earth augers and rotary drilling equipment, and concrete and rock products and balancing hoists. Under the terms of the agreement the Company exchanged approximately 2,326,000 of its common shares for all of the outstanding Reed common shares and reserved approximately 108,000 common shares for issuance in connection with Reed's stock, option and compensation plans. The acquisition will be accounted for as a pooling of interests during 1976 and the financial statements for 1975 and 1974 will be restated to include the accounts of Reed. Below is a summary of the pro forma results of operations of Baker and Reed combined in 1975 and 1974 (1974 amounts consist of Baker's fiscal year ended September 30, 1974 and Reeds fiscal year ended December 31, 1974) and the pro forma condensed combined statement of financial position of the companies as of September 30, 1975:

Operational Data	1975	1974
Revenues	$509,777,000	$372,989,000
Net income	$ 45,425,000	$ 22,713,000
Net income per share	$3.43	$1.83

Financial Position Data	September 30, 1975
Current assets	$278,055,000
Property—net	144,426,000
Other long-term assets	15,858,000
Total assets	438,339,000
Less:	
Current liabilities	105,742,000
Long-term debt	94,847,000
Other long-term liabilities	18,780,000
Total liabilities	219,369,000
Shareholders' equity	$218,970,000

The above amounts do not include the effects of conforming the companies' accounting policies for expensing of unfunded prior service costs in connection with their pension plans, which matter is currently under study by Baker and its actuary. The most significant effect of conforming such policies would be to reduce pro forma combined net income for 1975 and 1974 by a maximum of $725,000 during each year and shareholders' equity to a maximum of $6,500,000 at September 30, 1975.

ESMARK, INC. (OCT)

Financial Comments

Subsequent Events—On November 7, 1975 Esmark finalized the acquisition of the net assets of International Playtex Company (a division of Rapid-American Corporation). The cost of this acquisition was $204 million, consisting of (1) payment to Rapid of $70 million in cash, $100 million in 9% subordinated notes, and 400,000 shares of Class 2 preferred stock valued by the Company at $32 million and (2) direct acquisition costs of $2 million.

The subordinated notes are due from November 1, 1976 to 1982 in annual amounts of approximately $14 million.

The preferred stock, designated Series A, is nonconvertible. Each share has one-tenth of a vote, a $6.50 cumulative annual dividend and a $100 liquidation preference. The Company may redeem any or all shares at any time and, after December 1, 1983, will be required to purchase any shares that may be offered; in each case the price is $100 per share plus dividends accumulated and accrued.

On November 7, 1975, the Company obtained an $80 million term bank loan, payable in six annual installments beginning October 31, 1978, with interest at 120% of prime to 1977 (plus ¼% for 1978 and 1979 and plus ½% thereafter).

This acquisition of Playtex is to be accounted for as a purchase and, since it occurred after Esmark's year end, no amounts as to Playtex are included in Esmark's 1975 consolidated financial statements. The following statements present Esmark's pro forma condensed consolidated financial position at October 25, 1975 as if the acquisition of Playtex and the additional long-term borrowings had occurred on that date and Esmark's pro forma condensed consolidated results of operations for the year ended October 25, 1975 as if the acquisition of Playtex and the additional long-term borrowings had occured at the beginning of the year. Amounts included for Playtex, which are based on unaudited financial statements as of October 31, 1975 and for the year then ended, reflect the effects of a preliminary allocation of Esmark's purchase cost to Playtex' assets and liabilities and the related effects on Playtex' costs and expenses.

Esmark Pro Forma Condensed Statement of Financial Position October 25, 1975 (Unaudited)	(In millions)
Current assets	$ 921
Current liabilities	(486)
Working capital	435
Investments and other assets	107
Property and operating facilities	661
Excess of cost over net assets of purchased businesses	59
Total assets less current liabilities	1,262
Long-term debt	(483)
Deferred income taxes	(53)
Other noncurrent amounts	(72)
Net assets applicable to stockholders' equity	$ 654

Esmark Pro Forma Condensed Statements of Earnings Year ended October 25, 1975 (Unaudited)	(In millions, except per share data)
Revenues	$5,071
Costs and expenses	(4,913)
Income taxes	(72)
Net earnings	$ 86
Net earnings per common share:	
Primary	$ 5.31
Fully diluted	$ 4.98

Pro forma combined net earnings above has been reduced $5.5 million ($.35 per share primary and $.33 per share fully diluted) by a one-time charge for the preliminary amount of purchase cost allocated to inventories in excess of Playtex' carrying value, less income tax effects.

PORTEC, INC. (DEC)

Notes to Consolidated Statements

Note 12: Subsequent Event—On February 6, 1976, the company acquired all of the outstanding stock of Hawley Manufacturing Company ("Hawley") for cash in the amount of $3,825,000. The acquisition will be accounted for by the purchase method of accounting. Accordingly, the results of operations of Hawley will be included with the consolidated results of the company for periods subsequent to the date of acquisition.

The allocation of the purchase price to specific assets and liabilities as of the date of the acquisition has not as yet been made. However, based upon preliminary estimates of the fair value of the net tangible assets acquired, the excess of the purchase price over Hawley's net assets (which were carried at $2,935,000 at November 30, 1975, the date of the latest financial statements) will be allocated principally to machinery and equipment which assets are being depreciated over estimated lives not exceeding ten years. Hawley had net sales and net income of $6,574,000 and $849,000 for its fiscal year ended March 31, 1975 and $4,864,000 and $741,000 for the eight months ended November 30, 1975.

Litigation

AMERICAN SEATING COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 11: Contingencies—The Company is contingently liable for approximately $736,000 under customer financing agreements.

In January, 1976, a competitor of American Seating Company filed a complaint against General Motors Corporation, Chrysler Corporation, Sheller-Globe Corporation and American Seating Company. With respect to American Seating Company, the complaint alleges antitrust and civil rights violation, and unlawful interference with an alleged agreement between the plaintiff and Sheller-Globe Corporation. The complaint seeks from the defendants compensatory damages of $8,000,000, or treble damages of $24,000,000 under the antitrust laws, and $100,000,000 in exemplary and punitive damages. In the opinion of the Company, the complaint against American Seating Company has no merit.

NORTHROP CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note K (in part): Litigation and Contingent Liabilities—The Corporation and its subsidiary, Northrop Hueneme Corporation (NHC), are defendants in an action brought by Pacific Far East Line (PFEL). This action alleges a breach of certain convenants contained in an $11.2 million contract to produce LASH fiberglass barges as well as misrepresentations and breaches of warranty in connection with that contract. The plaintiff's initial complaint sought to recover $105 million in damages or, alternatively, rescission of the contract with restitution, damages and costs. The Corporation and NHC filed an answer to the complaint and asserted counterclaims totaling $14 million. On February 3, 1976, PFEL filed its response to this counterclaim, together wtih a counterclaim against the Corporation and NHC and also against four employees of the Corporation. PFEL alleges that it was induced to enter into the LASH fiberglass barge contract with NHC as a result of violations of the antitrust laws by the counter-defendants. PFEL claims that these alleged violations of the antitrust laws have caused it damage in the amount of $54.6 million, and it is now seeking treble damages under the antitrust laws in the total amount of $163.8 million, together with attorneys' fees and costs.

The Corporation believes that the new claim is unfounded. The outcome of this litigation will depend upon the resolution of disputed questions of fact and law which counsel cannot, at this early stage of the case, predict with certainty. Counsel for the Corporation is of the opinion that the $105 million damage claim of PFEL is substantially overstated, particularly with regard to its claim for consequential damages, and that there are substantial factual and legal defenses to PFEL's antitrust charges.

As an outgrowth of the Company's 16-month investigation into political contributions and consultants' and agents' fees as reported by the Executive Committee of the Board of Directors on July 16, 1975, several U.S. Government agencies initiated their own investigations. A final settlement of all contractual claims arising from the examinations of the Department of Defense has been concluded and is reflected in the financial statements. Management believes that the resolution of all other matters related to the governmental investigations will not have a significant impact on the Company's financial statements.

POTLATCH CORPORATION (DEC)

Notes to Financial Statements

Note 12: Litigation—On February 18, 1976, the company and twenty-two other companies were named defendants in actions brought by the United States of America in federal court in Illinois. It is alleged that the defendants violated federal antitrust law with respect to prices charged to purchasers of folding cartons. Subsequently, two private suits have been filed alleging a violation of federal antitrust law, one in federal court in Illinois and the other in federal court in California. Both are class action suits and seek treble damages in unspecified amounts.

The company intends to contest the allegations made, but the results of the litigation are not presently determinable. However, in the opinion of management, the amount of losses that might be sustained would not materially affect the company's financial position or the results of operations as set forth in the consolidated financial statements herein.

The company presently manufactures and sells folding cartons at seven plants. Its net sales of folding cartons were approximately $38,000,000 in 1975 and $29,000,000 in 1974.

ST. REGIS PAPER COMPANY (DEC)

Notes to Financial Statements

Other Matters—On February 18, 1976, 23 companies, including St. Regis and Michigan Carton Co. (acquired in 1974 and thereafter merged), were indicted by a Federal grand jury which charged violation of Section 1 of the Sherman Act by conspiring to fix, raise, maintain, and stabilize the price of folding cartons. Private treble damage actions are typically filed after indictments of this sort. St. Regis cannot now assess the probability of being held liable in such actions or the extent of its exposure for damages. Accordingly, no provision has been made for any liability that may result.

Pension Plan Amendments

CARPENTER TECHNOLOGY CORPORATION (JUN)

Notes to Financial Statements

Note 6 (in part): Pension Plans—Total pension expense for 1975 and 1974 was $6,373,000 and $5,857,000, respectively. Effective August 1, 1975, the pension plans were amended to include increased benefits. These amendments have increased unfunded prior service costs by $19,073,000, which the Corporation plans to fund over a 30-year period beginning in the fiscal year 1976. It is anticipated that these changes will increase total pension expense by approximately $3,000,000 in fiscal 1976. Adjusted unfunded prior service liabilities at June 30, 1975, were $40,243,000.

At June 30, 1975, the actuarially computed value of vested benefits, calculated on the basis of the improved benefits effective August 1, 1975, exceeded the market value of the pension fund assets by approximately $14,400,000.

GRANITEVILLE COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 8 (in part): Employee Benefit Plans—The Company has amended the pension plan, effective January 1, 1976, to provide one hundred percent (100%) vesting at ten years rather than at fifteen years. In the opinion of the Company's actuary such change will have a limited impact on liabilities of the plan and no measurable effect on unfunded prior service costs or current costs.

In the opinion of the actuary, the actuarially computed value of vested benefits, adjusted for the effects of the aforementioned amendment, will not exceed the total of pension fund assets and accruals in the balance sheet. The Company is amending the pension plan in other respects to comply with the Employee Retirement Income Security Act. Such changes, in the opinion of the actuary, will have no significant effect on liabilities or costs of the plan.

J. B. LIPPINCOTT COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 5: Retirement and Profit Sharing Plans—The Board of Directors on February 24, 1976 approved amendments to the Company pension plan subject to the approval of the Internal Revenue Service. The amendments will be effective January 1, 1976, will improve benefits under the plan, and are expected to comply with the requirements of the Employee Retirement Income Security Act of 1974. The principal amendments provide for funding of the plan for current employees, increase in the salary base for calculation of pension benefits, earlier eligibility for retirement, and vesting of benefits provided.

Annual costs applicable to current employees under these amendments is estimated to be $470,000. This is an increase of $367,500 over 1975 costs. Prior service liability is estimated at $4,300,000 an increase of $3,253,500 over the requirements of the plan previous to amendment. Annual costs as estimated above are based on the expectation that the prior service liability will be amortized and funded over a thirty year period.

Stock Dividends or Splits

DRAVO CORPORATION (DEC)

Notes to Consolidated Financial Statements

Shareholders' Equity (in part)—On January 22, 1976, the Board of Directors voted a 2-for-1 stock split in the form of a 100 per cent stock dividend to be effective to shareholders of record February 5, 1976. Accordingly, the December 31, 1975 and 1974 balance sheets have been adjusted retroactively to reflect this split, by increasing the par value of common stock issued by $2.3 million with an equal reduction of other capital, and by doubling both the number of common shares issued and the number in the treasury. The net income per share and dividends per share shown on the statements of income and retained earnings, as well as information in this note and the stock option note, have been restated as if the split had been effective at the beginning of 1974.

WARD FOODS, INC. (DEC)

Financial Information

Subsequent Event-Stock Dividend—On January 15, 1976, the Board of Directors declared a 5% stock dividend for each share outstanding, payable February 20, 1976 to shareholders of record on January 26, 1976. Payment of this dividend will result in the issuance of 180,044 additional shares of common stock (fractional shares will be paid in cash).

The consolidated financial statements, including per share data and accompanying financial information, have been adjusted to give retroactive effect to this stock dividend. The fair value of the shares issued ($1,710,000) was transferred from accumulated deficit to common stock (at par) and to capital surplus.

Other

ANHEUSER-BUSCH, INCORPORATED (DEC)

Notes to Consolidated Financial Statements

Commitments and Contingencies (in part)—In January 1976, the Federal Trade Commission authorized by resolution an investigation to determine the manner and extent of compliance with an order issued in 1950 prohibiting acts in violation of certain antitrust laws and to determine whether parties subject to that order, including the company and 15 other manufacturers and sellers of corn derivatives, or others, have engaged in practices violative of the Federal Trade Commission Act in connection with the offering for sale, sale and distribution of corn derivatives. The investigation has not been concluded and the company has no indication as to what action, if any, the Commission may take at the conclusion of the investigation.

APCO OIL CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 9 (in part): Foreign Operations—Subsequent to December 31, 1975, and through February 5, 1976, the Central Bank of the Republic of Argentina announced several changes in the exchange rate of the Argentine peso. These rate changes resulted in translation losses to the Company of approximately $660,000 which will be charged to operations in 1976. The economic instabilities in Argentina may cause additional changes in the rate of exchange which could result in further currency translation losses.

BLISS & LAUGHLIN INDUSTRIES INCORPORATED (DEC)

Financial Review

Commitments and Contingent Liabilities (in part)—On January 29, 1976 the Company announced plans to invest over $15 million in a program to expand the Company's cold finished steel bar operations. The program will include expansion and modernization of the Harvey mill as well as the construction through a joint venture company of a modern cold finished wire mill. It is anticipated that this program will cover a three-year period. No significant firm commitments have been entered into at January 29, 1976.

M. H. FISHMAN CO. INC. (DEC)

Notes to Consolidated Financial Statements

Note A: Bankruptcy Proceedings and 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"). On December 30, 1975 a majority (in number and amount) of the creditors accepted the Company's Plan of Arrangement; on February 26, 1976 the Court confirmed the Plan.

The Plan, as amended, 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. 40.5% of their claims, payable in cash upon confirmation;
2. 17.5%, payable 3½% annually for five years, commencing April 15, 1977; if annual earnings (as defined) do not exceed specified levels, then ½% annually (a maximum of 2½%) may be deferred to succeeding years ("deferred payments"). To the extent unpaid at the end of five years, the deferred payments are to be made commencing April 15, 1982 at not more than 1% a year until 2½% is paid;
3. Cash equal to 50% of annual net income (as defined) in excess of $875,000 for six years commencing with 1975 up to an aggregate maximum of 2% of unsecured claims; and
4. Issuance of approximately 508,000 shares of the Company's previously unissued Common Stock to be allocated based upon the amount of the claims.

During Feburary 1976, the Company deposited $11,000,000 with the Court to be used for the payment required in 1. above and the payment of administration expenses; it is presently estimated that such payments will aggregate approximately $9,900,000. No payment for 1975 is required under 3. above.

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.

See Note C.

Note C: Basis of Preparation of Financial Statements—The Company has given retroactive effect to the Plan of Arrangement (see Note A) in the accompanying 1975 financial statements. Accordingly, the accompanying financial statements retroactively include (i) a reduction of cash and certificates of deposit of $9,881,233 for the first payment to creditors referred to in Item 1. of Note A plus unpaid administration expenses of $650,000, and a corresponding reduction of such liabilities, (ii) a liability (see Note G) for the present value ($3,911,004, after deducting discount of $533,660 (net of imputed income tax effect of $533,660) imputed at 9%) of the future payments referred to in Items 2. and 3. of Note A, (iii) the assumed issuance (at par value, which approximates market as at December 31, 1975) of 508,000 shares of Common Stock (such number of shares will be issued to creditors, subject to downward adjustment for fractional shares to be dropped) and (iv) an extraordinary credit arising from the forgiveness of indebtedness (see Note K).

The caption "Liabilities Deferred Pursuant to Proceedings Under Chapter XI of the Bankruptcy Act" as at December 31, 1974 consists of:

Accrued and withheld taxes	$ 503,622
Notes payable—banks	6,011,411
Estimated lease rejection costs—(see Note D)	6,500,000
Accounts payable and accrued expenses	13,383,016
	$26,398,049

As at April 13, 1976, certain claims of creditors, principally landlords, have not been finally determined. The accompanying financial statements include management's estimates of the amounts which will be finally allowed with respect thereto.

NATIONAL PRESTO INDUSTRIES, INC. (DEC)

Notes to Consolidated Statements

Note F: Renegotiation—Profits of the Company include those from transactions which are subject to the provisions of the Renegotiation Act of 1951. The Company has settled or received clearance for all years to and including December 31, 1966.

The status of the renegotation proceedings was presented in prior years' annual reports and reflected the recommendations of the staff of the Eastern Regional Renegotiation Board that the Company be required to refund, net after tax credits, $3,060,000 for the years ended December 31, 1967, 1968 and 1969. Following negotiations tentative agreements were entered into disposing of all three years at a net cost, after tax credits, of $1,040,000. Late in 1973, the statutory Board failed to ratify such agreements and reassigned the cases to itself for further proceedings on a de novo basis. Also currently pending are renegotiation proceedings relating to 1970, 1971 and 1972.

On March 11, 1976, just prior to the printing of this annual report, the Company received from the Renegotiation Board for comment a copy of its Proposed Opinion, seeking refunds for the six years in question, net after tax credits, totaling approximately $11 million. Opportunity to study the Opinion was obviously not enjoyed prior to this publication. The Company will continue to be guided in this matter by the basic principle that any refund will be resisted which fails to recognize the Company's contribution to the defense effort, or would cause less than a fair profit to be realized on its defense production. If necessary, de novo proceedings will be initiated in the United States Court of Claims. It is not presently possible to determine the amounts of refunds, if any, that may ultimately be determined for the years subsequent to December 31, 1966.

OWENS-ILLINOIS, INC. (DEC)

Financial Review

Events Subsequent to Report of Certified Public Accountants—On February 12, 1976, the Company filed a Registration Statement with a preliminary prospectus with the Securities and Exchange Commission for the registration of 2,000,000 common shares. The net proceeds to be realized by the Company from the sale of the common shares will be used for general corporate purposes, including financing of inventories, receivables, capital expenditures and investments.

At the annual meeting of shareholders of the Company in April, 1976, management intends to propose an increase in authorized common shares to 45,000,000 shares.

UNITED STATES STEEL CORPORATION (DEC)

Notes to Financial Statements

Note 8: Common Stock—As explained on page 8, U. S. Steel introduced a stockholder Dividend Reinvestment Plan effective during the fourth quarter of 1975 and 87,719 shares were issued at market. Proceeds in excess of par value amounted to $2.8 million.

Income per share is calcualted based on the weighted average number of shares outstanding. The weighted average number of shares outstanding was 54,174,509 at December 31, 1975 and 54,169,462 at December 31, 1974.

On February 10, 1976, the Board of Directors approved for submission to stockholders at the May 3, 1976 annual meeting the following amendments to the Certificate of Incorporation: split of outstanding common stock on a three for two basis, increase of authorized shares of common stock from 90,000,000 shares to 150,000,000 shares, change of par value of common stock from $30 to $1 per share, and elimination of remaining preemptive rights of common stockholders. The effects of these proposed amendments are not reflected in the financial statements.

INFLATION ACCOUNTING

Effective for fiscal years ending on or after December 25, 1976, Securities and Exchange Commission Regulation S-X will require the disclosure of replacement cost for inventories and productive facilities and the amount of cost of sales and depreciation based on replacement costs. This requirement will apply to financial statements included in Form 10-K for most companies whose inventories and gross property aggregate more than $100 million and comprise more than 10% of total assets. Although this requirement will not apply to financial statements included in annual reports to shareholders; in order for the financial statements included in annual reports to shareholders to not vary significantly from those included in Form 10-K, the SEC staff suggests in *Staff Accounting Bulletin No. 7* that the notes to such statements "contain a generalized description of the impact of changes in the prices of specific goods and services on the registrant and a reference to the replacement cost data contained in the 10-K. Such generalized description need not contain any specific quantitative data." Due in part to the SEC requirement for certain replacement cost data, the Financial Accounting Standards Board has deferred consideration of inflation accounting.

Two of the survey companies presented supplementary information adjusted for price-level changes.

MARYLAND PROPERTIES, INC. (SUBSIDIARY OF McCORMICK & COMPANY, INC.)

Income and Retained Earnings

	Year ended November 30			
	1975 Stated in		1974 Stated in	
	Historical Amounts (In Thousands)	Units of General Purchasing Power (Note 1)	Historical Amounts (In Thousands)	Units of General Purchasing Power (Note 1)
Income				
Sales of land, buildings, general contracting, etc.	$2,854	$2,915	$ 7,415	$ 8,255
Rentals				
Parent and affiliates	1,166	1,191	1,107	1,231
Others	5,647	5,770	4,754	5,288
Interest	112	114	150	167
Miscellaneous	62	63	207	231
Total	9,841	10,053	13,633	15,172
Expenses (excluding depreciation of property and amortization of financing and leasing costs)				
Cost of sales of land, buildings, general contracting, etc.	1,924	1,994	6,375	7,145
Interest	3,457	3,532	2,977	3,312
Building operating expenses and property taxes	1,573	1,607	1,319	1,507
Selling, general and administrative	975	996	1,026	1,142
Total	7,929	8,129	11,697	13,106
	1,912	1,924	1,936	2,066
Provision for				
Depreciation	1,192	1,656	1,029	1,476
Amortization of financing and leasing costs	122	163	129	176
Total	1,314	1,819	1,158	1,652
Net general purchase power gain		2,803		4,860
Income before income taxes and equity in net income (loss) of joint venture	598	2,908	788	5,274
Provision for income taxes (Note 6)	262	170	398	465
Income before equity in net income (loss) of joint venture	336	2,738	380	4,809
Equity in net income (loss) of joint venture, less related income taxes of $21,000 in 1975 and $33,000 in 1974 (includes net general purchase power gain of $122,000 in 1975 and $338,000 in 1974) (Note 2)	21	143	(33)	305
Net income	357	2,881	347	5,114
Retained earnings (deficit) at beginning of year	230	17,187	(117)	12,073
Retained earnings at end of year	$ 587	$20,068	$ 230	$17,187

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, 1975. 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 Impact Price Deflator Index was used to restate the historical dollars to the units of general purchasing power at November 30, 1975. 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. For purposes of comparison, the prior year general purchasing power financial statements were restated to equivalent November 30, 1975 dollars.

Maryland Properties, Inc.:

We have examined the consolidated balance sheet of Maryland Properties, Inc. and subsidiaries as of November 30, 1975 and 1974. 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 to 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, 1975 and 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 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)

In this era of high inflation, considerable attention is focused on the adequacy of traditional accounting and financial reporting, which assumes the dollar is a stable unit of measurement, for evaluating financial performance. However, the conventional financial statements reflect the flow of historical dollars without regard to changes in the purchasing power of the currency. In order to show the effects of inflation on its financial results, Shell has prepared supplementary price-level adjusted financial information for the years 1972 through 1975. Such information, and Shell's independent accountants' related report, are presented in the Annual Report Statistical Supplement.

Inflation affects almost all financial data, but has a particularly significant effect on depreciation and amortization provisions and investments ratios. The extent to which historical-cost-based capital extinguishments fall short in contributing funds from capital recovery can be seen in that 1975 earnings and reduced $142 million when such extinguishments are expressed in terms of today's dollars. In addition, the erosion of capital attributed to inflation is indicated by (1) measuring dividends paid in current dollars against historical-dollar earnings retained and reinvested; (2) the fact that historical-dollar depreciation and amortization provisions result in inflated taxable earnings so that the actual rate of tax on income becomes significantly greater than the statutory rate, and (3) the overstatement of traditional capital ratios. When expressed in terms of the current purchasing power of the dollar, net income as a percent of shareholders' equity on a historical basis of 14.5 percent in 1975 was reduced to 8.4 percent, compared with 13.9 percent on a restated basis for 1974. Net income as a percent of total capital of 12.2 percent was similarly reduced to 7.6 percent in contrast to 11.7 percent for 1974.

Supplementary Price Level Adjusted Financial Information

The high rate of inflation in recent years has materially changed the purchasing power of the dollar and caused serious distortions in the 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. Since the dollar's value has changed materially, this change must 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 $1.74 in terms of 1975 dollars for each year shown in the supplementary information, and depreciation is similarly restated. The charts below summarize the effect of inflation on Shell Oil Company during the past 10 years. As indicated, the profitability ratios are substantially lower when both income and investments are expressed in a common unit of measurement. A portion of the profits reported during this period therefore has not been a true economic gain. This is illustrated in the 1975 provision for depreciation, depletion, etc., which amounted to $597 million on the basis of the asset's original cost. However, if the cost of these assets is restated to a common unit of measurement, the current purchasing power of the dollar, the appropriate depreciation expense would be $739 million.

Explanatory Note

The accompanying supplementary price level adjusted financial information, expressed in terms of December 31, 1975 dollars, is based on the historical dollar financial information. 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 non-monetary items. But 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 non-monetary treatment for deferred income taxes, restated net income would have been reduced by approximately 4 percent or less and restated shareholders' equity would have been reduced by about 2 percent or less in each of the last four years.

Historical Dollars 1975	(Millions of dollars except per share amounts)	Dollars of Current Purchasing Power* 1975	1974	1973	1972
	Summary Statement of Income				
$8,224	Revenues	$8,414	$8,562	$6,037	$5,296
	Costs and expenses:				
597	Depreciation, depletion, etc.	739	696	667	623
706	Income, and operating taxes	723	533	315	282
71	Interest & discount amortization on indebtedness	73	67	74	77
6,335	Other costs and expenses	6,493	6,722	4,709	4,113
515	Income before purchasing power gain or loss on monetary items	386	544	272	201
	Purchasing power gain (loss) on:				
—	Long-term debt	68	124	88	39
—	Other monetary items	(16)	(5)	(5)	2
$ 515	Net income	$ 438	$ 663	$ 355	$ 242
	Summary Balance Sheet				
$2,475	Current assets	$2,593	$2,300	$2,078	$2,049
104	Investments & long-term receivables	123	138	117	113
4,389	Properties, plant & equipment (net)	5,828	5,476	5,221	5,238
43	Deferred charges	50	45	65	72
1,530	Current liabilities	1,530	1,354	1,167	1,185
1,202	Long-term debt	1,202	1,039	1,191	1,309
367	Deferred credits-federal income taxes	367	341	361	374
$3,912	Shareholders' equity	$5,495	$5,225	$4,762	$4,604
	Per Share Data†				
$ 7.59	Net income	$ 6.46	$ 9.84	$ 5.27	$ 3.60
$ 2.60	Cash dividends	$ 2.65	$ 2.72	$ 2.94	$ 3.10
	Ratios (see definitions on page 32)				
14.5%	Net income to shareholders' equity	8.4%	13.9%	7.7%	5.3%
12.2%	Net income to total capital	7.6%	11.7%	6.6%	5.0%
6.3%	Net income to revenues	5.2%	7.7%	5.9%	4.6%
34.2%	Dividends to net income	41.1%	27.7%	55.7%	86.1%
23.5%	Long-term debt to total capital	17.9%	16.6%	20.0%	22.1%

*Based on purchasing power dollars at December 31, 1975.

†Per weighted average share outstanding each year.

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 1975, 1974, 1973 and 1972, which are covered by our reports dated February 4, 1976 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 1975, 1974, 1973 and 1972 restated for effects of changes in the general price level as described in the Explanatory Note on page 2. 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, 1975 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.—*Report of Independent Accountants*

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

	1975	1974	1973	1972
Balance Sheet	537	526	527	522
Statement of Financial Position	48	58	57	58
Statement of Financial Condition	15	16	16	20
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

	1975	1974	1973	1972
Account form	409	424	490	578
Report form	180	163	94	—
Financial position form	11	13	16	18
Other	—	—	—	4
Total Companies	**600**	**600**	**600**	**600**

TABLE 2-3: CASH — BALANCE SHEET CAPTIONS

	1975	1974	1973	1972
Cash	469	466	466	462
Cash includes certificates of deposit or time deposits	64	75	79	66
Cash combined with marketable securities	67	56	55	72
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 seventy-four companies referred to compensating balances in 1975. Examples of captions for cash and cash items follow. Examples of disclosures concerning compensating balances are presented below and in connection with Table 2-26.

ADAMS-MILLIS CORPORATION (DEC)

	1975	1974
Current Assets		
Cash (including certificates of deposit of $2,700,000 in 1975)	$ 3,251,688	$ 1,116,708
Notes and accounts receivable, less allowances of $125,000—	6,651,889	5,472,965
Recoverable federal income taxes—		416,000
Inventories:		
Work in process and finished goods	7,348,659	9,726,440
Raw materials and supplies	2,944,930	3,002,520
Total inventories	10,293,589	12,728,960
Prepaid expenses	71,845	107,556
Total current assets	$20,269,011	$19,842,189

BEMIS COMPANY, INC. (DEC)

	1975	1974
	($000)	
Current assets:		
Cash (Note 10)	$ 4,863	$ 4,462
Accounts receivable, less $2,587 and $2,708 for doubtful accounts and allowances	67,592	65,960
Inventories	83,098	103,998
Prepaid expenses	6,187	5,603
Total current assets	$161,740	$180,023

Notes to Consolidated Financial Statements

Note 10: Compensating Balances—The Company has various informal agreements with lending banks to maintain compensating balances generally aggregating 10% of lines of credit and an additional 10% of outstanding loan balances.

On a continuing basis throughout 1975, average compensating balances have been maintained by the Company at levels equal to or greater than the cash balances as of December 31, 1975. Compensating balance levels on any given day, however, may vary substantially due to the amount of "float" on that day between the balances shown by the books of the Company and records of the banks. Based on the above "float" of $6,765,000, at December 31, 1975, $1,588,000 of the cash balance shown in the balance sheet represented compensating balances. Withdrawals by the Company of the compensating balances were not legally restricted at that date.

BROCKWAY GLASS COMPANY, INC. (DEC)

	1975	1974
Current assets		
Cash	$ 8,451,742	$ 9,759,344
Short-term investments, at cost plus accrued interest (which approximates market)	11,501,694	4,501,394
Accounts and notes receivable (less allowance for doubtful accounts $349,000 and $245,000)	24,131,699	19,472,484
Inventories	46,541,575	42,275,563
Prepaid and other current assets	958,174	1,731,700
Total current assets	$91,584,884	$77,740,485

THE BUDD COMPANY (DEC)

	1975	1974
	($000)	
Current assets:		
Cash (note 2)	$15,238	$14,462

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. Compensating balances required on the lines are 10% of the lines extended plus 10% of borrowings outstanding under the lines. Pertinent data relative to the lines of credit, compensating balances and average interest rates is as follows:

	1975	1974
	(in thousands)	
Lines of Credit		
Total lines of credit at end of period (excluding $50,000,000 revolving credit agreement—note 6) include $27,500,000 which has been extended in 1975 wholly or in part to Budd Financial Corporation and/or The Budd Company jointly	$77,000	47,000
Available Borrowings		
Amount of available borrowings under the lines of credit at end of period reflects utilization of $5,000,000 of joint credit lines by Budd Financial Corporation at year-end, 1975	72,000	40,000
Compensating Balances		
Compensating balances are required on the Company's books to support the lines of credit and the $50,000,000 revolving credit agreement (note 6). During part of 1975 and at year-end, the Company's total compensating balances include $1,950,000 maintained to support the joint credit lines and Budd Financial Corporation maintained the required difference.		
Average for year	$12,200	8,100
End of year	12,500	11,000
Other information		
Average amount of short-term debt outstanding during the period	18,600	38,000
Related weighted average interest rate	8.9%	11.3%
Maximum amount of short-term debt outstanding at any time during the period	$37,500	69,500

The Canadian subsidiaries have additional lines of credit aggregating $10,000,000 which do not require compensating balances.

BRUNSWICK CORPORATION (DEC)

	1975	1974
	($000)	
Current assets:		
Cash (Note 8)	$18,714	$36,719
Bank time deposits (Note 8)	2,325	2,825

Notes to Consolidated Financial Statements

Note 8: Long-Term Debt—The Company has a revolving credit agreement with a group of 16 banks providing for maximum credit to September, 1976, of $165,000,000 (decreased from $200,000,000 in 1975) which may then be converted to a four-year term loan payable in equal quarterly installments through September, 1980. The Company presently intends to convert borrowings under this agreement to a term loan unless other long-term financing is obtained. Interest was 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 the unused portion of the revolving credit until September, 1976. Activity in 1975 and 1974 was as follows:

	1975	1974
	(in thousands)	
Maximum borrowed	$200,000	$200,000
Average borrowed	130,000	134,000
Average interest rate during year	8.1%	11.0 %
Interest rate at year end	7.5%	10.25%

The Company has an informal agreement with the banks to maintain collected demand and time deposits averaging, on an annual basis, 15% of the revolving credit commitment to the Company. At December 31, 1975, approximately $17,000,000 of the cash and bank time deposits in the balance sheet ($20,000,000 in accounts at banks) was on deposit for this purpose.

NATIONAL GYPSUM COMPANY (DEC)

	1975	1974
	($000)	
Current assets		
Cash and marketable securities at cost (approximate market): cash—1975, $2,987,000; 1974, $6,062,000	$ 9,189	$ 7,063
Trade and sundry receivables, less allowances: 1975, $7,301,000; 1974, $6,519,000	84,896	79,487
Inventories:		
Finished and in process	60,188	57,925
Materials and supplies	40,606	52,040
	100,794	109,965
Prepaid expenses	7,549	6,141
Total current assets	$202,428	$202,656

REYNOLDS METALS COMPANY (DEC)

	1975	1974
Current assets		
Cash including time deposits of $27,488,000 (1974—$55,367,000)	$ 65,622,000	$ 95,550,000
Marketable securities—at cost (approximate market)		16,930,000
Receivables:		
Customers, less allowances of $5,100,000 (1974—$5,500,000)	177,274,000	205,867,000
Unconsolidated subsidiaries and associated companies	25,172,000	44,023,000
Other	17,715,000	26,797,000
	$220,161,000	$276,687,000
Inventories—Note A	550,855,000	503,254,000
Prepaid expenses	8,281,000	9,757,000
Total current assets	$844,919,000	$902,178,000

WESTINGHOUSE ELECTRIC CORPORATION (DEC)

	1975	1974
Current assets:		
Cash and marketable securities (Note 7)	$ 374,584,000	$ 137,806,000
Customer receivables (Note 8)	1,142,267,000	1,247,121,000
Inventories	1,040,571,000	1,072,963,000
Costs of uncompleted contracts in excess of related billings	172,473,000	197,205,000
Prepaid and other current assets	110,729,000	184,417,000
Total current assets	$2,840,624,000	$2,839,512,000

Note 7: Marketable securities at December 31 totaled $256.6 million in 1975 and $38.9 million in 1974 and are recorded at cost, approximating market. The balances in each year consisted principally of U.S. government securities, commercial paper and time deposits.

Note 8: Customer receivables are net of doubtful account allowances of $15 million for 1975 and $18 million for 1974.

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 . . .

In December 1975, the Financial Accounting Standard Board issued *Statement of Financial Accounting Standards No. 12* which was effective for financial statements covering periods ending on or after December 31, 1975. Statement No. 12 requires that marketable equity securities (capital stock, other than preferred stock subject to redemption or treasury stock, warrants and options) be carried at lower of aggregate cost or market value. Statement No. 12 also specifies information which the financial statements should disclose about equity marketable securities.

Table 2-4 shows the valuation bases at which marketable securities are included in the balance sheet. Although many of the survey companies presented marketable securities in their balance sheets, Table 2-4 indicates that only a small portion of the survey companies apparently had marketable equity securities of the type covered by Statement No. 12.

TABLE 2-4: MARKETABLE SECURITIES—VALUATION

	1975	1974	1973	1972
Cost				
Approximates market	232	228	220	224
No reference to market..	19	31	44	45
Market value disclosed ..	7	17	25	25
Lower of cost or market....	25	15	10	7
Market value.................	8	7	7	4
	291	298	306	305
Valuation basis not disclosed	66	66	70	73
	357	364	376	378
Companies not showing marketable securities as current assets............	243	236	224	222
Total Companies	**600**	**600**	**600**	**600**

At Cost—Approximates Market

CARNATION COMPANY (DEC)

	1975	1974
Current assets:		
Cash	$ 18,272,611	$ 25,882,610
Short-term commercial obligations, at cost (approximately market).......................	86,163,524	66,808,202
Other marketable securities, at cost (quoted market value $9,882,000 and $7,888,000).................	3,851,301	3,990,774
Accounts and notes receivable, less provisions of $7,088,508 and $6,402,615 for uncollectible accounts—		
Trade	185,514,737	167,951,478
Miscellaneous.................	15,316,963	20,768,236
Inventories, at lower of cost (principally first-in, first-out basis) or market—Raw materials and supplies..........	118,141,759	161,926,485
Finished goods	256,630,492	221,526,870
Prepaid expenses and deposits..	12,060,975	8,719,998
Total current assets	$695,952,362	$677,574,653

FLEETWOOD ENTERPRISES, INC. (APR)

	1975	1974
Current assets:		
Cash (Note 2).....................	$ 5,187,000	$ 4,797,000
Temporary investments (Note 2)	16,700,000	14,600,000

Note 2: Cash and temporary investments—The Company has a cash management program which provides for the investment of excess cash balances in short term money market instruments. Temporary investments consist of high grade commercial paper and certificates of deposit and are stated at cost which approximates market. Substantially all of these investments mature within 60 days.

The Company has unused lines of credit totalling $3,000,000 which provide for short term loans to be made at the bank's prime interest rate. The company is not required to maintain compensating balances for these lines of credit.

Lower of Cost or Market

CANNON MILLS COMPANY (DEC)

	1975	1974
Current assets:		
Marketable securities *(Note 1)*	$49,064,684	$54,733,974

Note 1 (in part): Marketable Securities—Marketable securities (including temporary cash investments, January 1, 1976—$10,000,000; January 2, 1975—$16,000,000) are carried at the lower of cost or quoted market value.

The cost of marketable securities at January 1, 1976 and January 2, 1975 was $49,802,000 and $55,763,000, respectively, and at January 1, 1976 the gross unrealized gains and losses pertaining to these securities were $451,000 and $738,000, respectively.

During fiscal 1975 and 1974 the Company realized gains of $60,000 and $352,000, respectively, using the specific costs of the securities sold. In fiscal 1975, $291,000 was added to income, and in fiscal 1974, $515,000 was deducted from income, as a result of the lower of cost or market adjustments.

STANADYNE, INC. (DEC)

	1975	1974
	(In Thousands)	
Current assets		
Cash and temporary cash investments	$ 4,145	$ 4,442
Marketable securities, at the lower of cost or market	1,429	930
Accounts receivable (less allowance for doubtful accounts of $400,000)	24,483	25,364
Inventories, at LIFO cost	25,299	26,443
Prepaid expenses	678	792
Total current assets	$56,034	$57,971

Notes to Consolidated Financial Statements

Note 2: Marketable Securities—Marketable securities at December 31, 1975 were carried at cost, which is determined on the first-in, first-out method. At that date there was a net unrealized gain of $10,000, represented by gross unrealized gains and losses of $140,000 and $130,000, respectively. Net realized losses included in the determination of net income in 1975 were $9,000, net of applicable income taxes.

UV INDUSTRIES, INC.

	1975	1974
	(in thousands)	
Current assets:		
Cash	$ 20,143	$ 16,104
Time deposits and certificates of deposit	8,144	15,520
Marketable equity securities, at market (Note 3)	116	
Trade accounts and other receivables, less allowance for doubtful accounts (1975, $3,054,000, 1974, $2,740,000)	80,422	66,284
Inventories (Note 2)	123,858	141,511
Other current assets	3,630	4,781
Total current assets	$236,313	$244,200

Note 3: Marketable Equity Securities—In accordance with Statement No. 12 of the Financial Accounting Standards Board, the current and noncurrent portfolios of marketable equity securities are carried at the lower of cost or market at December 31, 1975. Marketable equity securities at December 31, 1975 consisted of the following:

	Cost	Market	Unrealized Gain (Loss)
	(in thousands)		
Current:			
Gould, Inc. warrants	$1,646	$ 116	$(1,530)
Noncurrent:			
Cyclops Corporation, Common	$1,670	$ 600	$(1,070)
Phoenix Steel Corporation			
Common Shares	2,663	2,025	(638)
Warrants	402	150	(252)
	$4,735	$2,775	$(1,960)

To reduce the carrying value of the current marketable equity securities portfolio to market, which was lower than cost at December 31, 1975, a valuation allowance in the amount of $1,530,000 was established with a corresponding charge to income at that date. To reduce the carrying amount of the noncurrent marketable equity securities portfolio to market, which was lower than cost at December 31, 1975, a valuation allowance in the amount of $1,960,000 was established by a charge to stockholders equity representing the net unrealized loss.

At December 31, 1974 all of the above marketable equity securities were carried at cost as they were not required to be carried at the lower of cost or market. All of the above marketable equity securities were included in noncurrent assets and had a market value of $3,430,000 at December 31, 1974.

A net realized loss of $299,000 on the sale of marketable equity securities was included in the determination of net income for 1975. The cost of the securities was based on the average cost of all units held at the time of sales. There were no sales of marketable equity securities during 1974.

On January 21, 1976 the Company entered into an agreement to sell, over a three year period at a minimum aggregate price of $3,040,000, all of its holdings in Phoenix Steel Corporation. Performance under this agreement is subject to approval by the shareholders of Phoenix of an agreement between Phoenix and the purchaser of the Company's holdings in Phoenix Steel Corporation. The Company currently owns 14.4% of the total outstanding shares of Phoenix.

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

	1975	1974	1973	1972
Trade Receivable Captions				
Accounts receivable	215	207	211	201
Receivables	174	172	170	170
Accounts and notes receivable	148	160	160	160
Trade accounts receivable	63	60	58	62
Other	—	1	1	7
Total Companies	**600**	**600**	**600**	**600**
Receivables Other Than Trade Receivables				
Tax refund claims	46	43	44	45
Installment notes or accounts	37	39	41	37
Government	30	25	28	22
Investees	29	23	27	25

Income Tax Refund Claims

BELL & HOWELL COMPANY (DEC)

	1975	1974
	(in thousands)	
Current assets:		
Cash	$ 5,981	$ 7,908
Marketable securities, at cost which approximates market	996	—
Accounts receivable, less allowances	95,673	91,982
Recoverable federal income taxes (Note G)	5,821	—
Inventories:		
Finished products	59,380	59,797
Products in-process and materials	62,940	68,483
	122,320	128,280
Prepaid expenses	2,804	3,060
Prepaid taxes	6,714	4,675
	$240,309	$235,905

Note G (in part): Income taxes—The provision for income taxes on continuing operations includes the following:

	1975	1974
	(in thousands)	
Federal	$85,793	$ 6,684
State	864	677
Non-U.S.	4,756	4,897
Investment credit amortization	(276)	(249)
	$11,137	$12,009
Taxes currently payable	$ 6,810	$ 4,233
Net increase in prepaid taxes	(2,039)	(1,607)
Long-term deferred taxes	6,366	9,383
	$11,137	$12,009

The segments of the 1975 provision for income taxes not currently payable arise principally from the use of the cash basis tax reporting for the continuing Resident Schools' operations ($7,406,000), less future tax benefits from provision for inventory writedowns which will not be deductible for tax purposes until there is a disposition of the inventories. The segments of the 1974 provision for income taxes not currently payable arise principally from the use of the cash basis tax reporting for the continuing Resident Schools' operations ($4,782,000), additional income taxes estimated to be payable upon distribution of all earnings of international subsidiaries and the Company's DISC's ($1,222,000) and deferred taxes on installment sales ($951,000).

The Company and its domestic subsidiaries file consolidated tax returns and, including the loss from discontinued operations, will have a consolidated tax loss for 1975. As a result, prior years' federal taxes of $5,821,000 will be recoverable in 1976.

Installment Receivables

CITY STORES COMPANY (JAN)

	1976	1975
Current assets		
Cash	$ 7,079,705	$10,440,423
Accounts receivable	85,030,585	86,016,852

Notes to Financial Statements

Note A (in part): Significant Accounting Policies Accounts Receivable—Accounts receivable installments maturing in more than one year have been included in current assets in accordance with trade practice; it is not practicable to determine the amount of such installments.

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

	This Year	Last Year
Accounts Receivable:		
Customers—net of allowances of $2,449,295 and $2,459,305, respectively—see below	$81,232,744	
Other—net of allowances of $298,224 and $262,455, respectively	3,203,430	4,644,486
City Stores Company and Retail Subsidiaries	84,967,453	85,877,230
Other receivables	63,132	139,622
City Stores Company and Subsidiaries	$85,030,585	$86,016,852

Under its revolving credit agreement (see Note H), the Company has assigned to banks a security interest in substantially all its customers accounts receivable.

Accounts receivable from customers include installment accounts of approximately $79,700,000 and $79,000,000, respectively.

Note H (in part): Loans Payable to Banks Under Revolving Credit Agreement—The Company has renegotiated its $65,000,000 revolving credit agreement with eleven banks. Under the agreement which became effective in May 1976, the maximum credit will be reduced to $60,000,000 on April 1, 1977 and will expire on March 31, 1978 at which time, the Company may renegotiate the agreement or may seek alternate sources of financing. Outstanding loans are due March 31, 1978 and are limited to 80% of the outstanding unpaid balances of the Company's eligible accounts receivable, except that during the period beginning August 31, 1976 and ending December 31, 1976 the borrowing base may be increased by an additional $3,000,000. The Company has assigned and will continue to assign a security interest in its customers accounts receivables to the participating banks (see Note D). At the Company's option, certain subsidiaries' customers accounts receivable (approximately $8,900,000 at January 31, 1976) may be removed from the operation of the revolving credit agreement.

NATIONAL PRESTO INDUSTRIES, INC. (DEC)

	1975	1974
Current assets:		
Accounts receivable:		
Installment	$13,323,938	$11,290,068
Other	12,195,808	16,508,631
	25,519,746	27,798,699
Less allowance for doubtful accounts	1,205,885	885,100
	$24,313,861	$26,913,599

Notes to Consolidated Financial Statements

Note B Installment Receivables—Included in installment accounts receivable are installments due after one year of approximately $85,000 and $1,032,000 for 1975 and 1974 respectively.

OXFORD INDUSTRIES, INC. (MAY)

	1975	1974
Current assets:		
Cash	$ 3,357,000	$ 2,757,000
Receivables (Notes A and B)	47,209,000	47,128,000
Inventories (Notes A and C)	55,439,000	67,063,000
Prepaid expenses	524,000	421,000
Total current assets	106,529,000	117,369,000

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

Note B: Receivables:

	May 30, 1975	May 31, 1974
Trade accounts	$36,291,000	$38,440,000
Installment contracts	16,619,000	13,252,000
Claims for income tax tax refunds	216,000	117,000
Employees and other	320,000	139,000
	53,446,000	51,948,000
Less:		
Allowance for doubtful accounts	1,176,000	966,000
Unearned finance charges applicable to installment contracts	5,061,000	3,854,000
	$47,209,000	$47,128,000

The installment contract receivables include amounts due after one year of approximately $10,050,000 in 1975 and $8,000,000 in 1974. The contracts are collateralized by the equipment sold.

Receivables from Government

SPERRY RAND CORPORATION (MAR)

	1975	1974
	($000)	
Current assets		
Cash, including short-term time deposits: 1975, $1,847; 1974, $9,700	$ 23,037	$ 26,164
Accounts and notes receivable:		
United States Government contracts, direct and indirect	45,330	64,890
Financing leases, less allowance for unearned income: 1975, $33,452; 1974, $17,532	70,125	36,941
Commercial, less allowance for doubtful accounts: 1975, $18,000; 1974, $16,411	420,475	357,100
Inventories, less progress payments: 1975, $76,843; 1974, $86,410	965,804	785,204
Prepaid expenses	20,394	19,145
Total current assets	$1,545,165	$1,289,444

BARNES ENGINEERING COMPANY (JUN)

	1975	1974
Current assets		
Cash	$ 205,200	$ 226,100
Accounts receivable:		
Trade, less allowances for doubtful accounts of $99,300-1975 and $40,400-1974	1,505,900	1,304,400
U.S. Government long-term contracts (note 1)	915,000	774,700
Retention under long-term contracts	428,500	830,400
Unbilled costs and fees under long-term contracts	455,100	987,700
	3,304,500	3,897,200
Inventories, at lower of cost (first-in, first-out) or realizable value	1,834,200	1,918,300
Total current assets	$5,343,900	$6,041,600

Note 1 (in part): Significant Accounting Policies

Accounting for Long-Term Contracts—Sales on long-term contracts are recorded on a percentage of completion basis, based upon current estimates of engineering and manufacturing costs to complete such contracts. Estimated earnings are accrued based upon the percentage that costs to date bear to total estimated costs. Projected losses are recognized in full when determined. Where contracts extend over one or more years, revisions in estimated costs and earnings during the course of work are reflected during the accounting period in which the data that determines such revisions becomes known. Income from contracts under $100,000 is recorded using the completed contract method.

Accounts receivable and retentions relating to long-term contracts at June 30, 1975, are expected to be collected during fiscal 1976. Unbilled costs and fees under long-term contracts include material, engineering and fabrication labor, overhead and accrued contract fees.

Receivables from Investees

GULF OIL CORPORATION (DEC)

	1975	1974
	(millions)	
Current assets		
Cash and marketable securities (Note 3)	$1,837	$1,766
Receivables (Note 5)	2,356	2,849
Inventories	1,143	1,088
Prepaid expenses and other current assets	137	71
Total current assets	$5,473	$5,774

Note 3: Cash and Marketable Securities

	Millions of Dollars December 31	
	1975	1974
United States		
Cash	$ 34	$ 52
Time deposits and certificates of deposit	159	235
Marketable securities	626	461
Total United States	819	748
Foreign		
Cash	49	128
Time deposits and certificates of deposit	751	610
Marketable securities	218	280
Total foreign	1,018	1,018
	$1,837	$1,766

Marketable securities are stated at cost which approximates market.

Note 5: Receivables

	Millions of Dollars December 31	
	1975	1974
United States		
Customers	$ 605	$ 589
Affiliated and associated companies	3	1
Other receivables	95	74
Total United States	703	664
Foreign		
Customers	1,068	1,541
Associated companies	356	283
Other receivables	274	403
Total foreign	1,698	2,227
	2,401	2,891
Less: Allowance for doubtful accounts	45	42
	$2,356	$2,849

In 1975 and 1974, provisions of $17 and $30 million, respectively, were credited to the allowance for doubtful accounts. Other charges and credits, principally write-offs and recoveries, were $16 and $2 million, respectively, in 1975 and $17 and $4 million, respectively, in 1974.

REYNOLDS METALS COMPANY (DEC)

	1975	1974
Current assets		
Cash including time deposits of $27,488,000 (1974—$55,367,000)	$ 65,622,000	$ 95,550,000
Marketable securities—at cost (approximate market)		16,930,000
Receivables:		
Customers, less allowances of $5,100,000 (1974—$5,500,000)	177,274,000	205,867,000
Unconsolidated subsidiaries and associated companies	25,172,000	44,023,000
Other	17,715,000	26,797,000
	$220,161,000	$276,687,000
Inventories—Note A	550,855,000	503,254,000
Prepaid expenses	8,281,000	9,757,000
Total current assets	$844,919,000	$902,178,000

Receivables From Contracts

DRAVO CORPORATION

	1975	1974
	(in thousands)	
Current assets		
Accounts and notes receivable	$116,301	$97,421

Notes to Consolidated Financial Statements

Accounts and notes receivable

These receivables include: (in thousands)

	1975	1974
Trade receivables, net of allowance for uncollectibles of $243 thousand in 1975 and $148 thousand in 1974	$ 37,411	$34,361
Construction and engineering contract receivables, net of allowance for uncollectibles of $245 thousand in 1975 and $190 thousand in 1974	70,363	57,272
Retainage		
Due after contract completion	18,660	14,461
Deduct: Billings on contracts in progress	10,133	8,673
	8,527	5,788
	$116,301	$97,421

Retainage includes $7.5 million estimated to be collectible after one year.

RECEIVABLES USED FOR FINANCING

Table 2-6 shows that 107 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 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. . . . 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.

TABLE 2-6: RECEIVABLES USED FOR FINANCING

	1975	1974	1973	1972
Receivables sold with recourse	68	69	67	70
Receivables sold without recourse	16	12	9	8
Receivables used as collateral	28	21	16	21
Total References	**112**	**102**	**92**	**99**
Reference to receivable financing	107	98	87	98
No reference to receivable financing	493	502	513	502
Total Companies	**600**	**600**	**600**	**600**

.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

AMERICAN AIR FILTER COMPANY, INC. (OCT)

	1975	1974
Current assets:		
Accounts receivable, less allowance for doubtful receivables of $1,078,000 in 1975 and $435,000 in 1974	$55,217,000	$49,207,000

Notes to Consolidated Financial Statements

Commitments and Contingent Liabilities—Commitments for plant construction, machinery and equipment outstanding at October 31, 1975, approximated $2,000,000.

The Company suspended production in early 1975 on a U.S. Defense Agency contract with an unfilled order value of approximately $4,800,000 alleging a defective specification in one of the components to be furnished. A contract amendment with alternative specifications has been signed which will permit the Company to complete the contract at a higher cost to the Company than originally estimated, which amount will be claimed against the customer. This amount is not determinable at this time. In any event, the Company estimates its maximum potential reduction of net earnings at approximately $750,000.

In certain countries outside the United States, where it is normal commercial practice, the Company has discounted with recourse notes and accounts receivable in the amount of approximately $1,800,000 at October 31, 1975, and at that date had outstanding bank guarantees and surety bonds of approximately $2,700,000, principally related to the advance collection os funds from customers under long-term contracts.

CENTRAL SOYA COMPANY, INC. (AUG)

	1975	1974
	($000)	
Current assets:		
Cash	$ 9,228	$ 17,808
Notes and accounts receivable	114,501	117,353
Inventories	149,499	153,331
Equities in commodity accounts	6,820	31,085
Other current assets	4,331	6,048
Total current assets	$284,379	$325,625

Notes to Consolidated Financial Statements

Notes and accounts receivable—Notes and accounts receivable is reduced by an allowance for doubtful accounts of $6.4 million ($5.4 million at August 31, 1974). Receivables include $16.4 million ($16.6 million at August 31, 1974) of notes due on demand or within one year.

The Company was contingently liable for receivables discounted aggregating approximately $16.5 million.

THE SINGER COMPANY (DEC)

Summary of Accounting Policies

Accounts Receivable—Receivables discounted without recourse with unaffiliated financial institutions are removed from the balance sheet, and earned carrying charges and all discount expenses are recognized immediately. Receivables discounted with recourse are considered a financing arrangement, and accordingly the liability for such discounted receivables is included in notes and loans payable. Earned carrying charges and discount and related financing expenses are recognized as the receivables are collected.

Notes to Financial Statements

Accounts Receivables—Accounts receivable at December 31, 1975 and 1974 are summarized as follows:

	1975	1974
	(Amounts in Millions)	
Trade:		
Instalment	$176.2	$163.7
Other	184.9	192.7
Miscellaneous	50.7	48.1
	411.8	404.5
Less:		
Unearned carrying charges	29.3	25.9
Allowances for losses	22.4	21.7
	$360.1	$356.9

Included in accounts receivable at December 31, 1975 are approximately $31 million of trade receivables with varying maturities discounted on a recourse basis principally with foreign unaffiliated financial institutions. In addition, approximately $10.8 million of such discounted receivables are included in current assets of discontinued operations.

In accordance with trade practice, instalment accounts not due within one year of $60 million in 1975 and $48 million in 1574 are classified as current assets.

Trade receivables include unbilled amounts under long-term contracts of $45.1 million and $41.3 million at December 31, 1975 and 1974, respectively. Such recoverable costs and accrued profits are billable upon completion of testing and acceptance under terms of the contracts. It is anticipated that substantially all such amounts at December 31, 1975 will be collected within one year. Amounts pertaining to claims or retainage pursuant to long-term contracts are insignificant.

THE VENDO COMPANY (DEC)

Notes to Consolidated Sinancial Statements

Note 2: Receivables and Installment Contracts—The Company was contingently liable for approximately $2,300,000 at December 31, 1975, and $3,900,000 at December 31, 1974, for the repurchase of delinquent contracts or repossessed collateral on installment sales contracts sold. The uncollected balances of contracts sold, excluding contracts sold to VFC Acceptance Corporation (see Note 3), amounted to approximately $4,400,000 at December 31, 1975, and $9,600,000 at December 31, 1974.

Receivables in the accompanying consolidated balance sheet include $11,800,000 in 1975 and $11,900,000 in 1974 due from customers on installment sales contracts with terms up to sixty months, and $540,000 in 1975 and $1,386,000 in 1974 withheld as reserves by purchasers of installment sales contracts. Foreign subsidiaries have pledged receivables totaling $2,476,000 in 1975 and $5,747,000 in 1974 as collateral on short-term notes payable.

Receivables Sold Without Recourse

RICHFORD INDUSTRIES, INC. (DEC)

	1975	1974
Current assets:		
Cash	$ 421,938	$ 507,033
Accounts and notes receivable, less an allowance for doubtful accounts of $108,180 and $105,600—	4,795,598	6,144,912
Inventories	11,395,715	13,847,815
Prepaid expenses and other current assets	422,875	578,015
Total current assets	$17,036,126	$21,077,775

Notes to Consolidated Financial Statements

Note 2 (in part): Accounts Receivable—During the current year the Company sold a portion if its foreign accounts receivable to a bank. Such sales not to exceed an aggregate of $2,000,000 outstanding at any time are made without recourse. Interest at 1/2% above prime is charged for the period between the banks disbursement of funds and the liquidation date of the accounts. Such interest amounted to $75,200 for the year (weighted average interest rate of 8.4%).

Receivables Used as Collateral

PHOENIX STEEL CORPORATION (DEC)

	1975	1974
Current assets:		
Cash	$ 241,000	$ 78,000
Trade accounts receivable, less provisions for doubtful accounts of $247,000 in 1975 and $104,000 in 1974—Note 7	10,934,000	18,639,000
Inventories, at lower of cost or market—Notes 3 and 7	31,567,000	34,547,000
Prepaid expenses and other current assets	1,017,000	1,494,000
Total current assets	$43,759,000	$54,758,000

Note 7 (in part): Long-Term Debt—Under the revolving loan agreement, dated August 20, 1974, as amended, the lender will, through August 20, 1977, advance cash to the Company equal to up to 85% (reducing, at the lender's option, by 1% a month 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 over a prime rate of 11½% or decreases between a prime rate of 10% to 7¼% are reflected in the rate applicable to the Company's borrowings. The notes payable to bank bear interest, payable monthly, at 5% above the prime commercial rate. The prime commercial rate applicable to both the notes payable to the bank and the borrowings under the revolving loan agreement was 7¼% at December 31, 1975. The maturity of the $4,000,000 note payable to bank was extended to August 20, 1977 by amendment to the loan agreement. 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 notes payable to the bank. The monthly instalments under the $3,000,000 note payable to bank are subject to increases based on the Company's earnings. UV Industries, Inc. (see Note 2) participates with the bank to the extent of ⅓ of the outstanding balance of the $3,000,000 note payable to bank. Under these agreements the Company is required to maintain a minimum of $11,200,000 of net working capital at December 31, 1975 (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 other than such expenditures made from the proceeds from the issuance of securities pursuant to the Creusot-Loire Agreement (see Note 2).

UNITED FOODS, INC. (FEB)

	1975	1974
Current:		
Cash	$ 1,201,233	$ 2,048,989
Construction funds held by trustee (Note 7)	1,300,000	—
Accounts receivable, less allowance of $161,432 and $136,650 for possible losses (Note 1)	9,158,744	9,387,141
Inventories (Note 1)	48,136,011	34,219,884
Prepaid expenses	1,734,315	1,679,922
Total Current Assets	$61,530,303	$47,335,936

Note 1: Accounts Receivable and Inventories—At February 28, 1975 and 1974, substantially all of the accounts receivable and inventories were pledged to collateralize notes payable to banks in the amounts of $34,011,707 and $22,508,381, respectively.

Inventories are summarized as follows:

	February 28, 1975	1974
Finished products	$43,257,736	$29,904,900
Raw materials, merchandise and supplies	4,878,275	4,314,984
Totals	$48,136,011	$34,219,884

Factoring Agreements

UNITED MERCHANTS AND MANUFACTURERS, INC. (JUN)

	1975	1974
Current assets:		
Cash	$ 55,589,000	$ 53,715,000
Receivables—net	512,788,000	509,061,000
Merchandise inventories	269,062,000	253,051,000
Prepaid expenses and other current assets	25,150,000	24,994,000
Total Current Assets	$862,589,000	$880,821,000

Notes to Consolidated Financial Statements

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

Receivables—Receivables include notes receivable applicable to the Company's finance operations, some payments of which (approximately $29,000,000 (1975) and $30,000,000 (1974) are not due within one year. The entire amount of these receivables is included in current assets.

The Company provides an allowance for losses on receivables based on a review of the current status of existing receivables, historical collection experience and management's evaluation of the effect of existing economic conditions. Receivables are charged to the allowance therefor when accounts are deemed to be uncollectible.

Note B–Receivables–Net: This caption consists of the following:

	1975	1974
Accounts receivable—trade	$104,041,000	$121,053,000
Factored receivables	281,713,000	270,075,000
Commercial finance loans and advances	49,994,000	64,693,000
Direct cash loans:		
Discount-basis	43,624,000	45,894,000
Interest-bearing	15,733,000	12,807,000
Other, including $18,155,000 (1975) of refundable Federal income taxes	55,471,000	34,999,000
	550,576,000	549,521,000
Less: Allowances	29,185,000	30,649,000
Unearned income	8,603,000	9,811,000
	37,788,000	40,460,000
	$512,788,000	$509,061,000

Substantially all of the accounts receivable-trade factored receivables and commercial finance loans and advances are due within one year. Approxmate contractual maturities of direct cash loans at June 30, 1975 were as follows:

	Discount basis	Interest-bearing
1976	$21,358,000	$ 9,267,000
1977	13,044,000	3,123,000
1978	5,723,000	1,458,000
1979	2,569,000	1,141,000
1980 and subsequent	930,000	744,000
	$43,624,000	$15,733,000

Included in selling, administrative and general expense is a provision for doubtful receivables of $10,362,000 (1975) and $12,167,000 (1974).

THE UNITED PIECE DYE WORKS (DEC)

	1975	1974
Current assets:		
Cash	$ 990,941	$ 1,644,230
Short-term investments—at cost, which approximates market	533,009	892,016
Due from factor, less estimated doubtful accounts of $53,600 in 1975 (Note C)	4,373,648	2,494,566
Accounts receivable less estimated doubtful accounts of $50,000 in 1974	131,825	133,433
Federal and state tax refunds	2,621,146	1,629,917
Inventories (Note D)	1,568,730	2,845,520
Prepaid expenses and other current assets (Notes D and H (1))	257,503	754,641
Total current assets	$10,476,802	$10,394,323

Note C: Accounts Receivable and Factoring Agreements—The Company assigns its accounts receivable to two factors. The assignments are without recourse to the Company with respect to those accounts approvee by the factors as to credit. The factors hold a security interest in the Company's receivables and all cash and non-cash proceeds thereof.

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.

TABLE 2-7: DOUBTFUL ACCOUNT CAPTIONS

	1975	1974	1973	1972
Allowance for doubtful accounts	272	246	245	244
Allowance	125	122	116	113
Allowance for losses	34	44	44	40
Reserve	32	32	42	44
Reserve for doubtful accounts	13	12	10	16
Allowance for uncollectible accounts	9	12	11	12
Other caption titles	47	33	32	34
	532	501	500	503
Receivables shown net	7	9	9	7
No reference to doubtful accounts	61	90	91	90
Total Companies	**600**	**600**	**600**	**600**

TABLE 2-8: INVENTORY COST DETERMINATION

	1975	1974	1973	1972
Methods				
First-in first-out (fifo)	376	375	394	377
Last-in first-out (lifo)	315	303	150	150
Average cost	235	236	235	242
Standard costs	48	49	52	54
Retail method	36	35	37	35
Other	34	56	57	62
Total Disclosures	**1043**	**1054**	**927**	**920**
Use Of LIFO				
All inventories	11	14	8	10
50% or more of inventories	125	135	49	50
Less than 50% of inventories	86	67	78	59
Not determinable	93	87	25	31
Not used	285	297	450	450
Total Companies	**600**	**600**	**600**	**600**

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.

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 . . ." Approximately 90% of the survey companies use lower of cost or market, an acceptable basis for pricing inventories when circumstances require a departure from cost, to price all or a portion of their inventories.

Table 2-8 summarizes the cost methods used by the survey companies and indicates the portion of inventory cost determined by LIFO. Table 2-9 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 follow.

FIFO

COLT INDUSTRIES INC. (DEC)

	1975	1974
	($000)	
Current assets:		
Cash, including certificates of deposit of $13,498 and $22,710..	$ 21,566	$ 23,266
Marketable securities, at cost (approximates market)	12,914	40,968
Accounts and notes receivable—		
Trade	148,250	146,172
Other	4,680	6,111
Less allowance for doubtful accounts	3,896	3,290
	149,034	148,993
Inventories (Note 1)—		
Finished goods	69,401	47,477
Work in process and finished parts	141,180	144,381
Raw materials and supplies	99,962	92,772
	310,543	284,630
Less allowance for obsolete or slow moving items	18,884	16,662
	291,659	267,968
Deferred income taxes (Note 3)	10,283	9,650
Other current assets	11,565	6,252
Total current assets	$497,021	$497,097

Note 1 (in part): 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 49 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, 1975 and 1974 was approximately $57,000,000 and $27,000,000, respectively.

Beginning and ending inventories used in the determination of cost of goods sold were as follows:

December 31, 1975	$291,659,000
December 31, 1974	267,968,000
December 31, 1973	217,208,000
December 31, 1972	196,673,000
December 31, 1971	174,381,000
December 31, 1970	193,356,000

TABLE 2-9: INDUSTRY CLASSIFICATION OF COMPANIES USING LIFO

	1975		1974	
	No.	%*	No.	%*
Foods:				
Meat products	3	33	2	18
Dairy products	—	—	—	—
Canning, etc.	6	10	5	56
Packaged and bulk	6	31	5	24
Baking	—	—	1	20
Sugar, confections, etc.	7	100	6	100
Beverages	3	50	3	50
Tobacco products	3	43	4	50
Textiles	13	43	13	45
Paper products	15	94	14	88
Printing, publishing	3	38	2	29
Chemicals	22	88	23	92
Drugs, cosmetics, etc	6	32	6	32
Petroleum	22	81	22	81
Rubber products	8	89	9	90
Shoes—manufacturing, merchandising, etc	3	38	3	38
Building:				
Cement	2	50	3	60
Roofing, wallboard	11	92	11	92
Heating, plumbing	5	70	6	86
Other	9	50	6	38
Steel and iron	20	87	19	83
Metal—nonferrous	11	58	12	67
Metal fabricating	9	82	10	77
Machinery, equipment and supplies	18	49	19	49
Electrical equipment, appliances	9	53	8	47
Electrical, electronic equipment	12	32	11	49
Business equipment and supplies	6	46	6	46
Containers	6	75	6	75
Autos and trucks (including parts, accessories)	8	35	8	38
Aircraft and equipment, aerospace	6	38	5	31
Railway equipment, shipbuilding, etc.	3	43	3	43
Controls, instruments, medical equipment, watches and clocks, etc.	7	50	6	46
Merchandising:				
Department stores	10	83	10	83
Mail order stores, variety stores	3	100	1	25
Grocery stores	7	44	4	25
Other	1	10	1	11
Motion pictures, broadcasting	—	—	—	—
Widely diversified, or not otherwise classified	32	41	30	40
Total	**315**	**52**	**303**	**51**

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

GENERAL MILLS, INC. (MAY)

	1975	1974
	(in thousands)	
Current assets:		
Cash (Note 3)	$ 7,623	$ 17,316
Marketable securities (at cost, approximates market value).	2,345	2,570
Receivables:		
Customers	697,062	178,117
Miscellaneous	22,525	13,366
	219,587	191,483
Less allowances for possible losses	(6,006)	(5,012)
	213,581	186,471
Inventories (Notes 1 and 4)	345,907	353,311
Prepaid expenses	20,917	20,869
Total current assets	$590,373	$580,537

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

Inventories—Grain, family flour and bakery flour are valued at market and include adjustments for open cash trades and unfilled orders.

Raw materials, work in process and finished goods for a portion of the domestic food inventories, domestic crafts, games and toys inventories and certain other inventories are stated at the lower of cost, determined on a Last-in, First-out (LIFO) method, or market. Other inventories are generally stated at the cost of the most recently purchased materials (FIFO), reduced to market when lower (see Note 4 for a change in accounting method).

Note 4 (in part): Inventories—Following is a comparison of year-end inventories:

	May 25, 1975	May 26, 1974
	(in thousands)	
Grain, family flour and bakery flour.	$ 29,442	$ 44,122
Raw materials, work in process, finished goods and supplies as follows:		
Valued at LIFO	124,413	—
Valued primarily at FIFO	192,052	309,189
Total Inventories	$345,907	$353,311

If the FIFO method had been used for the above LIFO inventories, total inventories would have been $15,884,000 higher than reported at May 25, 1975. See Note 1 for a description of inventory valuation policies.

HONEYWELL INC. (DEC)

	1975	1974
	($000)	
Current assets		
Cash	$ 75,167	$ 44,369
Time deposits	168,615	28,286
Receivables (less allowance for doubtful accounts: 1975, $20,555; 1974, $17,641)	518,887	613,833
Inventories (less progress billings on uncompleted contracts: 1975, $83,115; 1974, $52,810)	385,062	528,428
Total current assets	$1,147,731	$1,214,916

Notes to Financial Statements

Note 1 (in part): Accounting Policies Inventories—Inventories are valued at the lower of cost or market. Cost is generally determined on a first-in first-out basis, and market is based on estimated realizable value. The cost of manufactured products is based on standards developed for individual items from current material, labor and overhead costs at normal activity levels. Standard costs are adjusted to actual by application of manufacturing variances.

Year-end amounts are based principally upon physical inventories taken as of various dates during the year adjusted for transactions to the end of the year. The Company's accounting system does not permit classification as to finished goods, work in process, raw materials, and supplies in the absence of taking year-end physical inventories.

Payments received from the U.S. Government on uncompleted contracts are deducted from applicable inventories.

WARNER-LAMBERT COMPANY (DEC)

	1975	1974
Assets		
Cash	$ 22,627,000	$ 28,032,000
Time deposits, interest-bearing	210,817,000	95,534,000
Short-term investments, at cost plus accrued interest (which approximates market)	36,778,000	19,175,000
Notes and accounts receivable, less allowance for doubtful accounts: 1975-$12,430,000; 1974-$12,810,000	442,229,000	404,476,000
Inventories (Notes 1 and 3)	473,579,000	495,542,000
Prepaid expenses and other current assets	68,448,000	64,738,000
Total current assets	$1,254,478,000	$1,107,497,000

Notes to Consolidated Financial Statements

Note 1 (in part): Significant Accounting Policies

Inventories—Inventories are valued at the lower of cost or market. Cost is determined principally on the basis of first-in, first-out cost and standards which approximate average cost.

Note 3: Inventories—Major classes of inventories at December 31 are summarized below:

	1975	1974
	(in thousands)	
Raw materials	$ 98,920	$100,954
Finishing supplies	42,968	51,374
Goods in process	96,604	106,280
Finished goods	235,087	236,934
	$473,579	$495,542

LIFO

ALLEGHENY LUDLUM INDUSTRIES, INC. (DEC)

	1975	1974
	(In thousands)	
Current assets:		
Cash	$ 7,126	$ 5,091
Notes and accounts receivable—trade, less allowance for doubtful accounts of $1,580,000 in 1975 and $1,935,000 in 1974	92,563	131,015
Sundry notes and accounts receivable	1,413	1,503
Inventories (Note 3)	206,443	226,161
Prepaid expenses	17,763	15,149
Total current assets	$325,308	$378,919

Notes to Consolidated Financial Statements

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

Inventories—Inventories are stated at cost, which is not in excess of market. Cost is determined principally by the "last-in, first-out" method or, in the case of certain inventories, by the average cost method.

Note 3: Inventories—The classification of inventories at December 31, 1975 and 1974 follows:

	1975	1974
	(In thousands)	
Finished goods	$ 38,182	$ 37,162
Work in process	150,031	164,538
Raw materials	88,493	104,149
Supplies	9,246	9,957
	285,952	315,806
Less allowance to reduce carrying value to LIFO basis	79,509	89,645
	$206,443	$226,161

At December 31, 1975 and 1974, the cost of inventories aggregating $138,000,000 and $161,000,000, respectively, was determined on the last-in, first-out (LIFO) method. Amounts applied to reduce inventories under the LIFO method from cost determined under the average and first-in, first-out methods were $79,509,000 at December 31, 1975, $89,645,000 at December 31, 1974 and $29,165,000 at December 31, 1973. Inventories at December 31 for use in the calculation of costs of goods sold amounted to $206,443,000, $226,161,000 and $185,066,000 for the years 1975, 1974 and 1973, respectively. During 1975, the Corporation reduced certain inventory quantities. This resulted in a liquidation of applicable LIFO inventory quantities carried at lower costs prevailing in prior years. The effect was to increase net earnings by $4,575,000.

BROWN GROUP, INC. (NOV)

	1975	1974
Cash	$ 5,191,485	$ 6,014,529
Marketable securities, at cost which approximates market	31,291,550	
Receivables, less allowances for doubtful accounts of $2,416,000 in 1975 and $1,318,000 in 1974	71,048,134	71,119,518
Inventories (less adjustments to lost-in, first-out cost of $13,779,000 in 1975 and $9,288,000 in 1974)—Note A		
Finished products	128,899,956	134,639,133
Work in process	6,864,773	8,850,212
Raw materials and supplies	19,286,817	24,189,609
	155,051,546	167,678,954
Prepaid expenses and other current assets	7,030,273	5,776,403
Total current assets	$269,662,988	$250,589,404

Note A (in part): Accounting Policies

Inventories—Inventories are valued at the lower of cost or market, determined principally under the last-in, first-out (LIFO) method.

ETHYL CORPORATION (DEC)

	1975	1974
Current assets:		
Inventories	$124,864,000	$149,367,000

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. Cost elements included in work in process and finished goods inventories are raw materials, direct labor and manufacturing overhead. Raw materials and stores and supplies include purchase and delivery costs.

Note 5: Inventories:

	1975	1974
Inventories include:		
Finished goods	$ 55,910,000	$857,964,000
Raw materials and work in process	48,804,000	71,931,000
Stores, supplies, etc.	20,150,000	19,472,000
	$124,864,000	$649,367,000

Inventories stated on the last-in, first-out basis amounted to $70,587,000 at December 31, 1975, and $105,601,000 at December 31, 1974, which are below replacement cost by approximately $45,600,000 and $50,900,000 respectively.

In 1975, the inventory reductions resulted in liquidations of LIFO inventory quantities carried at lower costs prevailing in prior years as compared with 1975 costs, the effect of which increased net income by approximately $6,873,000 or 73 cents per share.

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 subsidiaries acquired in 1974 caused consolidated taxable income for the year ended December 31, 1975, to exceed consolidated income for financial accounting purposes by $77,000, and inventories in the accompanying consolidated balance sheets at December 31, 1975, and December 31, 1974, to exceed inventories used for income tax reporting purposes by $443,000 and $520,000, respectively.

GREAT WESTERN UNITED CORPORATION (MAY)

	1975	1974
Current assets:		
Inventories (note 2):		
Refined sugar and by-products	$ 93,588,000	$70,927,000
Beet seed, materials and other	10,700,000	7,123,000
Total inventories	$104,288,000	$78,050,000

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

Inventories—Refined sugar inventory is stated at the lower of cost, determined on the last-in, first-out (LIFO) method, or market, which is a change from the preceding year's method (see note 2). For all other inventories, which are also stated at the lower of cost or market, cost is determined on a first-in, first-out (FIFO) method or average cost basis.

The beet processing period of Great Western Sugar extends generally from October through February. Production costs incurred from March through September are deferred and added to the costs incurred during the following processing period. Net revenues of by-products are accounted for as a reduction of manufacturing costs. At May 31, 1975 and 1974, deferred production costs of $2,689,000 and $1,964,000, respectively (consisting primarily of maintenance costs, net of by-product earnings) are included in the inventory.

Payments for beets are made to growers under participating contracts which provide that the amount of the payment will be determined based on a sliding scale set by sugar content of beets and the net amount per hundred-weight of sugar sold during the crop year ended September 30. The additional amount to be paid to growers for the remainder of the crop year is accrued and charged to cost of beets purchased. The difference, if any, between the May 31 accrued liability and the final crop year cost is charged or credited to cost of sales in the succeeding fiscal year.

Note 2: Change in Inventory Method and Accrual of Grower Payments—Great Western Sugar changed its inventory valuation method for refined sugar to costs applied on the last-in, first-out (LIFO) method in 1975. In previous years inventories were stated at the lower of cost or market on the first-in, first-out (FIFO) method. This accounting change, which was adopted to more appropriately match current costs with current revenues in inflationary periods, reduced 1975 net earnings of the Company by approximately $6,840,000, or $3.24 per common and common equivalent share ($2.74 per share assuming full dilution). Had the FIFO method been used in the current year, these inventories would have been $13,762,000 higher than reported at May 31, 1975. 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 LIFO inventory value for tax purposes is approximately $20,300,000 higher than LIFO value for financial statement purposes. This differences arises because of the Company's FIFO method of computing inventory valuation for tax purposes in prior years. Provision has been made for deferred income taxes resulting from this difference.

The actual liability to sugarbeet growers is not determined until the end of the crop year, September 30, and any interim calculation of that liability is based on the net price of sugar sold to the reporting date. At May 31, 1974 an estimated payment to growers was recorded for the liability applicable to sugar sold by May 31. No liability for the estimated payments pertaining to the inventory at that date was recorded. The additional liability to growers for which final determination was made subsequent to September 30, 1974 was $57,457,000. At May 31, 1575, concurrent with the adoption of the LIFO method of valuing inventories, Great Western Sugar changed its method of accruing liability for the estimated payment to beet growers to reflect the total estimated remaining liability for both sugar sold and inventory on hand at May 31, 1975.

The effect of the change on the four quarters of 1975 was as follows (unaudited):

	Effect of change to LIFO		(unaudited) Net earnings based on LIFO	
Fiscal 1975	Amount	Per share	Amount	Per share
First quarter	$1,594,000	$ .76	$11,567,000	$ 5.51
Second quarter	2,414,000	1.15	22,534,000	10.69
Third quarter	1,327,000	.63	9,568,000	4.53
Fourth quarter	1,505,000	.71	5,328,000	2.52
	$6,840,000	$3.25	$48,997,000	$23.25

HAMMERMILL PAPER COMPANY (DEC)

	1975	1974
	($000)	
Current assets		
Inventories (see detail) (Note 1).....	$78,564	$81,371

Details of Items in Consolidated Balance Sheet

	1975	1974
	(Thousands of dollars)	
Inventories		
At current cost		
Pulpwood and other raw materials	$32,065	$35,077
Finished goods and work in process	61,267	54,409
Supplies and repair parts	11,716	13,091
	105,048	102,577
Excess of current cost over LIFO inventory value.....................	26,484	21,206
	$78,564	$81,371

Notes to Financial Statements

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

Inventories—Inventories are valued at the lower of cost or market, cost being determined on the last-in, first-out (LIFO) basis for approximately 65% and 70% of total inventories in 1975 and 1974, respectively, and principally on the average current cost method for the remainder.

OUTBOARD MARINE CORPORATION (SEP)

	1975	1974
Current assets:		
Inventories (Note 5)...............	$154,425,000	$665,690,000

Note 5: Inventories—In 1975 the Company changed to the last-in, first-out (LIFO) method of inventory valuation from the first-in, first-out (FIFO) method for most of its domestic inventories. In the Company's opinion, the LIFO method is preferable because current costs are charged to current revenues. The effect of this change was to reduce September 30, 1975 inventory by $4,093,000 and reduce net earnings for the year by $2,046,000 ($.25 per share). It is not practicable to restate prior years' financial statements for this change.

The various components of inventory were as follows:

	September 30, 1975	1974
Finished product......................	$ 41,858,000	$ 36,033,000
Raw material, work in process and service parts	116,660,000	129,657,000
Inventory at current cost which is less than market	158,518,000	165,690,000
Less—LIFO adjustment	4,093,000	—
Total	$154,425,000	$165,690,000

In addition, in 1975 the Company changed to the full absorption method of accounting for inventory in conformity with Internal Revenue Service regulations. Under the full absorption method, inventory values include a portion of all of the manufacturing overhead expended to produce such inventories. The effect of this change in 1975 was to increase September 30 inventory by $3,851,000 and increase net earnings for the year by $1,925,000 ($.23 per share). Had this change been reflected in inventories at September 30, 1974 and 1973, the effect on net earnings for 1975 and 1974 would have been immaterial.

CELANESE CORPORATION (DEC)

	1974	1975
	(millions)	
Current assets:		
Inventories	$275	$263

Principles Reflected in Consolidated Financial Statements

Inventories—Substantially all North American Inventories are valued using the last-in, first-out (LIFO) method. Other inventories are valued at standard costs that approximate current production costs.

Inventory values are stated after deducting appropriate allowances for obsolescence, are not in excess of market, and do not include depreciation of property, plant and equipment.

Notes to Consolidated Financial Statements

Note J (in part) Inventories:

	1974	1975
Finished goods........................	$138	$124
Work-in-process	19	25
Raw materials........................	100	55
Supplies...............................	18	19
Total	$275	$263

Inventories at December 31, 1974, and December 31, 1975, if valued at current costs, would have been $67 million and $82 million higher, respectively. During 1975, there was a reduction in some inventories that resulted in a liquidation of certain LIFO inventory values previously carried at costs that were lower than 1975 costs. This resulted in an increase in 1975 net income of $3 million or 23 cents per share.

Average Cost

HOMASOTE COMPANY (DEC)

	1975	1974
Current assets		
Inventories	$828,503	$1,107,556

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, cost being determined on an average.

Note 3: Inventories—The inventories used in the determination of the cost of sales in the statement of earnings were as follows:

	1975	
	Jan. 1	Dec. 31
Finished goods and goods in process	$ 739,465	$503,153
Raw materials	214,437	236,437
Supplies	153,654	88,913
	$1,107,556	$828,503

The inventory valuation of finished goods and goods in process, raw materials and supplies were valued at the lower of average cost or market. Due consideration was given obsolete items.

PHILLIP MORRIS INCORPORATED (DEC)

	1975	1974
Inventories:		
Leaf tobacco	$1,091,984,000	$ 873,727,000
Other raw materials	615,873,000	125,233,000
Work in process and finished goods	208,116,000	228,909,000
Housing programs under construction	32,460,000	41,343,000
	$1,448,428,000	$1,269,212,000

Notes to Consolidated Financial Statements

Inventories—Inventories are valued at the lower of cost or market. The cost of leaf tobacco is determined on an average cost basis and the cost of other inventories is determined generally on a first-in, first-out basis. It is a generally recognized industry practice to classify the total amount of leaf tobacco inventory as a current asset although part of such inventory, because of the duration of the aging process, ordinarily would not be utilized within one year. The cost of housing programs under construction represents the cost of land, including offtract improvements, interest and property taxes, and housing construction costs on sites currently under development.

Standard Cost

AKZONA INCORPORATED (DEC)

	1975	1974
	($000)	
Current assets:		
Inventories:		
Finished goods	$ 60,829	$ 75,152
Work in process	29,751	27,775
Raw materials	32,884	35,419
General stores	17,380	20,549
	$140,844	$158,895

Notes to Consolidated Financial Statements

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

Inventories—Inventories are stated at the lower of standard cost (approximating average cost) or market. Market represents replacement cost with respect to raw materials and net realizable value with respect to work in process and finished goods.

EMERSON ELECTRIC CO. (SEP)

	1975	1974
Current assets		
Cash	$ 9,989	$ 9,973
Short-term investments, at cost which approximates market	54,669	$ 6,984
Receivables, less allowance for doubtful accounts of $2,946,000 in 1975 and $2,746,000 in 1974	189,139	205,041
Unbilled costs and estimated earnings under long-term contracts less progress billings of $5,643,000 in 1975 and $5,619,000 in 1974 ...	2,288	4,167
Inventories:		
Finished products	107,022	82,611
Raw materials and work in process	222,947	236,774
Total inventories	329,969	319,385
Prepaid expenses	5,596	5,747
Total current assets	$591,650	$551,297

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 while the remainder are principally valued on a first-in, first-out basis. Standard costs are revised at the beginning of the fiscal year and variances incurred during the year are allocated on a pro rata basis to ending inventories.

HEWLETT PACKARD COMPANY (OCT)

	1975	1974
	(Thousands)	
Current assets:		
Cash	$ 66,967	$ 7,105
Marketable securities, at cost which approximates market	10,666	6,723
Notes and accounts receivable, less provision for losses in collection (1975—$1,280; 1974—$1,539)	204,795	193,735
Inventories, at standard cost, which approximates first-in, first-out and average, not in excess of replacement market:		
Finished goods	62,060	51,627
Work in process	69,219	82,410
Raw materials	73,959	61,177
Deposits and prepaid expenses	11,777	13,791
Total current assets	$499,443	$416,568

JANTZEN INC. (AUG)

	1975	1974
Current assets:		
Cash—Note 7	$ 3,191,296	$ 2,689,975
Accounts receivable—less allowances for doubtful accounts and discounts: 1975, $1,403,842; 1974, $6,445,205	24,110,262	24,771,677
Inventories—Note 2	24,146,751	29,313,120
Prepaid expenses and deferred charges	1,085,651	1,307,210
Total current assets	$52,533,960	$58,081,982

Notes to Financial Statements

Note 1 (in part) Summary of Significant Accounting Policies

Inventories—Inventories of finished goods and work in process are stated at the lower of standard cost (approximates actual cost on the first-in, first-out basis) or market. Inventories of raw materials are stated at the lower of average cost or market.

Note 2 Inventories:

	1975	1974
Finished goods	$ 9,998,909	$13,732,625
Work in process	3,949,929	4,863,948
Raw materials	10,197,913	10,716,547
Total	$24,146,751	$29,313,120

PITNEY-BOWES, INC. (DEC)

	1975	1974
Current assets		
Cash	$ 5,507,000	$ 11,912,000
Marketable securities, at cost which approximates market	28,748,000	33,962,000
Accounts receivable, less allowance: 1975, $4,749,000; 1974, $5,014,000	82,774,000	87,859,000
Inventories	122,608,000	106,376,000
Tax recoverable on discontinued operations	2,034,000	3,004,000
Other current assets and prepayments	8,671,000	8,660,000
Total current assets	$250,342,000	$251,773,000

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

December 31	1975	1974
Raw materials and work in process	$ 59,591,000	$ 60,329,000
Supplies and service parts	20,524,000	17,023,000
Finished products	42,493,000	29,024,000
Total inventories	$122,608,000	$106,376,000

Production Cost

THE AMERICAN DISTILLING COMPANY (SEP)

	1975	1974
Current assets:		
Cash	$ 4,165,319	$ 3,945,711
Accounts receivable—trade, less allowance for doubtful accounts (1975—$305,000; 1974—$500,000) (Note 2)	14,209,513	23,620,905
Federal income tax receivable	3,782,639	—
Inventory, at lower of cost or market: Bulk whiskies and spirits	23,741,865	25,950,305
Case goods—tax paid and in bond	4,511,203	2,124,265
Work in process, raw materials and supplies	3,844,555	3,732,336
	32,097,623	31,806,906
Total current assets	54,255,094	59,373,522

Notes to Consolidated Financial Statements

Note 1 (in part): Significant Accounting Policies

Inventories—Bulk whiskies and spirits produced by the Company are stated at production cost plus storage and those purchased from others are stated at acquisition 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 first-in first-out cost 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. The Company has included the federal taxes applicable to goods sold ($99,126,000 in 1975 and $100,827,000 in 1974) in cost of sales.

PULLMAN INCORPORATED (DEC)

	1975	1974
	($000)	
Current assets		
Inventories	$206,310	$255,486

Notes to Consolidated Financial Statements

Note 1 (in part): Significant Accounting Policies

Inventories—are stated at the lower of cost or market. Cost is determined by actual production costs for railroad and transit cars, by the last-in, first-out method for most domestic trailer inventory components and by the first-in, first-out method for the remaining inventory components.

Note 7: Inventories—Inventories at December 31 consist of:

	1975	1974
	(Thousands of dollars)	
Finished goods	$ 30,482	$ 37,502
Work in process	119,512	132,063
Raw materials, service parts and operating supplies	56,316	85,921
Total inventories	$206,310	$255,486

In December 1974, the last-in, first-out (LIFO) method of inventory valuation was adopted for the Pullman Trailmobile Division domestic aluminum inventories which reduced net income for the year 1974 by $1,728,000 ($16 per share). Since 1951, this division has utilized LIFO for most other domestic production inventories. At December 31, 1975 $10,812,000 of the division's inventories are valued on the LIFO method ($24,159,000 at December 31, 1974) and if valued on a first-in, first-out method (which approximates current cost) would have been $9,006,000 in excess of their carrying value on the LIFO method ($10,595,000 at December 31, 1974). The reduction of LIFO inventories in 1975 had no material effect on income.

Work in process inventories at December 31, 1975 include $81,128,000 ($42,405,000 at December 31, 1974) with respect to railroad passenger car contracts, principally the Company's $210,500,000 transit car contract with the New York City Transit Authority. In 1975, $24,081,000 was charged to cost of sales to state the transit car contract inventory at the lower of cost or market ($5,700,000 in 1974), market in this instance being selling price less estimated cost to complete. At December 31, 1975, the allowance to state such inventory at market amounts to $24,903,000. Progress payments on passenger car contracts amounting to $89,253,000 at December 31, 1975 ($19,082,000 at December 31, 1974) are included in advance billings on uncompleted contracts.

ROHR INDUSTRIES, INC. (JUL)

	1975	1974
Current assets:		
Inventories (Note 4):		
Work-in-process	$205,649,149	$150,367,797
Raw materials, purchased parts and supplies	18,079,801	20,264,158
Less customers' progress payments and advances	83,780,815	36,984,193
	$139,948,135	$133,647,762

Notes to Financial Statements

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

Inventories—Inventories are stated at the lower of average cost or estimated realizable value. Work on contracts in process is stated on the basis of accumulated costs including applicable overhead less the average cost of deliveries based on the estimated total cost of contracts. Inventories in aerospace operations include an applicable portion of general and administrative expenses whereas in other operations such costs are charged to expense as incurred. Preproduction costs consisting primarily of engineering and tooling are included in inventory; when not covered by contract terms, they are deferred and amortized over anticipated deliveries.

Upon determination that inventory plus estimated costs to complete will exceed anticipated sales value, such excess is charged to current earnings, thus reducing inventories to estimated realizable value.

In accordance with industry practice, costs in inventory include amounts relating to programs and contracts with long production cycles a portion of which is not expected to be realized within one year.

Note 4: Inventories—Work-in-process inventories relate primarily to long-term contracts and programs and consist of the following:

	July 31, 1975	1974
Production costs of goods currently in process	$173,453,517	$133,803,425
Excess of production costs of delivered units over the estimated average cost of all units expected to be produced	8,939,000	4,167,372
Unrecovered costs subject to future negotiations	5,000,000	
General and administrative costs	5,688,000	4,037,000
Preproduction costs	13,068,632	8,360,000
	$205,649,149	$150,367,797

The excess of production costs of delivered units over the estimated average cost of all units expected to be delivered was determined based on firm orders existing at July 31, 1975, on which such costs will be recovered.

Unrecovered costs subject to future negotiations at July 31, 1975, represent costs incurred by the Company for engineering changes, delays and disruptions. These costs are subject to determination through negotiation or other procedures. It is expected that negotiations will be conducted during the next 12 months and is not successful, the matter ultimately will enter litigation with the consequence that settlement could be delayed for an indeterminate period.

Preproduction costs of $13,068,632 consisting primarily of engineering and tooling, are being amortized over anticipated deliveries of which approximately $7,632,577 will be amortized against existing contracts within the next two years. The residual amount of $5,436,055 applies to programs on which management anticipates additional orders.

The general and administrative costs were estimated on the basis that the amounts remaining in inventories were proportionate to the estimated total of such expenses charged to the programs.

Market

THE FEDERAL COMPANY (MAY)

	1975	1974
Current assets:		
Inventories (Note 1)	$40,822,597	$47,320,920

Note 1 (in part): Inventory Valuation—Year-end grain, flour and seed inventories at the flour milling subsidiaries (1975—$10,348,193; 1974—$14,169,826; 1973—$5,847,194) are stated at replacement market prices, after adjustment for open purchase and sale contracts. These subsidiaries follow the policy of hedging their position in these inventories throughout the year to minimize risk due to market price fluctuations. All other inventories are stated at the lower of first-in, first-out cost or market.

Inventories by line of business at the respective year-ends were as follows:

	1975	1974	1973
Poultry products	$24,952,515	$27,690,848	$22,171,593
Flour and bakery supplies	14,414,502	18,300,368	11,105,891
Feed and pet food	1,455,580	1,329,704	1,102,041
	$40,822,597	$47,320,920	$34,379,525

PREPAID EXPENSES

Table 2-10 summarizes the nature of prepaid expense items appearing in the current asset section of the survey companies' balance sheets. Table 2-10 shows that the caption *prepaid expenses* is frequently shown, without further explanation, as a current asset.

ALUMINUM COMPANY OF AMERICA (DEC)

	1975	1974
	(in millions)	
Current assets:		
Cash	$ 37.9	$ 63.5
Receivables from customers, less allowances: 1975, $3.3; 1974, $2.6	308.7	376.6
Other receivables	51.1	30.0
Inventories	621.2	566.4
Prepaid insurance and taxes	1.8	3.9
Total current assets	$1,020.7	$1,040.4

DANA CORPORATION (AUG)

	1975	1974
	(in thousands)	
Current assets		
Cash	$ 14,241	$ 3,468
Marketable securities, at cost which approximates market.	70,572	248
Accounts receivable, less allowance for doubtful accounts of $1,037,000 (1974—$735,000)	125,845	141,577
Inventories	234,536	241,390
Prepayments	5,527	5,321
Total current assets	$450,721	$392,004

TABLE 2-10: PREPAID ITEMS

	Number of Companies			
	1975	1974	1973	1972
Nature				
Prepaid expenses	314	297	296	294
Prepaid expenses and other current assets	47	61	60	55
Prepaid expenses and taxes paid in advance	33	30	31	28
Taxes paid in advance	18	22	20	21
Supplies and prepaid expenses	12	13	14	13
Other captions indicating prepaid expenses	38	74	75	79

DIAMOND SHAMROCK CORPORATION (DEC)

	1975	1974
	(in thousands)	
Current assets		
Cash	$ 28,648	$ 24,166
Marketable securities	24,066	11,367
Receivables	158,456	147,270
Inventories	171,066	123,913
Prepaid insurance, etc.	3,100	3,356
Total current assets	$385,336	$310,072

GEO. A. HORMEL & COMPANY (OCT)

	1975	1974
Current assets		
Cash	$ 18,386,542	$ 15,062,359
Accounts receivable, less allowance of 1975—$207,500; 1974—$182,500	51,898,818	44,316,840
Inventories of products, livestock, packages and supplies	65,431,633	55,915,827
Prepaid insurance and other expenses	322,267	1,067,764
Total current assets	$136,039,260	$116,362,790

R.H. MACY & CO., INC. (JUL)

	1975	1974
Current assets		
Cash	$ 27,934,000	$ 23,109,000
Short-term investments, at amortized cost (approximate market)	50,795,000	13,951,000
Customers' accounts receivable	31,623,000	35,167,000
Due from Macy Credit Corp.	13,865,000	27,986,000
Other receivables	6,672,000	8,441,000
Merchandise inventories	167,605,000	168,667,000
Prepaid expenses and supplies	9,456,000	8,985,000
Total current assets	$307,950,000	$286,306,000

UNIVERSAL LEAF TOBACCO COMPANY, INC. (JUN)

	1975	1974
Current:		
Cash	$ 1,085,000	$ 2,724,000
Short term bank deposits	2,896,000	4,425,000
Notes receivable	1,040,000	1,655,000
Accounts receivable:		
Trade and general	25,116,000	33,405,000
Federal and state income taxes recoverable	1,980,000	2,141,000
Affiliated companies—not consolidated	8,221,000	7,725,000
Inventories—at cost or market, whichever is lower	141,090,000	108,836,000
Inventories of supplies—at cost	1,967,000	2,404,000
Prepaid items:		
Interest, insurance, etc.	547,000	723,000
Federal and state income taxes	1,155,000	626,000
Other current assets	708,000	1,050,000
Total current assets	$185,805,000	$165,714,000

OTHER CURRENT ASSET CAPTIONS

Table 2-11 summarizes 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.

TABLE 2-11: OTHER CURRENT ASSET CAPTIONS

	Number of Companies			
	1975	1974	1973	1972
Nature				
Deferred income taxes	76	68	67	69
Unbilled costs	35	45	44	44
Advances or deposits	23	22	21	26
Property held for resale	22	18	15	13
Other—identified	23	20	19	23
Other current assets	45	50	48	49

Deferred Income Tax

FAIRCHILD CAMERA AND INSTRUMENT CORPORATION (DEC)

	1975	1974
Current assets:		
Cash	$ 12,526,000	$ 8,274,000
Temporary cash investments (interest-bearing) at cost, which approximates market	12,668,000	25,118,000
Accounts and notes receivable, less allowance for doubtful accounts of $2,657,000 and $3,165,000	56,645,000	68,957,000
Inventories (Notes 2 and 3):		
Raw materials and parts	17,022,000	13,453,000
Work-in-process, less progress payments of $3,069,000 and $2,169,000	45,736,000	37,508,000
Finished goods	30,268,000	22,423,000
Accumulated income tax prepayments (Note 4)	7,813,000	7,662,000
Prepaid expenses and other current assets	1,806,000	1,868,000
Total current assets	$184,484,000	$185,263,000

Note 4: Provision For Income Taxes—The provision for income taxes is composed of the following:

	1975	1974
Current —Federal	$3,930,000	$12,158,000
—State	472,000	2,894,000
—Foreign	1,318,000	9,732,000
Deferred —Federal	2,311,000	(5,000)
—State	549,000	(47,000)
—Foreign	(1,872,000)	(156,000)
	$6,708,000	$24,576,000

The 1975 deferred provision for income taxes includes the tax benefit of a foreign subsidiary's operating loss in the amount of approximately $2,600,000 which is expected to be realized in 1976. The tax benefit has been included in accumulated income tax prepayments in the consolidated balance sheet. The 1975 current provision for income taxes includes a credit of approximately $890,000 related to forgiveness of taxes on income earned by a foreign subsidiary in a prior year. The tax forgiveness results from certain legislative changes whereunder (a) taxes payable on income earned in a prior year have been waived and (b) advance payments against future tax liabilities will be required. In addition, the provision for income taxes for 1975 and 1974 reflects utilization of investment tax credits of approximately $950,000 and $6,800,000, respectively.

Differences between financial and taxable income result primarily from exercise of non-qualified stock options, use of accelerated depreciation and financial statement provisions which are not currently deductible. In addition, portions of the taxes related to the inventory accounting changes are payable in future periods. The tax effect of deductions applicable to employee exercises of non-qualified stock options and premature disposition by employees of option shares resulted in tax benefits of approximately $390,000 in 1975 and $660,000 in 1974 which was credited to additional paid-in capital. The remaining tax effects of differences between financial and taxable income have been charged or credited to accumulated income tax prepayments or deferred taxes in the balance sheet.

FORD MOTOR COMPANY

	1975	1974
	(in millions)	
Assets		
Current Assets		
Income taxes allocable to the following year	$221.0	$221.4

RAYBESTOS-MANHATTAN, INC. (DEC)

	1975	1974
Current assets		
Deferred income taxes (Notes A-8 and 1)	$1,099,507	$984,277

Note A (in part): Summary of Accounting Policies

Deferred Taxes—Deferred income taxes include principally the difference between book and tax pension expense, deferred termination pay and various other expenses that are not currently deductible for tax purposes (Note 1).

Note 1: Deferred Income Taxes—The deferred income taxes of $1,099,507 shown as a current asset at December 28, 1975 result principally from the difference between book and tax expenses, which will reverse in 1976.

The long-term deferred income taxes payable of $1,073,238 at December 28, 1975 consist principally of the net of the pension timing difference, resulting from a deduction on the Company's 1971 consolidated tax return, which will reverse over the 40-year period of funding the past service pension costs, a tax liability resulting from the adoption of full absorption costing for tax purposes, payable ratably through 1986, and the deferred tax benefit from the timing difference on deferred termination pay which will reverse in the years 1977 to 1999.

Based upon current anticipated expenditures and operations, it is not expected that the reversal of deferred income taxes will have a material effect upon the cash outlay for taxes in any one future year.

WHITTAKER CORPORATION (OCT)

	1975	1974
	(In thousands)	
Current assets		
Cash	$ 17,194	$ 16,451
Receivables (Note 5):		
Notes receivable	7,415	11,943
Trade accounts receivable	103,466	124,290
Other accounts and claims receivable	15,347	20,421
Reserve for doubtful accounts	(7,610)	(7,360)
Inventories (Note 5)	182,641	190,418
Prepaid expenses	3,132	3,923
Refundable income taxes (Note 8)	3,749	—
Deferred income tax benefits (Note 8)	10,177	7,926
Total current assets	$335,461	$368,012

Note 8 (in part): Income Taxes—Deferred income tax benefits result from differences in the timing of revenue and expense recognition for tax purposes and financial reporting purposes. The Consolidated Balance Sheet at October 31, 1975 reflects deferred income tax benefits of $10,177,000 classified as current, and $3,850,000 classified as noncurrent. These represent net future tax benefits arising principally as a result of prior year write-downs related to discontinued operations recognized for financial reporting purposes before they were deductible for income tax purposes (timing differences). Prior year timing differences (with a tax effect of $10,793,000) turned around in 1975 (becoming income tax deductions) resulting in a loss for income tax purposes which enabled Whittaker to recover $2,276,000 of 1973 and 1974 income taxes. The amount of loss for income tax purposes in excess of the amount carried back is available to reduce taxable income in future years and the carryback (and refund of taxes prepiously paid) had the effect of making investment and foreign tax credits, the utilization of which in prior years was negated by the carryback, also available to reduce income taxes otherwise payable in future years. The aggregate tax effect of these carryovers, $7,522,000, is included in "Deferred income tax benefits" in the Consolidated Balance Sheet and is available to reduce future income taxes until it expires ($79,000 in 1978, $2,475,000 in 1979, $4,094,000 in 1980, $556,000 in 1981, and $318,000 in 1982). In addition, $5,485,000 of timing differences arose in 1975 primarily from write-downs related to discontinued operations. There was also a net reduition of $1,421,000 of future tax benefits during 1975 (not related to the 1975 tax provision) resulting from reclassifications.

The realization of these deferred income tax benefits is dependent upon obtaining sufficient future taxable income, which, in the opinion of management, appears to be assured beyond any reasonable doubt. Management estimates that substantially all of these benefits will be realized in 1976 and 1977.

Unbilled Costs

CHICAGO BRIDGE & IRON COMPANY

Current assets:		
Contracts in progress with accumulated costs exceeding related progress		
Accumulated costs	$123,851,000	$148,850,000
Progress billings	(89,307,000)	(104,030,000)
Current liabilities:		
Contracts in progress with progress billings exceeding related accumulated costs		
Progress billings	$500,362,000	$365,892,000
Accumulated costs	(362,747,000)	(270,343,000)

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 invoice 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.

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

	1975	1974
Current assets:		
Costs of uncompleted contracts (in excess of related billings, 1975, $80,533,133; 1974, $41,287,874)	$21,227,369	$40,989,856

Notes to Consolidated Financial Statements

Note F: Construction Contracts—Accounts and notes receivable-trade include at March 31, 1975 $19,125,478 of retainages from customers in connection with provisions of contracts awarded the Company. Collections of substantially all retainages are anticipated during the fiscal year ended March 31, 1976.

A portion of general and administrative expenses are charged to the costs of uncompleted contracts. Such amounts were $17,545,047 and $10,637,902 at March 31, 1975 and 1974, respectively.

Advances

AMAX INC. (DEC)

	1975	1974
	($000)	
Current assets		
Coal equipment advance payment (Note 21)	$52,730	—

Notes to Financial Statements

(Dollars in thousands, except per share amounts)

Note 21: Subsequent Events—In January, 1976 AMAX entered into a lease agreement pursuant to commitments made in 1975 which will provide approximately $200,000 for coal mining equipment. Construction of the equipment began prior to concluding the lease and, upon conclusion, the lessor reimbursed AMAX $44,400 for advance payments. Rental payments are estimated to be: 1976, $5,790; 1977, $12,580; 1978, $20,150; 1979, $21,000; 1980-84, $145,670; 1985-89, $155,070 and 1990-93, $62,140. AMAX may cancel the lease and acquire the equipment during the period 1983-85 by assuming the obligations of $194,920 to $129,380.

In February, 1976 AMAX sold $50,000 8⅝ per cent Debentures due in 2001 which are subject to sinking fund payments of at least $3,250 annually beginning in 1987. AMAX also sold 2,000,000 shares Series B Convertible Preferred Stock for $97,750; each share will be entitled to dividends of $3.00 per year and may be converted into 0.87336 of a share of AMAX common stock.

CROWN CENTRAL PETROLEUM CORPORATION (DEC)

	1975	1974
Current assets		
Cash	$10,490,857	$9,009,508
Accounts receivable, less allowance for doubtful accounts (1975 and 1974—$218,000)	29,308,136	15,664,733
Refundable federal income taxes	452,842	
Inventories:		
Crude oil and refined products (Note B)	32,173,843	24,975,743
Materials and supplies	2,389,621	1,969,066
	34,563,464	26,944,809
Advances on oil purchase contract (Note C)	7,220,731	24,999,142
Prepaid expenses	659,788	238,769
Total current assets	$82,695,818	$76,856,961

Notes to Consolidated Financial Statements

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. Initially $2,100,000 was paid in cash and the balance was covered by promissory notes, which were paid in 1975. The advance balance of $7,220,731 at December 31, 1975 represents the remaining crude oil to be delivered.

Property Held For Sale

ALBERTSON'S, INC. (JAN)

	1976	1975
Current assets:		
Cash and short-term securities	$ 34,958,943	$ 9,793,128
Accounts and notes receivable	17,952,603	11,881,877
Inventories	76,205,747	63,853,240
Prepaid expenses	3,746,589	2,860,973
Property held for resale	4,794,493	12,364,876
Total current assets	$137,658,375	$100,754,094

Notes to Consolidated Financial Statements

Property Held for Resale—Property held for resale represents the cost of land and buildings committed by the Company for sale and leaseback during the next year and on which title has not transferred to a purchaser.

HERSHEY FOODS CORPORATION (DEC)

	1975	1974
Current assets:		
Net assets of discontinued operations at estimated realizable value (Note 2)	$4,013,000	—

Note 2: Discontinued Operations—Effective December 5, 1975, the Company discontinued the operations of Portion Control Industries, Inc. a Chicago-based manufacturer of frozen, prepared foods for the food service industry. This subsidiary had been acquired in a pooling of interests in 1970 and had been operating at a loss for the past four years. The Company's investment in this subsidiary has been written down to the estimated realizable value of the assets.

The sales of this subsidiary ($11,947,000 in 1975 and $22,004,000 in 1974), together with applicable operating expenses, have been excluded from the consolidated results of continuing operations.

It is expected that disposal of all assets including plant and equipment will be completed during 1976.

LEAR SIEGLER, INC. (JUN)

	1975	1974
Current assets		
Cash (including certificates of deposit of $2,100,000 in 1975)	$ 14,529,825	$ 9,818,675
Notes and accounts receivable		
Commercial and other	81,819,391	91,744,121
Government	17,141,112	14,673,100
	98,960,503	106,417,221
Less allowances	3,119,578	2,073,506
Inventories-at lower of cost (principally first-in, first-out) or market		
Raw materials	43,908,948	47,708,967
Work in process	33,661,186	36,343,919
Finished goods	29,379,229	32,467,475
	106,949,363	116,520,361
Costs recoverable under government contracts (note A3)	25,842,255	25,548,965
Less progress billings	8,127,671	6,887,801
	17,714,584	18,661,164
Current portion of real estate held for sale (note A4)	17,637,292	18,049,222
Prepaid expenses	6,960,999	7,010,274
Total current assets	$259,632,988	$274,403,411

Notes to Consolidated Financial Statements

Note A4: Real Estate Held for Sale—The current portion of real estate held for sale represents primarily costs of construction and development and lease rights for those properties that have entered the development stage. The period required for completion of development and sale of properties may extend beyond twelve months which is the typical operating cycle of manufacturing operations. The noncurrent portion of real estate held for sale consists primarily of the costs of development and lease rights for those properties that have not entered the development stage.

In accordance with generally accepted accounting principles for this industry, the company capitalizes interest and other carrying costs incurred in connection with real estate held for sale. Interest capitalized is limited to amounts on debt incurred in connection with the acquisition and development of the real estate. The excess of interest capitalized over interest included in cost of goods sold is not material for the two years ended June 30, 1975.

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 2-12 and 2-13 show the property, plant, and equipment captions presented by the survey companies. The average number of captions used per company was 3. Table 2-14 summaries the descriptive captions used to describe the accumulated allowance for depreciation.

Examples of presentations of property, plant and equipment follow.

Breakdown by Nature of Property

COOPER LABORATORIES, INC. (OCT)

Consolidated Balance Sheets

	1975	1974
	($000)	
Property, plant and equipment, at cost (including land not used in operations of $12,083 in 1975 and $12,114 in 1974) (Notes 6 and 7)	$44,141	$43,901
Less accumulated depreciation (Note 1)	10,109	8,643
	$34,032	$35,258

Statement of Changes in Consolidated Financial Position

Funds provided:		
Earnings from continuing operations	$ 2,025	$ 810
Items not requiring funds:		
Depreciation and amortization	2,922	2,401
Deferred income taxes	—	680
Losses of non-consolidated subsidiaries	674	271
Other, including the abandonment of intangibles and the write-down of excess investment in a non-consolidated subsidiary	1,243	327
Working capital provided from continuing operations	$ 6,864	$ 4,489

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

Depreciation—is computed, principally on the straightline method for buildings and improvements and leasehold improvements, and the declining balance method for machinery and equipment, in amounts sufficient to write off the cost of depreciable assets over their estimated useful lives.

Note 6: Property, Plant and Equipment—A summary of property, plant and equipment follows:

(In thousands)	October 31, 1975	October 31, 1974
Land	$ 3,157	$ 3,233
Buildings and improvements	11,398	11,348
Machinery and equipment	14,524	13,924
Leasehold improvements	2,232	2,226
Construction in progress	747	1,056
Land not used in operations	12,083	12,114
	$44,141	$43,901

Land not used in operations consists principally of property being held for future expansion and development, although the Company has not developed formal plans for such use. While it is unlikely the carrying value of this land could be fully realized in a current sale, management of the Company believes there has been no permanent diminution to such value and has no present plans to dispose of a significant portion of this land.

TABLE 2-12: LAND CAPTIONS

	1975	1974	1973	1972
Land	402	400	403	404
Land and improvements	91	88	85	82
Land and buildings	38	37	36	41
Land combined with other identified assets	28	36	37	32
No caption with term *land*	4	5	6	11
	563	566	567	570
Line of business classification	37	34	33	30
Total Companies	**600**	**600**	**600**	**600**

TABLE 2-13: DEPRECIABLE ASSET CAPTIONS

	1975	1974	1973	1972
Buildings				
Buildings	297	295	296	301
Buildings and improvements	143	147	146	135
Buildings and land or equipment	82	86	85	71
Buildings combined with other identified assets	31	23	25	27
No caption with term *buildings*	7	10	11	27
	560	561	563	561
Line of business classification	40	39	37	39
Total Companies	**600**	**600**	**600**	**600**
	Number of Companies			
Other Depreciable Asset Captions				
Machinery and/or *equipment*	436	438	436	439
Machinery and/or *equipment* combined with other terms	92	95	97	91
Construction in progress	188	198	197	190
Leasehold improvements	98	106	108	113
Automobiles, marine equipment, etc	78	80	83	66
Furniture, fixtures, etc	77	67	70	67
Equipment held for rental or lease	36	42	43	43

HOMASOTE COMPANY (DEC)

Consolidated Balance Sheet

	1975	1974
Fixed assets:		
Property, plant and equipment	$13,482,517	$13,236,385
Less accumulated depreciation	8,967,259	8,375,233
	$ 4,515,258	$ 4,861,152

Consolidated Statement of Changes in Financial Position

Financial resources were provided by:		
Net earnings	$ 602,236	$ 555,651
Items not requiring funds:		
Depreciation	592,026	650,582
	$ 1,194,262	$ 1,206,233

Notes to Consolidated Financial Statements

Note 1–Summary of Significant Accounting Policies:

Plant Facilities: Land, buildings, machinery and equipment are carried at cost. Major additions and betterments are charged to the property accounts while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are expensed currently.

Depreciation and amortization of plant facilities are computed over the estimated useful lives of the related assets by the straight-line method for assets acquired in 1953 or prior and all purchases acquired thereafter by the sum-of-the-years-digits method; some machinery and office equipment by the straight-line method, and automotive by the declining balance method.

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

Provision for depreciation is computed by various methods. Capital additions to plant assets, plant additions and improvements purchased to and including December 31, 1953 are depreciated by the straight-line method, purchases after January 1, 1954, by the sum-of-the-years-digits method; some machinery and office equipment by the straight-line method, and automotive equipment by the declining balance method. Air pollution equipment is being depreciated over a ten year period by the sum-of-the-years-digits method.

Classification of Property	Depreciable Life
Buildings and additions	10—50 years
Machinery	5—20 years
Office equipment	10 years
Automotive equipment	3— 5 years
Air pollution abatement equipment	10 years

The balances at December 31, 1975 and 1974 are as follows:

1975	Cost	Accumulated Depreciation	Book Value
Land	$ 86,254	$ —	$ 86,294
Buildings and additions	2,744,661	1,288,963	1,455,698
Machinery and equipment	9,089,730	6,633,338	2,456,392
Office equipment	263,639	188,051	75,588
Automotive equipment	783,502	502,852	280,650
Air pollution abatement equipment	514,691	354,055	160,636
Totals	$13,482,517	$8,967,259	$4,515,258

1974	Cost	Accumulated Depreciation	Book Value
Land	$ 86,294	$ —	$ 86,294
Buildings and additions	2,744,661	1,220,496	1,524,165
Machinery and equipment	8,961,258	6,267,296	2,693,962
Office equipment	262,136	159,548	102,588
Automotive equipment	667,345	417,083	250,262
Air pollution abatement equipment	514,691	310,810	203,881
Totals	$13,236,385	$8,375,233	$4,861,152

TABLE 2-14: ACCUMULATED DEPRECIATION

	1975	1974	1973	1972
Accumulated depreciation	299	303	301	290
Accumulated depreciation and amortization	135	130	132	128
Allowance for depreciation	42	36	36	38
Accumulated depreciation, amortization and depletion	26	29	29	28
Accumulated depreciation and depletion	20	22	22	25
Allowance for depreciation and amortization	25	20	21	22
Allowance for depreciation and depletion	8	14	14	14
Other captions	45	46	45	55
Total Companies	**600**	**600**	**600**	**600**

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

Consolidated Balance Sheet

	1975	1974
Property, plant and equipment—at cost	$567,194,898	$428,158,008
Less accumulated depreciation and amortization	178,844,769	149,019,801
Property, plant and equipment —net	$388,350,129	$279,138,207

Consolidated Statement of Income

Income from operations	$742,824,763	$425,756,351
Less:		
Cost of operations	$553,533,250	$308,034,404
Depreciation	35,722,934	28,473,280
Selling, general and administrative expenses	58,296,613	42,588,051
Provision for supplemental compensation	2,450,162	604,861
	$650,002,959	$379,700,596
Operating income	$ 92,821,804	$ 46,055,755

Notes to Consolidated Financial Statements

Note A—Summary of Significant Accounting Policies

The straight line method of computing depreciation is utilized for financial reporting purposes. Maintenance, repairs and renewals of construction equipment are charged to income as incurree except as described in NOTE B, and extraordinary repairs or renewals are capitalized. At the time properties are retired or otherwise disposed of, the accumulated reserves are written off the books and any difference between the net book value and the amount realized by sale or salvage is included in income.

Note J: Property, Plant and Equipment and Depreciation and Amortization—Property, plant and equipment are stated at cost. The major classes of this investment are as follows:

	March 31, 1975	1974
Land	$ 6,687,746	$ 6,864,809
Property under construction	101,762,019	71,223,375
Buildings	42,457,678	26,703,247
Construction equipment	393,805,971	306,375,745
Transportation equipment	11,535,904	7,951,878
Other equipment	10,945,580	9,038,954
	$567,194,898	$428,158,008

Depreciation of physical properties is based on the estimated useful life of the properties with applicable rates as follows:

Buildings	3⅓% to	12½%
Construction equipment	5% to	50%
Transportation equipment	20% to	50%
Furniture and fixtures	10% to	33⅓%

Accumulated depreciation and amortization of major classes of property, plant and equipment are as follows:

	March 31, 1975	1974
Buildings	$ 10,024,446	$ 7,945,186
Construction equipment	158,943,128	131,308,377
Transportation equipment	5,568,136	4,895,882
Other equipment	4,309,059	4,870,356
	$178,844,769	$149,019,801

MIRRO ALUMINUM COMPANY (DEC)

Balance Sheets

	1975	1974
Property, plant and equipment (Note 1):		
Land and land improvements	$ 1,525,329	$ 1,521,972
Buildings	13,914,485	13,861,650
Machinery and equipment	24,590,757	22,857,931
Construction in progress	403,886	609,414
	$40,434,457	$38,850,967
Less—accumulated depreciation	20,747,396	18,906,625
Property, plant and equipment, net	$19,687,061	$19,944,842

Statements of changes in financial position

Working capital provided from:		
Operations—		
Net income	$3,371,517	$3,352,357
Items not requiring the outlay of working capital—		
Depreciation and amortization	1,933,678	1,864,634
Deferred income taxes	320,607	(23,727)
Working capital provided from operations	$5,625,802	$5,193,264

Notes to Financial Statements

Note 1 (in part): Summary of Acctunting Policies

Property and depreciation—Property, plant and equipment (including major renewals and betterments) are capitalized in the accounts and stated at cost. Ordinary maintenance and repair items are charged directly to current income. Depreciation is computed using the straight-line method based on the estimated useful lives of depreciable assets.

PUROLATOR, INC. (DEC)

Consolidated Statements of Changes in Financial Position

	1975	1974
Property, plant and equipment at cost (note 5)	$74,452,569	$65,208,694
Less accumulated depreciation and amortization	32,061,343	27,331,718
Net property, plant and equipment	$42,391,226	$37,876,976

Consolidated Statements of Financial Condition

Funds provided:		
Net earnings	$14,412,326	$14,177,353
Charges (credits) to earnings not requiring an outlay of working capital:		
Depreciation of plant and equipment	7,989,264	7,205,201
Amortization of intangible assets	369,098	432,179
Provision for deferred taxes on income	(420,000)	217,000
Deferred compensation and other charges	145,573	640,546
Working capital derived from operations	$22,496,261	$22,672,279

Note 5: Property, Plant and Equipment—Property, plant and equipment consist of the following:

December 31	1975	1974
Land	$ 2,698,865	$ 2,496,056
Buildings and improvements	14,666,438	12,446,061
Leasehold improvements	6,278,292	5,332,336
Machinery and equipment	23,860,905	22,425,371
Revenue and service equipment	22,938,647	19,052,459
Furniture and fixtures	4,009,422	3,456,411
	$74,452,569	$65,208,694

Depreciation of plant and equipment is computed using the straight-line and the declining-balance methods. The declining-balance method is generally used for machinery and equipment and furniture and fixtures until depreciation computed using the straight-line method exceeds the accelerated method depreciation. At such time, the straight-line method is used for the remaining lives of the assets.

Estimated useful lives are generally as follows:

Buildings and improvements	20-50 years
Machinery and equipment....................	3-20 years
Revenue and service equipment	2-10 years
Furniture and fixtures	3-15 years
Leasehold improvements	Life of lease or asset

Expenditures for maintenance and repairs are charged against earnings in the year incurred; replacements, renewals and betterments are capitalized.

Upon the sale or other disposition of property, the cost and accumulated depreciation of such property are eliminated from the accounts and the gains or losses thereon are reflected in earnings.

ROCKWELL INTERNATIONAL CORPORATION (DEC)

	1975	1974
	(in millions)	
Property—at cost:		
Land	$ 61.1	$ 64.9
Improvements to land and leaseholds	62.0	57.1
Buildings	408.8	380.9
Machinery and equipment	984.9	863.1
Furniture, fixtures, and office equipment	105.4	102.1
Construction in progress	45.5	95.6
Total	1,667.7	1,563.7
Less accumulated depreciation and amortization......................	827.5	755.7
Net property	$ 840.2	$ 808.0

Notes to Financial Statements

Note 13: Depreciation—Depreciation and amortization of property is provided based on estimated useful lives using accelerated and straight-line methods. The provision for depreciation and amortization of property totaled $115.5 million in 1975 and $98.3 million in 1974.

SCOVILL MANUFACTURING COMPANY (DEC)

Consolidated Balance Sheet

	1975	1974
Property, plant and equipment		
Land and improvements.............	4,488,000	4,399,000
Buildings and improvements.........	31,262,000	28,777,000
Machinery and equipment	125,840,000	121,303,000
Tools and dies	12,682,000	12,600,000
Construction in progress.............	7,962,000	6,226,000
	182,234,000	173,305,000
Less allowances for depreciation....	91,206,000	83,422,000
	91,028,000	89,883,000
Property, plant and equipment of discontinued operations and operations to be disposed of less allowances for depreciation of $73,904,000 and $77,902,000 (Note B)...........	41,426,000	50,483,000
	$132,454,000	$140,366,000

Consolidated Statement of Changes in Financial Position

Sources of funds		
Earnings from continuing operations	$ 12,913,000	$ 15,702,000
Items not affecting working capital in the current period:		
Depreciation	13,449,000	12,839,000
Deferred income taxes, undistributed income of 50% owned companies and other—net	(98,000)	1,746,000
Total from continuing operations	26,264,000	30,287,000
Loss from discontinued operations and operations to be disposed of	(46,109,000)	(824,000)
Items not affecting working capital in the current period:		
Depreciation	3,885,000	4,371,000
Deferred income taxes............	(32,000,000)	—
Provision for loss on operations to be disposed of	72,000,000	—
Total from discontinued operations and operations to be disposed of	(2,224,000)	3,547,000
Total from operations...	$ 24,040,000	$ 33,834,000

Notes to Consolidated Financial Statements

Note A–A summary of significant accounting policies follows:

Property and depreciation—Property is recorded at cost and expenditures for improvements generally are capitalized. Normal repairs and maintenance are expensed. At the time of disposal of assets, the cost and accumulated allowances for depreciation are removed from the accounts and the gain or loss is credited or charged to earnings.

The cost of tools is charged to earnings over their expected productive lives. Other product development costs are charged to earnings as incurred.

For financial reporting purposes, provisions for depreciation are computed generally on the declining balance method for additions from 1954 through 1967 and the straight-line method for all other additions. For income tax purposes, accelerated depreciation methods are used.

TIME INCORPORATED (DEC)

Consolidated Balance Sheet

	1975	1974
Property and equipment—at cost		
Buildings	$ 82,456,000	$ 80,679,000
Machinery and equipment	306,227,000	288,675,000
Leasehold improvements	20,466,000	18,863,000
Construction in progress	50,952,000	24,192,000
	460,101,000	411,859,000
Less allowances for depreciation and amortization	196,692,000	177,731,000
	263,409,000	234,128,000
Timber and timberland, less depletion	35,500,000	34,300,000
Land	8,004,000	7,970,000
Total property and equipment	$306,913,000	$276,398,000

Consolidated Statement of Changes in Financial Position

Sources of Working Capital		
From operations:		
Net income	$ 45,051,000	$ 50,224,000
Charges (credits) not affecting working capital:		
Depreciation, amortization, depletion	25,543,000	22,480,000
Deferred federal income taxes	3,949,000	2,403,000
Provision for losses on investments	1,444,000	1,968,000
Share of (income) losses in 20%-50% owned companies	(996,000)	1,202,000
Net income from unconsolidated subsidiaries	(780,000)	(150,000)
Total from operations	$ 74,211,000	$ 78,127,000

Notes to Financial Statements

Summary of Significant Accounting Policies

Depreciation and Depletion—Depreciation of property and equipment is computed by the straight-line method over the estimated useful lives of the assets. Charges for timber depletion are based on the unit cost of timber harvested during the year.

THE UNITED PIECE DYE WORKS (DEC)

	1975	1974
Property, plant and equipment—at cost less accumulated depreciation of $7,032,036 in 1975 and $6,146,238 in 1974 (Note E)	$9,245,357	$8,621,951

Note E: Property, plant and equipment

(1) Major classes of property, plant and equipment are summarized as follows:

	December 28, 1975	December 29, 1974
Land and improvements	$ 184,059	$ 281,324
Buildings and improvements	3,922,998	3,725,822
Machinery and equipment	11,322,806	9,524,884
Furniture and fixtures	509,921	470,274
Automotive equipment	194,361	183,474
Construction in progress	143,248	582,411
Total	$16,277,393	$14,768,189
Less accumulated depreciation	7,032,036	6,146,238
Balance	$ 9,245,357	$ 8,621,951

(2) 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 $1,339,521 in 1975 and $1,454,066 in 1974 (including obsolescence factors of $239,633 on certain equipment in 1975 and $457,682 on certain other equipment in 1974). For income tax purposes, the Company uses accelerated depreciation methods for most assets irrespective of their acquisition dates.

(3) During 1974 and 1975 the Company sold equipment which cost $1,605,000 for $1,500,000 and leased it back. The excess of cost over sales price of $105,000 is being amortized over the life of the lease.

Functional Classification

ARA SERVICES, INC. (SEP)

Consolidated Balance Sheets

	1975	1974
	(in thousands)	
Property and equipment, at cost:		
Food service and vending equipment	$ 186,607	$ 182,810
Equipment for other services	31,596	31,178
Buses, principally school	36,263	32,263
Vehicles, except buses	23,510	21,670
Health care facilities	42,128	34,718
Other land, buildings and leasehold improvements	39,357	37,097
	359,461	339,736
Less—Accumulated depreciation	149,081	138,488
	$ 210,380	$ 201,248

Consolidated Statements of Income

Costs and expenses:		
Purchased materials used in service operations	$ 564,793	$ 542,957
Operating, selling and administrative expenses	545,551	491,054
Depreciation	27,131	25,696
Interest, net	5,495	5,931
	$1,142,970	$1,065,638

Notes to Consolidated Financial Statements

Note 1 (in part): Significant Accounting Policies:

Property and Equipment—Property and equipment are stated at cost. Depreciation and amortization are provided using the straight-line method at the following rates: food service and vending equipment—10 to 20%; equipment for other services—10 to 12½%; buses—5 to 20% (school buses principally 10%); vehicles, except buses—12½ to 20%; health care facilities—2 to 10%; other buildings—2½ to 3⅓% and leasehold improvements—principally life of lease.

Maintenance and repairs are charged to expense. Additions and betterments are capitalized. Under the composite method of depreciation, which is primarily used, normal retirements of property and equipment are recorded by charging the original cost, less proceeds, to accumulated depreciation. Gain or loss on abnormal retirements is included in the results of operations.

ATLAS CORPORATION (JUN)

Balance Sheets

	1975	1974
Property, plant and equipment, at cost (Note 1):		
Mining	$23,753,601	$21,238,904
Milling	15,643,790	12,857,945
Manufacturing	18,490,318	17,555,292
	57,887,709	51,652,141
Less, accumulated depreciation, depletion and amortization	34,320,575	33,531,491
	$23,567,134	$18,120,650

Statements of income and retained earnings

Costs and expenses:		
Cost of sales	$40,384,552	$36,417,534
Depreciation, depletion and amortization	1,838,161	1,457,849
Exploration and prospecting costs	567,383	307,240
Selling, general and administrative expenses	5,394,633	5,437,325
Interest	1,367,965	637,079
Other	209,075	248,987
	$49,761,769	$44,506,014

Note 1 (in part): Accounting Policies:

Property, plant, and equipment—Depreciation at all manufacturing facilities is calculated by the straight-line method. Depletion and amortization of mining properties are based generally on units of production as determined by management's estimates of recoverable reserves. The milling facilities are principally depreciated at rates per unit of sale using a composite rate based on the estimated economic life of the mining properties. Leasehold improvements are amortized on the straight-line basis over the terms of related leases.

Expenditures for maintenance and repairs are charged to income as incurred. Expenditures for additions, improvements, replacements, betterments and major renewals are added to the property, plant and equipment accounts. The cost of assets retired, or otherwise disposed of, and the related accumulated depreciation are eliminated from the accounts and the related gain or loss is reflected in the statements of income and retained earnings.

CROWN CENTRAL PETROLEUM CORPORATION (DEC)

Balance Sheet

	1975	1974
Property, plant and equipment (Notes G and K)		
Land	$ 11,578,878	$ 10,370,609
Oil and gas properties	29,234,201	21,610,171
Refinery and petrochemical plant	74,606,230	72,015,111
Marketing facilities	31,957,105	27,168,037
Pipe lines and other equipment	6,496,458	5,797,163
Reactor materials—long-term projects	11,000,000	1,500,000
	153,293,994	128,090,482
Less allowances for depreciation and depletion	50,448,751	44,516,491
	102,845,243	83,573,991
Total property, plant and equipment	$114,424,121	$ 93,944,600

Statement of Changes in Financial Position

Source of funds		
From operations:		
Net income for the year	$ 5,504,098	$ 10,170,174
Provision for depreciation and depletion	7,509,596	6,403,858
Abandonments and sales of property, plant and equipment (net of proceeds)	1,673,096	610,795
Deferred federal income taxes	734,000	(142,000)
Amortization of turnaround costs	635,125	965,000
Other	(204,561)	(199,128)
Total from operations	$ 15,851,354	$ 17,808,699

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 are 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.

FREEPORT MINERALS COMPANY (DEC)

Balance Sheet

	1975	1974
Property, plant and equipment, at cost (Note 3):		
Land and leaseholds	$ 66,679,000	$ 53,146,000
Plant and equipment	282,268,000	260,276,000
	348,947,000	313,422,000
Less, accumulated depreciation and amortization	177,156,000	163,348,000
	$171,791,000	$150,074,000

Statement of Changes in Financial Position

Sources of working capital:		
Net income	$ 34,519,000	$ 78,164,000
Costs and expenses which did not require the current outlay of working capital:		
Depreciation and amortization.	15,577,000	13,751,000
Provision for valuation allowances against equity investments in affiliated companies	30,200,000	—
Future federal income taxes	7,413,000	4,824,000
Equity in net income of Freeport Indonesia, Incorporated	(5,975,000)	(36,517,000)
Dividend received from Freeport Indonesia, Incorporated	8,778,000	—
Working capital provided from operations	$ 90,512,000	$ 60,222,000

Notes to Financial Statements

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

Depreciation and amortization—The Company computes depreciation and amortization of property, plant and equipment over estimated useful lives, generally on the unit-of-production method for producing mineral properties and on the straight-line method for oil and gas and other assets.

Note 3: Property, plant and equipment—Major categories of property, plant and equipment at December 31 were as follows (amounts in thousands):

1975	Land and Leaseholds	Plant and Equipment	Total	Unamortized Balance
Sulphur	$ 6,723	$134,232	$140,955	$ 56,750
Phosphate	8,492	79,501	87,993	52,811
Potash	11,522	18,872	30,394	1,790
Kaolin	3,681	38,576	42,257	32,788
Oil and gas	31,949	6,978	38,927	21,966
Other	4,312	4,109	8,421	5,686
	$66,679	$282,268	$348,947	$171,791

1974	Land and Leaseholds	Plant and Equipment	Total	Unamortized Balance
Sulphur	$ 6,019	$124,872	$130,891	$ 51,151
Phosphate	8,424	75,388	83,812	54,140
Potash	11,522	17,740	29,262	1,828
Kaolin	3,645	31,831	35,476	26,902
Oil and gas	18,265	6,230	24,495	9,675
Other	5,271	4,215	9,486	6,378
	$53,146	$260,276	$313,422	$150,074

THE SUPERIOR OIL COMPANY (DEC)

Balance Sheet

	1975	1974
Properties, plant and equipment, at cost		
Undeveloped oil and gas properties	$119,018,000	$112,807,000
Producing oil and gas properties	126,495,000	117,579,000
Wells and related production equipment (exclusive of intangible development costs)	294,968,000	278,464,000
Gas plants and related facilities	85,766,000	80,592,000
Agricultural properties and related facilities (Notes 2 and 7)	116,177,000	116,387,000
Other properties and equipment	70,516,000	54,504,000
	812,940,000	760,333,000
Less—Accumulated depletion, depreciation and amortization	316,525,000	290,137,000
	$496,415,000	$470,196,000

Statement of Changes in Financial Position

Resources provided		
From operations		
Income before extraordinary items	$ 51,926,000	$ 60,997,000
Items not using (providing) resources		
Depletion, depreciation, amortization and abandoned properties	50,571,000	39,261,000
Equity in earnings of affiliated companies (Note 1)	(3,798,000)	(3,432,000)
Deferred income taxes	6,936,000	757,000
Minority interest in Canadian Superior Oil Ltd.	15,511,000	14,761,000
Gain on sale of Texaco stock	(24,251,000)	—
Other (net)	1,095,000	1,666,000
	$ 97,990,000	$114,010,000

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.

INVESTMENTS

Although there is a presumption that consolidated financial statements are usually necessary for a fair presentation when one company has a controlling interest in another company, there are instances when consolidation of a subsidiary is not appropriate. *APB Opinion No. 18* stipulates that the equity method should be used to account for investments in subsidiaries as well as for 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. *Opinion No. 18* also sets forth procedures to be followed and disclosures to be made by an investor in applying the equity method.

In addition to investments accounted for by the equity method many of the survey companies used the term *investments* to describe holdings of marketable equity securities, bonds, or property not held for productive purposes. As mentioned in the Section on "Marketable Securities in Current Assets," the Financial Accounting Standards Board issued, in December 1975, *Statement No. 12* which stipulates that marketable equity securities, whether presented as a current or noncurrent asset, should be carried at lower of aggregate cost or market value.

Examples of investment presentations and disclosures follow.

TABLE 2-15: INVESTMENTS — VALUATION BASES

	Number of Companies		
	1975	1974	1973
Common stock ownership of 20% or more			
Equity method	277	275	266
Equity in net assets	71	70	85
Cost	23	24	36
Other			
Cost—market value not disclosed	105	98	97
Cost—market value disclosed	35	34	33
Cost less allowance for decline in value	34	32	33
Lower of cost or market	13	N/C	N/C

N/C — Not Compiled.

Equity Method

LEE ENTERPRISES, INCORPORATED (SEP)

Consolidated Balance Sheets

	1975	1974
Investments		
Investment in associated companies (Note 3)	$ 8,357,000	$ 7,040,000
Other, at cost which approximates market	180,000	161,000
	$ 8,537,000	$ 7,201,000

Consolidated Statements of Income

Operating revenue:		
Newspaper advertising	$30,958,000	$27,548,000
Newspaper circulation	10,960,000	9,585,000
Broadcasting	9,436,000	8,304,000
Associated companies:		
Editorial service and management fees	3,015,000	2,409,000
Equity in net income (Note 3)	2,051,000	1,324,000
Other	1,654,000	563,000
	$58,074,000	$49,733,000

Notes to Consolidated Financial Statements

Note 1 (in part): Significant Accounting Policies

Investment in associated companies—Investment in associated nonconsolidated companies is reported on the equity method.

Note 3: Investment in Associated Companies—Ownership percentage and investment cost of the Company's investment in associated nonconsolidated companies is summarized as follows:

	Percentage Ownership	Investment Cost
Newspaper publishing:		
Journal-Star Printing Co., Lincoln, Nebraska	49¾%	$1,118,000
Madison Newspapers, Inc., Madison, Wisconsin	50	238,000
Manufacturer of photosensitive polymer printing plates, NAPP Systems (USA) Inc.	50	500,000
		$1,856,000

Comparative combined financial information of the nonconsolidated associated companies is summarized as follows:

	September 30, 1975	1974
Total assets	$33,240,000	$29,335,000
Total liabilities and deferred items.	16,505,000	15,234,000
Stockholders' equity	$16,735,000	$14,101,000
Portion of stockholders' equity applicable to Lee Enterprises, Incorporated	$ 8,357,000	$ 7,040,000
Total revenue:		
Newspaper publishing associates	$28,025,000	$25,029,000
NAPP Systems (USA) Inc.	16,022,000	7,568,000
	$44,047,000	$32,597,000
Net income:		
Newspaper publishing associates	$ 2,906,000	$ 2,636,000
NAPP Systems (USA) Inc.	1,201,000	18,000
	$ 4,107,000	$ 2,654,000
Portion of net income applicable to Lee Enterprises, Incorporated	$ 2,051,000	$ 1,324,000

The Company is a 50% guarantor of a NAPP Systems (USA) Inc. term loan of $7,500,000.

The associated companies intend to continue to reinvest their undistributed earnings, of which Lee Enterprises, Incorporated's share is approximately $6,500,000. Therefore, no provision has been made for the future income taxes Lee might incur should such amounts be distributed.

The equity in net income of associated companies and related income taxes on dividends for the year ended September 30, 1974 have been retroactively reclassified in the consolidated statement of income to conform to the classifications used for the year ended September 30, 1975. This change had no effect on net income.

THE MEAD CORPORATION (DEC)

Statement of Financial Condition

	1975	1974
	($000)	
Investments and other assets:		
Investments in and advances to jointly-owned companies	$162,720	$144,645
Other assets and investments	41,366	36,494

Statement of Earnings

Earnings from wholly-owned operations	$ 72,026	$147,703
Equity in earnings before taxes of:		
Jointly-owned companies	8,852	11,073
Overseas operations	4,814	9,744
Earnings from operations	$ 85,692	$168,520

Financial Review Details

Jointly-Owned Companies—The Corporation's principal domestic jointly-owned companies are Georgia Kraft Company and Brunswick Pulp & Paper Company. Georgia Kraft manufactures coated and uncoated kraft linerboard and Brunswick manufacturers bleached kraft board and pulp. Each of these companies is 50% owned and supplies the Corporation with certain raw materials used in its packaging, container and paper operations.

The Corporation's principal Canadian jointly-owned companies are Northwood Pulp & Timber Limited and British Columbia Forest Products Limited. Northwood is 50% owned, and the Corporation owns approximately 28.5% of British Columbia Forest Products. Both Northwood and BCFP manufacture bleached softwood kraft pulp and produce lumber in their sawmill operations. BCFP also manufactures newsprint and plywood.

Mead's investments in unconsolidated jointly-owned companies are stated at cost plus equity in undistributed earnings (based upon audited financial statements) which approximates the Corporation's share of the net assets of these companies. The composition of Mead's total investments in these companies is:

All dollar amounts in thousands	December 31	
	1975	1974
Investments—at cost	$ 53,404	$ 53,696
Equity in undistributed earnings included in retained earnings	88,437	69,318
Mead's share of equity	141,841	123,014
Advances	20,879	21,631
	$162,720	$144,645

The Corporation sources a portion of its raw material requirements through long-term purchase contracts with certain jointly-owned companies. Under these purchase contracts, the Corporation and the other 50% owners are each obligated to purchase 50% of the output of Georgia Kraft, Brunswick and Northwood at prices sufficient to provide for all costs and expenses including interest on indebtedness, but excluding taxes on income. Additionally these payments must provide adequate funds to meet all obligations and pay current installments of funded indebtedness.

Mead considers the pulp and board produced by its affiliates, including Georgia Kraft, Brunswick and Northwood, as part of its raw material supply system. Therefore, the pretax earnings on these products of jointly-owned companies are recorded as an offset to Mead's cost of products sold. All pre-tax earnings from BCFP, the sawmill operations of Northwood and certain other affiliates are reported as equity in earnings of jointly-owned companies. Applicable taxes on earnings of these jointly-owned companies are included in the provision for income taxes.

The combined financial data of these jointly-owned companies are:

Earnings data:	Year ended December 31	
All dollar amounts in thousands	1975	1974
Net sales (including $193,342 in 1975 and $189,873 in 1974 to Mead)	$709,135	$732,598
Net earnings	$ 45,640	$ 44,774
Mead's share of net earnings	$ 19,206	$ 15,065
Reported in Mead's statement of earnings as:		
Reduction of cost of products sold	$ 20,842	$ 17,429
Equity in earnings before taxes of jointly-owned companies	8,852	11,073
	29,694	28,502
Income taxes	10,488	13,437
	$ 19,206	$ 15,065

Financial condition:	December 31	
All dollar amounts in thousands	1975	1974
Working capital	$117,796	$138,784
Investments and other assets	21,923	18,163
Property, plant and equipment, at cost—net of accumulated depreciation of $370,207 in 1975 and $334,265 in 1974	500,157	476,996
Timber resources, at cost—net of cost of timber harvested	69,860	62,872
	709,736	696,815
Less:		
Long-term debt due through 1992 (including $35,420 in 1975 and $35,233 in 1974 due to parent companies)	275,057	314,252
Deferred income taxes	98,869	89,124
Shareholders' equity	$335,810	$293,439
Mead's share of equity	$141,841	$123,014

PHELPS DODGE CORPORATION (DEC)

Statement of Consolidated Financial Position

	1975	1974
Investments (Schedule B, page 26)	$127,627,000	$149,921,000

Statement of Consolidated Income and Retained Earnings

Income before equity earnings and extraordinary item	$ 57,523,000	$101,579,000
Earnings (losses) of equity basis investments, less income tax	(11,132,000)	10,947,000
Income before extraordinary item	$ 46,391,000	$112,526,000

Schedule B–Investments

Cost basis:		
Stock listed on exchanges:		
AMAX Inc. common stock....	$ —	$ 1,313,000
Other securities and loans:		
Southern Peru Copper Corporation capital stock (16%)	5,216,000	5,216,000
Alumina supply loans (repayable with interest monthly to 1989)........	27,945,000	29,667,000
Manufacturing interests abroad....................	27,314,000	25,851,000
Miscellaneous	5,406,000	2,339,000
Equity basis:		
Conalco, Inc. capital stock (40%) (Schedule E, page 28).......	57,777,000	69,137,000
Other	3,969,000	16,398,000
	$127,627,000	$149,921,000

Schedule E–Conalco, Inc. Financial Data

	December 31, 1975	1974
Net current assets................	$100,721,000	$134,066,000
Property, plant and equipment, net	217,431,000	216,796,000
Other assets......................	7,479,000	1,641,000
Deferred income taxes..........	(2,568,000);	(2,800,000)
Long-term liabilities, principally debt..........................	(173,292,000)	(172,112,000)
Minority interest in consolidated subsidiary	(5,330,000)	(4,748,000)
Net assets........................	$144,441,000	$172,843,000
	1975	1974
Net sales	$411,121,000	$577,935,000
Extraordinary item—utilization of a loss carryforward	—	24,649,000
Net income (loss)................	(28,402,000)	51,043,000

Conalco's 1975 net loss was reduced by $3,100,000 (Phelps Dodge portion $1,240,000, or $.06 per Phelps Dodge share) resulting from a liquidation of LIFO inventory quantities carried at lower costs prevailing in prior years as compared with 1975 production costs.

RANCO INCORPORATED (SEP)

Consolidated Balance Sheet

	1975	1974
Investments	$7,165,424	$6,303,364

Consolidated Statement of Income

Income (loss) from continuing operations before equity in earnings of affiliates......................	$(1,758,860)	$2,327,423
Equity in earnings of affiliates......	407,000	1,701,000
Income (loss) from continuing operations......................	$(1,351,860)	$4,028,423

Notes to Consolidated Financial Statements

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

International Subsidiaries and Affiliates—The consolidated financial statements include the accounts of the Company and all of its wholly-owned subsidiaries (see Note 3 regarding discontinued operations). The Company accounts for its investments in affiliates, Ranco Japan Limited (45% interest) and Controles Automaticos S.A. (40% interest) on the equity basis of accounting since management deems that its investment position in these affiliates is consistent with all of the requirements of Accounting Principles Board Opinion No. 18 (see Note 5). Throughout fiscal 1974 and during the first six months of fiscal 1975, the Company accounted for its investment in Actrol Limited (Actrol), formerly Australian Controls Limited, on the equity basis of accounting.

Effective March 31, 1975, the Company discontinued the equity basis of accounting for its investment in Actrol as a result of a dilution, during fiscal 1975, of its ownership interests. Income of Actrol included in the consolidated statement of income utilizing the equity basis approximated $157,000 and $292,000 in 1975 and 1974, respectively. The Company since April 1, 1975 is utilizing the cost basis of accounting for its investment in Actrol and has accordingly reflected dividend income of approximately $68,000 in the consolidated statement of income.

Note 5: Investments in Affiliates—The amount of investment in affiliates (see Note 1) included in the accompanying balance sheet ($6,808,000 in 1975 and $6,303,000 in 1974) approximates the Company's underlying equity in the net assets reduced by the tax consequences to the Company of receiving its share of accumulated earnings being retained by affiliates in a taxable transaction. The Company's equity in net earnings of affiliates is determined in accordance with the translation policy described in Note 1. Combined condensed financial data relating to the affiliates follows:

	Combined Balance Sheet 1975 (A)	1974
Net current assets (including $396,000 in 1975 and $2,093,000 in 1974 due Company)........................	$ 7,663,000	$13,858,000
Other assets (principally plant and equipment)	4,682,000	16,191,000
	12,345,000	30,049,000
Less long-term liabilities	1,778,000	2,976,000
Net assets......................	$10,567,000	$27,073,000

	Combined Income Statement 1975 (B)	1974
Net sales	$54,624,000	$86,696,000
Costs and expenses	50,713,000	74,085,000
	3,911,000	12,611,000
Income taxes........................	2,047,000	6,982,000
Net income	$ 1,864,000	$ 5,629,000

(A) Excludes Actrol (see Note 1)

(B) Includes Actrol for six months (see Note 1)

THE SUPERIOR OIL COMPANY (DEC)

Consolidated Balance Sheet

	1975	1974
Investments (Note 1)		
Affiliated companies		
McIntyre Mines Limited (owned 40.5% and 39.5% in 1975 and 1974, respectively)	$ 90,730,000	$ 83,111,000
Western platinum limited (owned 24.0%)	13,296,000	14,263,000
Austral Oil Company Incorporated (owned 20.0%)	14,716,000	—
Marketable securities, at cost		
Texaco, Inc.	16,155,000	60,927,000
Other	27,641,000	25,107,000
	$162,538,000	$183,408,000

Consolidated Statement of Income

Other income (expense)		
Dividends and miscellaneous income	$10,475,000	$14,284,000
Gain on sale of 2,710,000 shares of Texaco stock (Note 1)	24,251,000	—
Equity in earnings of affiliated companies (Note 1)	3,798,000	3,432,000
Interest expense	(11,588,000)	(14,242,000)
	$26,936,000	$ 3,474,000

Summary of Significant Accounting Policies

Principles of Consolidation—The consolidated financial statements include the accounts of all domestic and foreign subsidiaries owned more than fifty percent including Canadian Superior Oil Ltd. (Canadian Superior) which is 53.3 percent owned. The minority interest shareholders' equity in the net assets of Canadian Superior is set forth in the Consolidated Balance Sheet and their equity in Canadian Superior's net income has been deducted in arriving at consolidated net income. All significant intercompany accounts and transactions have been eliminated.

Superior's investments in all other companies owned twenty percent or more are stated at cost as adjusted for Superior's share of reported earnings or losses less amortization of excess costs. Investments in all other companies are carried at cost.

Notes to Consolidated Financial Statements

Note 1: Investments

Affiliated Companies—The accounts of Canadian Superior Oil Ltd. (Canadian Superior), 53.3 percent owned by Superior, are included in the consolidated financial statements. At December 31, 1975, Superior's equity in the net assets of Canadian Superior was $15,198,000 less than its investment therein. Such amount has been included in producing oil and gas properties and is being amortized over the next 12 years. Amortization was $1,266,000 in both 1975 and 1974.

Investments in McIntyre Mines Limited (McIntyre), Western Platinum Limited (Western Platinum) and Austral Oil Company Incorporated (Austral) are accounted for on the equity basis. An analysis of Superior's investment in these affiliated companies is presented below (in thousands of U.S. dollars):

	Total	McIntyre (owned 40.5% (a))	Western Platinum (owned 24.0%)	Austral (owned 20.0%)
Transactions of prior years				
Cost of capital stock	96,145	90,250	5,895	—
Cash advances	7,728	—	7,728	—
Equity in earnings.	10,412	9,740	672	—
Dividends received	(8,336)	(8,336)	—	—
Amortization of excess cost (b)	(10,558)	(10,434)	(124)	—
Investment at December 31, 1973	95,391	81,220	14,171	—
Cost of capital stock	66	66	—	—
Equity in 1974 earnings	4,998	3,267	1,731	—
Amortization of excess cost	(1,566)	(1,442)	(124)	—
Repayment of cash advances	(1,515)	—	(1,515)	—
Investment at December 31, 1974	97,374	83,111	14,263	—
Cost of capital stock	15,552	1,345	—	14,207
Equity in 1975 earnings before extraordinary items	5,836	4,753	252	831
Equity in extraordinary items (c)	3,596	3,596	—	—
Dividends received	(483)	(483)	—	—
Amortization of excess cost	(2,038)	(1,592)	(124)	(322)
Revaluation of cash advances (d)	(1,095)	—	(1,095)	—
Investment at December 31, 1975	118,742	90,730	13,296	14,716
Quoted market price at December 31, 1975		38,700	Not Quoted	9,500
Unamortized excess cost at December 31, 1975		33,426	2,103	5,523
Remaining years over which excess cost will be amortized on straight-line basis		21	17	14

(a) McIntyre capital stock is owned 36.2% by Superior and 4.3% by Canadian Superior.

(b) The term "excess cost" is used to denote the amount by which the cost of Superior's investment in the capital stock of each of its affiliates exceeded Superior's equity in the affiliate's net assets at the date of acquisition.

(c) Includes $2,406,000 applicable to a reduction in deferred income taxes resulting from prior years' losses and $1,190,000 applicable to a restatement made by McIntyre for 1974 resulting from a Falconbridge Nickel Mines Limited tax adjustment.

(d) On September 22, 1975 the South African Rand was devalued by 17.9%. As a result, the Company's cash advances to Western Platinum, which were made and are repayable in Rands, have been adjusted to reflect the devaluation.

On January 27, 1975 the Company purchased from Austral 835,700 shares of unissued Austral common stock, at $17 per share. 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 also 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.

The quoted market price of the Company's investment in McIntyre was $38,700,000 at December 31, 1975, approximately $52,000,000 less than the carrying value of such investment as set forth in the consolidated balance sheet. In the opinion of management of the Company, the decline in the quoted market price of McIntyre is a temporary decline and the Company's equity in the value of the underlying assets of McIntyre and Falconbridge Nickel Mines Limited (Falconbridge) (owned 37.3% by McIntyre) is in excess of the Company's investment in McIntyre.

Summarized financial information relating to McIntyre (a Canadian corporation and Austral (a U.S. corporation) is set forth below:

	McIntyre (owned 40.5%) (in thousands of Canadian dollars) As of December 31,		Austral (owned 20.0%) (in thousands of U.S. dollars) As of December 31,	
	1975	1974 (b)	1975	1974
Current assets	16,167	27,485	6,195	6,605
Investment in Falconbridge, quoted market price $53,604,000 at December 31, 1975	111,947	112,552	—	—
Properties, plant and equipment	78,960	71,048	60,676	48,649
Other assets	10,635	11,549	206	246
	217,709	222,634	67,077	55,500
Current liabilities	19,823	13,795	1,785	3,073
Long-term liabilities	47,432	74,739	19,331	24,827
Shareholders' equity	150,454	134,100	45,961	27,600
	217,709	222,634	67,077	55,500

	Year Ended December 31,		Year Ended December 31,	
	1975	1974 (b)	1975	1974
Revenues	95,736	48,366	19,113	18,021
Equity in earnings of Falconbridge	1,243	11,181	—	—
Expenses	(85,470)	(47,229)	(14,959)	(14,769)
Income before extraordinary item	11,509	12,318	4,154	3,252
Extraordinary item(a)	6,029	—	—	—
Net income	17,538	12,318	4,154	3,252

(a) Reduction in deferred income taxes resulting from prior years' losses.

(b) Restated to reflect McIntyre's equity in a restatement of Falconbridge resulting from a reduction in 1974 income and mining taxes.

McIntyre and Canadian Superior are subject to controls on prices, profits, compensation and dividends instituted by the Canadian Federal Government in the Anti-Inflation Act effective October 14, 1975. At this time there are a number of uncertainties concerning implementation of the program, therefore, the impact on the future operations of McIntyre and Canadian Superior cannot be readily determined.

Marketable Securities—A summary of the Company's marketable securities is set forth below (in thousands of dollars).

	December 31, 1975		December 31, 1974	
	Market	Cost	Market	Cost
Texaco Inc. (949,072 shares in 1975 and 3,659,072 shares in 1974)	22,185	16,155	76,400	60,927
Other	22,205	27,641	17,300	25,107
	44,390	43,796	93,700	86,034

At December 31, 1975, the gross unrealized gains of all marketable securities were $9,014,000 and the gross unrealized losses were $8,420,000. The net realized gains included in the consolidated statements of income were $24,482,000 in 1975 and $261,000 in 1974. The cost of securities sold was determined on a specific share basis.

Lower of Aggregate Cost or Market Value

CHICAGO BRIDGE & IRON COMPANY (DEC)

	1975	1974
Other assets:		
Marketable securities, stated at market in 1975, valuation allowance of $5,057,000, and at cost in 1974 (Note 3)	$ 31,544,000	$ 38,048,000
Real estate operations—		
Rental properties less accumulated depreciation of $3,519,000 in 1975 and $3,234,000 in 1974	22,893,000	31,864,000
Properties held for sale including construction in progress	10,480,000	9,712,000
Equity in unconsolidated affiliates	13,702,000	10,274,000
Other investments and assets	22,940,000	21,564,000
Total other assets	$101,559,000	$111,462,000
Shareholders' investment:		
Common stock, $5.00 par value; authorized 12,800,000 shares; issued 9,862,000 shares in 1975 and 9,838,000 shares in 1974	$ 49,308,000	$ 49,191,000
Additional paid-in capital	4,198,000	3,827,000
Retained earnings	183,022,000	158,441,000
Net unrealized loss on marketable securities (Note 3)	(5,057,000)	—
Cost of reacquired stock, 111,000 shares in 1975 and 92,000 shares in 1974	(8,752,000)	(7,570,000)
Total shareholders' investment	$222,719,000	$203,889,000

Note 1 (in part): Accounting policies

Marketable securities—The Company's investment in marketable securities consists of equity securities held for long-term investment. These securities have been stated at the lower of aggregate cost or market as of December 31, 1975, in accordance with Statement of Financial Accounting Standards No. 12 (Note 3). Prior to December 31, 1975, these securities had been stated at cost.

Note 3: Marketable securities—In the accompanying consolidated balance sheets, the Company's investment in marketable securities has been stated at the lower of aggregate cost or market at December 31, 1975, and at cost at December 31, 1974. The change in method of accounting was required by Statement of Financial Accounting Standards No. 12, issued in December 1975. The financial statements for periods ending prior to December 31, 1975 have not been restated.

At December 31, 1975, the cost and market value of marketable securities were $36,601,000 and $31,544,000, respectively, and a valuation allowance of $5,057,000 representing the net unrealized loss was established by a charge to shareholders' investment. At December 31, 1974, cost and market value were $38,048,000 and $25,700,000 respectively.

At December 31, 1975, there were gross unrealized gains of $3,803,000 and gross unrealized losses of $8,860,000 pertaining to the securities. A net realized loss of $111,000 from the sale of marketable securities was included in other income in 1975. The first-in, first-out method is used to determine the cost of each security at the time of sale.

The market value of these securities has increased by approximately $2,000,000 as of February 13, 1976.

HARTFORD FIRE INSURANCE COMPANY (Subsidiary of International Telephone and Telegraph Corporation)

	1975	1974
	($000)	
Assets		
Investments:		
Bonds and notes, at amortized cost (market value $1,476,821 and $1,275,735)	$1,771,589	$1,613,937
Certificates of deposit, at amortized cost	129,723	78,694
Equity securities (carried at market in 1975 and cost in 1974):		
Common stocks	580,869	798,148
Preferred stocks	28,443	36,278
Redeemable preferred stock, at cost (market value $39,467 and $37,071)	42,353	44,334
Real estate (net of accumulated depreciation of $20,537 and $21,207)	54,693	54,980
	$2,607,670	$2,626,371
Stockholders' Equity		
Unrealized loss on marketable equity securities, net of tax benefit	(50,416)	—

Notes to Financial Statements

In order to conform with the requirements of the Financial Accounting Standards Board, equity securities are carried at the lower of cost or market (cost of $677,328,000) at December 31, 1975. To reduce the carrying amount of the equity securities to market at December 31, 1975, a valuation allowance in the amount of $45,571,000 (after $22,445,000 tax benefit) was established by a charge to stockholders' equity representing the net unrealized loss. An amount of $4,845,000, representing net unrealized loss on equity securities held by life insurance subsidiaries was also charged to stockholders' equity. At December 31, 1974, equity securities were not required to be carried at the lower of cost or market at the balance sheet date and were carried at cost. Equity securities had a market value of $600,935,000 at December 31, 1974. To further conform with the Financial Accounting Standards Board's statement, preferred stocks with specific redemption requirements are not defined as equity securities as of December 31, 1975. Accordingly, the decrease in unrealized loss on equity securities in 1975 excludes these redeemable preferred stocks.

Unrealized gains (losses) pertaining to the equity securities portfolio are shown below (in thousands of dollars):

	March 10, 1976	December 31, 1975	December 31, 1974
Unrealized gains:			
Property and liability companies	$ 77,897	$ 70,106	$ 35,230
Life insurance subsidiaries	323	69	77
Unrealized losses:			
Property and liability companies	(100,909)	(138,122)	(275,984)
Life insurance subsidiaries	(4,227)	(5,359)	(8,956)
Applicable tax effect	7,873	22,890	79,394
	$ (19,043)	$ (50,416)	$(170,239)

In 1975, the tax effect was determined by applying the statutory capital gains rate in effect to the aggregate unrealized gains (losses) at the end of the period. Prior to 1975, the applicable tax effect was determined by applying the capital gains tax rate in effect at the end of each period to the change in market value during the period.

LEASEWAY TRANSPORTATION CORP. (DEC)

	1975	1974
Assets		
Investments in Securities (Note 2)		
Securities carried at cost (quoted market value $15,900,000 and $8,900,000)	$ 17,864,758	$11,678,459
Securities carried at market in 1975 and at cost in 1974 (cost in 1975 of $19,808,000; market in 1974 of $16,900,000)	16,508,000	24,262,602
	$ 34,372,758	$35,941,061
Liabilities and Stockholders' Equity		
Stockholders' Equity		
Common stock—15,000,000 shares authorized at $1 par value; 7,796,690 and 7,493,157 shares issued	$ 7,796,690	$ 7,493,157
Additional paid-in capital	59,398,695	51,713,248
Retained earnings	49,872,040	40,647,773
Less—		
Treasury shares—at cost (344,219 and 332,408 shares)	(7,095,541)	(7,126,157)
Unrealized decline in value of securities carried at market (Note 2)	(3,300,000)	
	$106,671,884	$92,728,021

Note 2: Investments in Securities

SECURITIES CARRIED AT COST.

These securities consist of sinking fund preferred stocks of listed companies, which are redeemable in the future by the issuers at aggregate amounts in excess of their cost. No provision has been made for the decline in market value as the Company has no present intention of disposing of the securities and believes that the amount realized on the eventual redemption or other disposition of the securities will exceed their cost.

SECURITIES CARRIED AT MARKET IN 1975 AND AT COST IN 1974.

These securities consist of preferred and convertible preferred stocks of listed companies. In 1974 these securities also included common stock of a listed company.

The Financial Accounting Standards Board (FASB) issued a pronouncement in December 1975 requiring that "marketable equity securities" be carried at the lower of their aggregate cost or market value. The pronouncement also provides that a valuation allowance (reducing the carrying value to market) be established by a charge to stockholders' equity. These securities are "marketable equity securities" as that term is defined by the FASB. Accordingly, the method of valuation of these securities was changed to market value, which was lower than cost at December 31, 1975. The change did not affect net earnings for the year.

The valuation allowance of $3,300,000 at December 31, 1975 provides for unrealized losses of $3,343,000 offset by unrealized gains of $43,000. During 1975, realized net losses of $80,000 from the sale of these securities were deducted in determining net earnings. The cost of securities sold was determined using the first-in, first-out method.

SUBSEQUENT DEVELOPMENT.

Between December 31, 1975 and February 27, 1976, the market value of securities carried at cost of $17,864,758 increased from $15,900,000 to $17,550,000. During the same period, the unrealized decline in value of securities carried at market decreased from $3,300,000 to $950,000.

Cost

ALCO STANDARD CORPORATION (SEP)

	1975	1974
Investment—preferred stock (note 4)	$27,000,000	

Note 4: Investments-Preferred Stock—The Company has purchased two stock issues in the amounts of $20,000,000 and $7,000,000 in private transactions. The $20,000,000 9¼% cumulative preferred issue is to be redeemed by the issuer in five annual sinking fund payments commencing January 1, 1977. The $7,000,000, 9% cumulative preferred issue is subject to an agreement that permits the Company to require the purchase of the shares in four equal installments commencing January 1977, or all the shares in September 1977 or annually thereafter.

ARMIN CORPORATION (MAY)

	1975	1974
Long-term investment (Note 1)	$1,700,000	—

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

Long-term investment—Long-term investment is stated at cost and represents an investment in 6.7% tax exempt bonds having an approximate market value of $1,400,000 at May 31, 1975.

GULTON INDUSTRIES, INC. (FEB)

	1975	1974
Total current assets	$42,917,000	$41,951,000
Investment in and Notes Receivable from Saft America, Inc.	1,626,000	1,626,000
Other assets and deferred charges	810,000	1,235,000
Property, plant and equipment—at cost, less accumulated depreciation and amortization	12,549,000	12,861,000
Excess of Cost over net assets of business purchased	2,955,000	2,955,000
Patents and other intangibles—at amortized cost	1,384,000	1,652,000
	$62,241,000	$62,280,000

Notes to Financial Statements

Summary of Significant Accounting Policies (in part):

Saft America, Inc.: The Company's investment in Saft America, Inc. ("Saft America"—formerly Gulton Battery Corp.), a 20% owned company, is included in the accompanying consolidated statement of financial position as at February 28, 1975 at the Company's carrying amount as at February 28, 1974. In the prior year such investment was accounted for by the equity method. This change results, in the opinion of management, from a lessening of the Company's ability to exercise influence to the point where they no longer have significant influence over the operating and financial policies of Saft America. Such change has no material effect on consolidated net income and consolidated stockholders' equity.

Investment in and Notes Receivable from Saft America, Inc.

	1975	1974
Investment, representing underlying equity at February 28, 1974	$ 287,000	$ 287,000
Notes receivable, payable $275,000 annually commencing March 1977	1,100,000	1,100,000
Note receivable, payable based on Saft America profits (as defined)	239,000	239,000
	$1,626,000	$1,626,000

In fiscal 1974, the Company entered into an agreement whereby its investment in Saft America was reduced from 90% to 20%. Under the agreement the Company received, in exchange for outstanding short-term loans and advances to Saft America, $400,000 in cash and the above interest bearing notes.

During fiscal 1975 Saft America decided to relocate its manufacturing and administrative facilities to a new plant presently under construction, which it expects will be substantially completed and occupied by February 29, 1976. Saft America anticipates that during fiscal 1976 it will incur relocation, training and initial operating costs and expenses of approximately $1,000,000 associated with such relocation. Substantially all of these costs and expenses will be financed by loans from non-affiliated lending institutions which, in certain instances, are to be guaranteed by the majority stockholders. Saft America's operating budgets and profit projections indicate that Saft America will generate sufficient profits to recover the foregoing costs and expenses; accordingly, the Company believes that there will be no impairment in the collectibility of the notes receivable or in the carrying amount of the Company's investment in Saft America.

RUSS TOGS, INC. (JAN)

	1976	1975
Investments in long-term debt securities—at cost (Notes A and E)	$3,423,390	

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

Investments in Long-term Debt Securities—Notes issued by the Municipal Assistance Corporation and notes as to which payment is guaranteed by the U.S. Government which are being held to maturity are carried at cost (which may be in excess of market) and as noncurrent assets (Note E).

Note E: Investment in Long-term Debt Securities—These investments comprise the following at January 31, 1976:

Municipal Assistance Corporation Notes (MAC) (1)	$ 750,000
Notes guaranteed by the U.S. Government (2)	2,673,390
Total	$3,423,390

(1) Received in exchange for New York City short-term notes; the MAC notes are due July 1, 1986 and bear interest at 8% a year.

(2) Due in various installments to 2003 with interest at 6½% to 7% a year.

The above investments are stated at cost; market value at January 31, 1976 approximated $2,800,000.

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 2-16 summarizes the balance sheet captions used to describe noncurrent receivables. Examples of noncurrent receivables follow.

TABLE 2-16: NONCURRENT RECEIVABLES

	1975	1974	1973	1972
Balance Sheet Description				
Long/Term Receivables ...	51	52	50	41
Notes Receivable	28	36	29	37
Notes and accounts receivables combined	19	17	19	20
Accounts Receivable	11	11	11	10
Other—described	36	20	30	43
Receivables combined with other investments, deposits, etc	105	110	115	106
Total Presentations..............	**251**	**246**	**254**	**257**
Number of Companies				
Presenting noncurrent receivables	224	215	223	233
Not presenting noncurrent receivables	376	385	377	367
Total	**600**	**600**	**600**	**600**

ATLAS CORPORATION (JUN)

	1975	1974
Notes receivable (non-interest bearing), less discount at 9% of $94,331 and $153,245	$485,669	$691,755

FIELDS PLASTICS AND CHEMICALS, INC. (APR)

	1975	1974
Other assets:		
Long-term notes receivable (Note 5)	$601,244	$647,558

Note 5: Long-term Notes Receivable—Long-term notes receivable consisted of the following:

	April 30, 1975	1974
6% note, due $3,333 monthly through May 1, 1975 and $5,606 monthly level payment which includes interest through May 1, 1988 (a)	$609,583	$649,583
Less unamortized discount based on imputed interest of 9%	92,629	102,739
	516,954	546,844
4½% notes, due $29,623 annually (including interest) through January 15, 1980	130,603	153,378
Totals	647,557	700,222
Less current portion	46,313	52,664
	$601,244	$647,558

(a) Secured by machinery and equipment sold. The lease rental agreement (see Note 11 (d)), and the note are pledged as collateral for the five year note payable to the bank.

MIDLAND/ROSS CORPORATION (DEC)

	1975	1974
	($000)	
Investments and other assets, less allowances and amortization		
Long-term notes receivable—Note B	$26,690	$25,974

Note B: Notes Receivable—Included in current assets at December 31, 1975, are $7,760,000 of notes receivable due in 1976. Long-term notes receivable at December 31, 1975, are due $6,330,000 in 1977, $5,885,000 in 1978, $5,644,000 in 1979, $2,459,000 in 1980, and $6,372,000 in 1981 and subsequent years.

RICHFORD INDUSTRIES, INC. (DEC)

	1975	1974
Property, plant and equipment—at cost less accumulated depreciation—Notes 1 and 4	$5,695,493	$7,473,395
Notes receivable—Note 5	1,722,024	—
Other assets..........................	1,243,278	1,303,749
Goodwill—Note 6	1,907,901	1,907,901

Note 5: Notes Receivable

6% notes receivable (less unamortized discount of $158,630 based on imputed interest rate of 10%) (a)	$1,617,730
Notes receivable from sale of a subsidiary (b)	201,723
Sundry	126,424
	1,945,877
Current maturities (included in Accounts and note receivable)	223,853
	$1,722,024

(a) Effective as of September 26, 1975, the Company sold the inventories and property and equipment of certain segments of its Zipper Division in exchange for notes aggregating $1,832,361 and the assumption by the buyer of a mortgage loan of $357,764. The resultant loss, reflected separately on the accompanying statement of operations, represents the excess of the carrying value of the assets over the selling price. The notes are due in varying installments approximating equal annual amounts through 1985 and are collateralized by property equipment and accounts receivable as defined. The notes are pledged as collateral for certain notes payable (see Note 7).

(b) In February 1975, the Company sold a subsidiary in its Packaging Products Division for $25,000 in cash and $201,723 in notes. The total selling price was equal to the subsidiary's carrying value at equity. The notes, which are due $12,787 in 1977 and in eight equal annual installments of $23,617 commencing in 1978, bear interest at 8½% for the first year and prime thereafter. The notes are collateralized by the common stock of the former subsidiary.

STEWART-WARNER CORPORATION (DEC)

	1975	1974
Other assets:		
Investment in affiliated distributorships	$1,367,000	$1,322,000
Due from officers and employees (Note 3)	892,000	976,000
Deferred tax benefit on pensions and deferred payments	1,786,000	1,907,000
Investment in advertising rights	2,236,000	535,000
Long-term receivables, prepaid expenses and other assets	3,422,000	2,765,000
	$9,703,000	$7,505,000

Note 3 (in part): Capital Stock—In addition, the Corporation has a stock purchase plan which permits officers and key employees to purchase shares of the Corporation's treasury stock at the market price prevailing at the time of purchase. Current forms of contracts provide for minimum initial payments of 10% of the purchase price, and for payments of not less than 10% of the remaining balances annually, with interest at 1% per annum. All shares sold under this plan are either held in escrow or subject to repurchase agreements. During 1975, 4500 shares of treasury stock were sold under the plan to employees at prices averaging $23.43 per share, having an aggregate market value of $105,000 (1000 shares in 1974 at prices averaging $24.99 per share; market value $25,000). During 1975, 759 shares (230 in 1974) were repurchased. Proceeds in excess of par value from the above treasury stock transactions were $74,000 in 1975 and $15,000 in 1974. At December 31, 1975, $892,000 ($976,000 in 1974) was due from officers and key employees under the plan.

TRIANGLE INDUSTRIES, INC. (DEC)

	1975	1974
Other assets		
Receivables due after one year, less allowance for doubtful accounts (1975—$348,000; 1974—$567,000)	$2,998,000	$5,216,000

INTANGIBLE ASSETS

APB Opinion No. 17, as amended by *APB Opinion No. 30*, sets forth requirements as to accounting for intangible assets. *Opinion 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 2-17, which summarizes intangible assets by type and by accounting treatment, shows the prevalance of goodwill recognized in a business combination. Table 2-17 excludes certain assets often considered to be intangible which were presented with land or depreciable assets.

TABLE 2-17: INTANGIBLE ASSET VALUATION

	1975	1974	1973	1972
Assets Being Amortized				
Goodwill recognized in a business combination	234	235	211	199
Goodwill—source not indicated	27	27	39	18
Patents, patent rights	75	78	78	77
Trademarks, brand names, copyrights	21	21	25	29
Licenses, franchises, memberships	22	22	24	23
Formulae, processing, designs	5	5	7	7
Various other	16	16	20	18
Intangible assets (not otherwise described)	31	29	34	33
Total Disclosures	**431**	**433**	**438**	**404**
Assets Not Being Amortized				
Goodwill recognized in a business combination	162	168	168	191
Goodwill—source not indicated	20	19	29	16
Patents, patent rights	1	1	1	4
Trademarks, brand names, copyrights	10	10	8	11
Licenses, franchises, memberships	3	1	2	3
Formulae, processes, designs	1	1	2	2
Various other	3	1	2	4
Intangible assets (not otherwise described)	11	11	10	11
Total Disclosures	**211**	**212**	**222**	**242**
Other Bases				
Nominal value	26	26	26	39
Basis not determinable	30	32	48	47
Total Disclosures	**56**	**58**	**74**	**86**

Goodwill

PUROLATOR, INC. (DEC)

	1975	1974
Intangible assets (note 6)	$18,454,610	$17,625,488
Less accumulated amortization	1,446,640	1,197,329
Net intangible assets	$17,007,970	$16,428,159

Note 6: Intangible Assets—Intangible assets consist of the following:

December 31	1975	1974
Excess of cost over underlying value of net assets of companies acquired	$14,958,445	$14,799,713
Franchise costs and other intangibles	3,496,165	2,825,775
	$18,454,610	$17,625,488

The excess of cost over the underlying value of 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 underlying value of 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.

At December 31, 1975 approximately $7,140,000 of the excess of cost over the underlying value of net assets of companies acquired is subject to amortization.

Minor acquisitions consummated in 1975 and 1974 were accounted for as purchases.

STANDARD PRESSED STEEL CO. (DEC)

	1975	1974
Other assets:		
Patents and licenses, less amortization	$161,250	$ 92,500
Excess of cost of investment over net assets acquired, less amortization	265,555	395,174
Deferred charges and other	311,185	189,079
Total other assets	$737,990	$676,753

Summary of Significant Accounting Policies

Property, Depreciation and Amortization—Property, plant and equipment are recorded at cost. The straight-line method of depreciation is used for substantially all items of plant and equipment. Upon sale or other disposition, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in earnings. Maintenance and repairs are charged to earnings as incurred and renewals and betterments are capitalized.

The costs of patents and licenses are being amortized on the straight-line method over their approximate useful lives. The excess of cost of investment in subsidiaries and affiliates over net assets acquired generally is being amortized on the straight-line basis over a period of 10 years.

WHITTAKER CORPORATION (OCT)

	1975	1974
	($000)	
Other assets		
Goodwill, net of amortization	$34,010	$35,280
Notes receivable—non current (with interest rates ranging from 6% to 14%)	16,716	18,318
Deferred income tax benefits (Note 8)	3,850	5,308
Investment in unconsolidated subsidiary	2,544	2,886
Advances to unconsolidated subsidiary	5,263	6,640
Patents, net of amortization	4,094	5,595
Investments and miscellaneous	3,538	5,947
	$70,015	$79,974

Notes to Consolidated Financial Statements

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 using the straight-line method over 40 years in accordance with Accounting Principles Board Opinion No. 17. All goodwill associated with discontinued businesses has been written off.

Patents are amortized using the straight-line method over the lesser of economic or legal life.

Research and development costs are expensed as incurred.

Patents

CAVITRON CORPORATION (SEP)

	1975	1974
Patents, at cost (note 1):		
Issued, less accumulated amortization of $214,071 in 1975 and $204,358 in 1974	$ 95,204	$101,575
Applications	31,541	24,717
	$126,745	$126,292

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

Depreciation and amoritzation—The Company follows the policy of providing for depreciation and amortization of property, plant and equipment on the straight-line method based upon estimated useful lives of the various assets.

The Company amortizes patent costs on a straight-line basis over the legal life of the patent from date of issuance. Applications pending are not amortized until a patent is granted.

Goodwill is amortized on the straight-line method over a period of forty years.

NEPTUNE INTERNATIONAL CORPORATION

	1975	1974
Other assets:		
Patents, less applicable amortization (note 1)..............	$2,362,485	$1,764,840

Statement of Accounting Policies

Other Assets—The Corporation 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.

Patents and trademarks are being amortized on a straight-line basis over their remaining legal lives.

The cost of acquired companies in excess of the values assigned to net assets acquired is being amortized on a straight-line basis over forty years.

Notes to Consolidated Financial Statements

Note 1 (in part): Acquisitions—Effective January 1, 1975, the Corporation acquired the 50% interest in Nichols Engineering, S. A., Brussels, Belgium, previously held by the Corporation's joint venturers, for 53,000 shares of its common stock and $143,000 in cash, thus obtaining 100% ownership. The acquisition has been accounted for as a purchase transaction. Accordingly, the results of operations (previously accounted for under the equity method) have been reflected in consolidated operations from the effective date of acquisition.

In October, 1975, the Corporation acquired approximately 87% of the outstanding shares of Brookline Instrument Company. Incorporated, manufacturers of electronic weighing systems for medical and industrial applications, for approximately $306,000 in cash. The acquisition has been accounted for as a purchase transaction. Accordingly, the results of Brookline (which were not significant) have been included in 1975 consolidated operations from the effective date of acquisition. The value of patent rights (approximately $648,000) acquired in the acquisition will be amortized over their remaining legal lives of six to thirteen years.

Had the acquisition of the remaining 50% interest in Nichols Engineering, S. A. (NESA) and the acquisition of Brookline Instrument been consummated on January 1, 1974, consolidated operations for 1974 would not have been significantly affected.

The Corporation acquired all of the outstanding shares of CPC Engineering Corporation (CPC) effective August 3, 1974, for $560,000 cash and $2,240,000 in subordinated promissory notes. The notes bear interest at the rate of 8% per annum and are payable in twenty equal quarterly installments, plus interest, beginning January 15, 1975. The acquisition has been accounted for as a purchase transaction and, accordingly, the results of CPC have been included in consolidated operations from the effective date of acquisition. In connection with this acquisition, the Corporation has agreed to certain covenants which require the maintenance of minimum amounts of stockholders' equity and net income, as defined, and has agreed not to merge unless the Corporation is the surviving entity. The value of patent rights (approximately $1,142,000) acquired in the acquisition of CPC are being amortized over their remaining legal lives of eleven to seventeen years.

RICHFORD INDUSTRIES INC. (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Significant Accounting Policies.

Patents: Unamortized costs of $424,637 for purchased patents, included in the balance sheet caption "Other assets," are being amortized by the straight-line method over their remaining lives. Amortization of patents charged to income was $31,650 and $31,964 in 1975 and 1974, respectively.

Licenses

GENISCO TECHNOLOGY CORPORATION (SEP)

	1975	1974
Other assets:		
Cost in excess of amounts assigned to net assets of business acquired (Note 1)......	$382,312	$382,312
Patents and licenses at cost, net of amortization (Notes 1 and 4)	157,509	22,446

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

Depreciation and amortization—The Company computes depreciation and amortization applicable to property, plant and equipment on the straight-line method using the following estimated useful lives:

Building	20 years
Machinery and equipment	3 to 10 years
Leasehold improvements	Lives of leases

As a result of the Company's purchase of its major plant facility in 1975, certain items which had previously been included in leasehold improvements have been reclassified to building.

The Company follows the policy of capitalizing major improvements and charging maintenance and repairs to expense as incurred. The cost of property and equipment replaced, retired or otherwise disposed of and the related accumulated depreciation or amortization have been removed from the accounts and any gain or loss is included in income.

The Company computes amortization applicable to patents on the straight-line method over a period of seventeen years, beginning in the year in which the patent is granted. See Note 4 for amortization policy for a license.

Cost in excess of amounts assigned to net assets of business acquired relates to the Company's transducer division and is not being amortized since this business was acquired prior to October 31, 1970 when amortization was not required by generally accepted accounting principles. In the opinion of management there has been no diminution in the value of the cost in excess of amounts assigned to net assets of the business acquired.

Note 4: Licensing Agreement—During January 1975 the Company entered into a licensing agreement with a nonrelated foreign corporation whereby it received a 15 year nonexclusive right to market a recording device in the United States and territories. The purchase price is $45,000 plus royalties of 4¼% of the product's net sales until $250,000 is reached and 3% of the product's net sales thereafter. A $100,000 minimum royalty is payable by the Company in quarterly installments over a four-year period beginning January 1976. The $45,000 is being amortized on a straight-line basis over five years (estimated life of product) and the $100,000 minimum royalty is being amortized over 4¼% of the product's net sales but not less than straight-line amortization over five years.

TWENTIETH CENTURY-FOX FILM CORPORATION (DEC)

	1975	1974
	($000)	
Other assets:		
Excess of cost over net assets acquired	$ 1,016	$1,042
Music copyrights	1,903	2,171
Television station licenses, contracts, and network affiliation agreements (note 2)	12,344	1,410
Other	3,826	3,203

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 over 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 $4,705,000 in 1975 and $3,871,000 in 1974.

The excess of cost over net assets acquired is being amortized over 40 years on the straight-line method.

Music copyrights are being amortized on the straight-line method over their estimated economic lives of 15 years.

The amount of television stations' licenses, contracts and network affiliation agreements represents the excess of cost over the net identifiable tangible assets at the dates of acquisition. That portion of station licenses and contracts applicable to the Minneapolis, Minnesota, television station (acquired in 1959) is being amortized on the straight-line method over 25 years. Stations' licenses, contracts and network affiliation agreements applicable to television stations acquired in 1975 (see note 2) are being amortized on the straight-line method over 40 years.

Note 2: Acquisitions—During 1975 the Company acquired two television stations; one in Salt Lake City, Utah, and one in San Antonio, Texas. The acquisitions of both stations' assets have been accounted for as "purchases." Results of operations (which in the aggregate were not material) have been included in the statement of consolidated earnings of the Company since October 1, 1975, for the Salt Lake City station and November 1, 1975, for the San Antonio station. The Salt Lake City station was purchased for $11,000,000, while the San Antonio station was purchased for $9,300,000. (See note 19.)

The values assigned to the stations' licenses, contracts and network affiliation agreements represented costs in excess of net assets acquired for all stations at the dates of acquisition. At December 27, 1975, these values net of amortization taken to date are $6,837,000 for licenses and contracts and $5,507,000 for network affiliation agreements.

Pro forma consolidated results of operations for 1975 and 1974 for the Company had the new stations been acquired at the beginning of 1974 have not been included as the inclusion of the new stations' results of operations would not have had a material effect on previously reported consolidated revenues, net earnings and earnings per share.

Franchises

LIGGETT & MYERS INCORPORATED (DEC)

	1975	1974
	($000)	
Franchises and Goodwill, at cost, less amortization (Note 1)	$115,407	$119,718

Summary of Significant Accounting Policies

Franchises and Goodwill and Amortization—The cost of an exclusive franchise held by The Paddington Corporation to import J&B Rare Scotch whisky and the excess cost (goodwill) applicable to the acquisition of Paddington and Carillon Importers Ltd. are being amortized on the straight-line method over the remaining lives of the J&B franchise and a franchise held by Carillon.

Notes to Financial Statements

Note 1 (in part): Franchise and Goodwill—At December 31, 1975, the unamortized portion of the cost of the exclusive franchise to import J&B Rare Scotch whisky was $49,619,000, and the unamortized excess cost (goodwill) applicable to the acquisition of The Paddington Corporation and Carillon Importers Ltd. was $12,668,000. Amounts charged against earnings for amortization of these items were $4,311,000 in 1975 and $4,199,000 in 1974.

Non-Compete Agreements

EMPIRE GAS CORPORATION (JUN)

	1975	1974
Other assets		
Goodwill	$1,419,081	$1,428,765
Non-compete agreements	597,292	758,108
Investment in petroleum exploration ventures	1,174,582	642,305
Other	218,727	218,871
Total other assets	$3,409,682	$3,048,049

Notes to Consolidated Financial Statements

Goodwill—Goodwill represents the excess of the costs of acquired business over the portion of such costs allocated to the net assets acquired. Approximately $1,236,000 of the goodwill arose from acquisitions prior to November 1, 1970, and is not being amortized because, in the opinion of management, there has been no diminution in value. Goodwill arising from acquisitions after November 1, 1970, is being amortized on a straight-line basis over forty years.

Non-Compete Agreements—Costs of non-compete agreements are amortized on a straight-line basis over the terms of the individual agreements, generally ten years.

OTHER NONCURRENT ASSET CAPTIONS

Table 2-18 summarizes the nature of accounts (other than property, investments, 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

AMF INCORPORATED (DEC)

	1975	1974
	($000)	
Funds segregated for capital expenditures (Note 7)	$9,010	$2,000

Notes to Consolidated Financial Statements

Note 7 (in part): Long term debt—Subject to certain limited prepayment options, the 9⅝% notes, due December 1, 1992, will be repaid in 10 annual installments of $4,000,000 commencing December 1, 1983. The proceeds of this loan are being used for capital expenditures, of which $9,010,000 was unexpended at December 31, 1975.

TABLE 2-18: OTHER NONCURRENT ASSETS

	Number of Companies			
	1975	1974	1973	1972
Segregated cash or securities	77	66	87	86
Deferred income taxes	41	39	38	46
Debt expense	48	49	44	48
Prepaid expenses	44	44	44	46
Property held for sale	34	31	30	35
Cash surrender value of life insurance	27	26	28	33
Assets leased to others	24	N/C	N/C	N/C
Development costs	11	10	10	18
Start up costs	10	18	13	18
Employee benefits	10	13	12	16
Other identified noncurrent assets	45	20	68	35
	371	316	374	381
Deferred charges or *Other Noncurrent assets*—not described	555	560	546	560

N/C — Not Compiled.

ERB LUMBER CO. (DEC)

	1975	1974
Investments and other assets		
Certificate of deposit-Restricted (Note 11)	$250,000	—

Note 11 (in part): Committments and Contingent Liabilities—During 1975, the Company guaranteed $500,000 of construction and performance bonds of one of its corporate joint ventures. As a part of this guarantee, the Company was required to purchase a certificate of deposit in the amount of $250,000 to be held by the bonding company. The certificate of deposit has been classified as noncurrent since the guarantee agreement calls for the certificate to remain with the bonding company at its discretion.

Deferred Income Taxes

COLLINS FOODS INTERNATIONAL, INC. (APR)

	1975	1974
Other assets:		
Future tax benefits (Note 2)	$1,707	$ —

Note 2 (in part): Income Taxes—For 1975, the Company and its subsidiaries plan to file separate Federal income tax returns. For 1976, the Company plans to file a consolidated Federal income tax return. The accompanying consolidated balance sheet for 1975 reflects net future tax benefits relating primarily to tax loss carryforwards of certain subsidiaries and the provision for loss on company and franchise operations which is not currently deductible for tax purposes. The realization of these future tax benefits is dependent upon the Company's ability to generate taxable income in the future. The amounts are included in the financial statements, since, in the opinion of management, the realization of such tax benefits is assured beyond any reasonable doubt.

ROWE FURNITURE CORPORATION

	1975	1974
	($000)	
Other assets		
Prepaid expenses and other assets	$ 832	$ 472
Future income tax benefits —note 1	252	233
Cash value of life insurance	513	354
	$1,597	$1,059

Notes to Consolidated Financial Statements

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

Income Taxes—The Company and its subsidiaries elected to file a consolidated federal income tax return for the year ended November 30, 1975. Provision for future income tax benefits in the financial statements reflect the results of timing differences, primarily deferred compensation, in computing earnings for financial reporting and income tax purposes. The investment tax credit arising from the purchase and lease of qualifying property is accounted for by the "flow-through" method. No provision is made for income taxes on undistributed earnings of subsidiaries as the Company intends to have such earnings reinvested.

VICTOR COMPTOMETER CORPORATION (DEC)

	1975	1974
Other assets:		
Excess of investment in acquired companies over equity in net assets	$ 260,000	$ 526,853
Prepaid federal income taxes —Note 5	4,106,887	555,418
Deferred charges and other	2,191,653	1,628,254
	$6,558,540	$2,710,525

Notes to Financial Statements

Note 5 (in part): Federal Income Taxes—The tax effects of transactions are recognized generally in the year in which they enter into the determination of net income, regardless of when they are recognized for tax purposes. As a result, income tax expense generally differs from the actual taxes payable. The accumulation of such differences at December 31, 1975 is shown as current prepaid income taxes of $4,886,625, noncurrent prepaid income taxes of $4,106,887 and noncurrent deferred income taxes of $1,481,164. The amounts at December 31, 1974 were $2,239,271, $555,418 and $1,108,968, respectively. The principal timing differences are due to provision for product obsolescence, plant revaluation and related expenses, the treatment of advance billings on maintenance contracts, accelerated depreciation and income of an unconsolidated subsidiary not taxable until received as dividends. Due to timing differences actual income taxes payable differ from those charged to income as follows:

	1975	1974
Currently payable	$ 244,917	$2,875,785
Tax effects of timing differences	(4,560,818)	(476,922)
Charged (credited to income)	$(4,315,901)	$2,398,863

Cash Surrender Value of Life Insurance

PRATT-READ CORPORATION (JUN)

	1975	1974
Other assets and deferred charges		
Patents net of amortization of $105,371 in 1975 and $96,510 in 1974	$ 45,943	$ 52,760
Cash value of life insurance (Note F)	161,864	152,575
Deferred income taxes	119,030	155,863
Other	36,815	24,811

Note F: Long-term debt—Long-term debt at June 30, 1975 consists of:

Note payable, ½% above prime interest rate (7¾% at June 30, 1975), payable in sixty monthly installments of $15,625 with the balance of $562,500 due July 1, 1980	$1,500,000
Other—Loan against cash value of life insurance—5% interest rate	120,000
	1,620,000
Less, amount due within one year.	187,500
	$1,432,500

WINN-DIXIE STORES, INC. (JUNE)

	1975	1974
Investments and Other assets		
Cash surrender value of life insurance (face amount $4,200,000)	$1,476,662	$1,364,535

Property Held for Sale

THE DUPLAN CORPORATION (SEP)

	1975	1974
Estimated net realizable value of assets held for disposal and future use	$1,859,000	$2,695,000

Notes to Consolidated Financial Statements

Note 6: Plant Closings—The net realizable value of the assets of plants which have been closed or scheduled to close has been segregated on the consolidated balance sheets and comprises the following:

	1975	1974
Land	$ 95,000	$ 85,000
Buildings and improvements	1,346,000	1,745,000
Machinery and equipment	418,000	865,000
	$1,859,000	$2,695,000

GIDDINGS AND LEWIS, INC. (DEC)

	1975	1974
Other assets:		
Property held for sale, at cost less accumulated depreciation, 1975—$79,000; 1974—$66,000	$1,015,285	$1,027,391
Notes receivable due after one year	1,275,965	1,311,644
Other	1,253,823	1,078,120
Total other assets	$3,545,073	$3,417,155

UNITED FOODS, INC. (FEB)

	1975	1974
Other assets		
Property and equipment, held for disposal, at estimated realizable value (Note 2)	$419,394	$419,394

Note 2: Property and Equipment—Substantially all of the property and equipment of the company and its subsidiaries is pledged as collateral for first mortgage notes and other indebtedness.

Nonoperating properties have been reclassified under other assets as "property and equipment held for disposal at estimated realizable value."

The properties were sold on January 3, 1975, for $661,101, payable 2% down, 8% interest only for the first six years, with the principal balance plus accrued interest payable over the next ten years. For accounting purposes this transaction will be treated as an option until 25% of the sales price has been collected.

Start-Up Costs

CHAMPION INTERNATIONAL CORPORATION (DEC)

	1975	1974
	($000)	
Other assets and deferred charges:		
Excess cost of businesses acquired over amounts assigned to net tangible assets	$ 78,647	$ 80,412
Unamortized financing expenses	6,764	7,196
Preoperating expenses and start-up costs	11,816	5,616
Other	16,580	17,122
	$113,807	$110,346

Notes to Financial Statements

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

Capitalization and Amortization of Certain Costs—Interest charges on funds borrowed to acquire or construct major properties are capitalized at the interest rates in effect (net of temporary investment income) as a part of the asset cost until the properties become operational. Subsequently, they are amortized over the life of the asset in order to properly match expenses with revenues resulting from the properties. 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 is being amortized ratably over periods up to 40 years. Such excess applicable to businesses acquired prior to that date is not presently being amortized.

METRO-GOLDWYN-MAYER INC. (AUG)

	1975	1974
Receivables and other assets		
Long-term receivables and other assets	$ 8,205,000	$11,511,000
Television contract installments due after one year	7,582,000	3,881,000
Hotel pre-opening and development costs, net *(note 1)*	3,432,000	4,492,000
Land held for sale *(note 1)*	7,465,000	7,463,000
	$26,684,000	$27,347,000

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of Accounting Policies

Hotel and Gaming Operations—The Company has elected to capitalize costs associated with the development and opening of the MGM Grand Hotel. Such costs, which amounted to approximately $5,280,000, are being amortized over a five-year period commencing with the opening of the Hotel on December 4, 1973.

Employee Benefits

R. H. MACY AND CO. (JUL)

	1975	1974
Other assets		
Investment in Macy Credit Corp., at equity, per statement on page 20	$56,197,000	$47,071,000
Investments in, at equity, and advances to 50% owned shopping centers and affiliated companies	21,658,000	20,402,000
Deferred pension charges (Note 7)	8,626,000	7,138,000
Miscellaneous, including unamortized deferred charges of $3,676,000 and $3,075,000	6,551,000	5,004,000
	$93,032,000	$79,615,000

Notes to Financial Statements

Note 7: For the fiscal years 1975 and 1974, pension expense was $5,957,000 and $5,774,000, respectively.

Deferred pension charges represent the excess of the amounts funded over the amounts charged to expense.

The assets of the pension plans at the last annual valuation date (July 31, 1974) exceeded the actuarially computed value of vested benefits.

The estimated effect of compliance with the eligibility and vesting requirements of the Employee Retirement Income Security Act of 1974 will be an increase in annual pension expense of approximately $1,500,000.

MINNESOTA MINING AND MANUFACTURING COMPANY (DEC)

	1975	1974
Deferred pension costs	$31,998,000	$32,527,000

Financial Review

Deferred pension costs—Deferred pension costs were $31.9 million, compared with $32.5 million at the close of 1974. This balance represents an unamortized cost resulting from the discontinuance in 1968 of employee contributions to 3M pension plans and the subsequent reimbursement of employees' earlier contributions to the plans. This deferred cost is being amortized over a 30-year period.

The 1974 U. S. Employee Retirement Income Security Act established standards for vesting, funding, fiduciary responsibility and retiree survivor protection, most of which became effective January 1, 1976. The act will have no material impact on the Company's pension costs, which totaled $43.5 million in 1975 and $34.3 million in 1974.

Debt Expense

THE MOHAWK RUBBER COMPANY (DEC)

	1975	1974
Deferred charges:		
Debt expense	$ 536,574	$ 570,673
Excess of cost over net assets of acquired companies less amortization	1,104,765	1,091,010
Miscellaneous	156,930	176,546
Total deferred charges	$ 1,798,269	$ 1,838,229

Notes to Consolidated Financial Statements

Note A (in part): Summary of Accounting Policies

Deferred charges—Debt expense is being amortized on a straight-line basis over the life of the related debt.

Realty Assets

FOREMOST-MCKESSON, INC., (MAR)

	1975	1974
	($000)	
Realty assets	$108,260	$99,143

Summary of Significant Accounting Policies

Realty Assets and Realty Debt are segregated in the consolidated balance sheet because of the different character of the land development business. Most realty properties are considered to be inventory; related debt is renewed as required or is repaid as properties are sold. Realty development properties are stated at cost, including applicable interest and property taxes, or net realizable value, whichever is lower.

Financial Notes

Realty Assets included:

	1975	1974
	(in thousands)	
Commercial, industrial and residential land development properties, including construction in progress	$ 78,781	$71,967
Rental properties, at cost, less accumulated depreciation of $682,000 in 1975 and $592,000 in 1974	8,239	6,785
Investments in joint ventures, principally 50% interests—basically at cost plus equity in undistributed earnings	13,456	13,673
Other, principally noncurrent receivables	7,784	6,718
Total	$108,260	$99,143

At March 31, 1975 and 1974, the cost of development properties included $8,870,000 and $6,302,000, respectively, of interest on debt directly identifiable with such properties. If the Company followed the practice of charging such interest to operations when incurred rather than considering the interest as a capitalizable property cost to be matched with future revenues, net income for 1975 and 1974 would have been $1,271,000 and $1,040,000, respectively, less than reported amounts. Additionally the cost of development properties included property taxes of $3,576,000 and $2,553,000, respectively, at March 31, 1975 and 1974.

Approximately $50,000,000 of development and rental properties were subject to realty debt at March 31, 1975.

Tooling Costs

THE CESSNA AIRCRAFT COMPANY (SEP)

	1975	1974
Deferred tooling (Note 1e)	$7,652,869	$6,568,713

Note 1e: Deferred tooling—The cost of production tooling is deferred and amortized to expense, primarily by the unit-of-production method. Production tooling is amortized over an estimated three years of deliveries.

Deposits

THE STANDARD OIL CORPORATION, AN OHIO CORPORATION (DEC)

	1975	1974
	($000)	
Other assets		
Deposits on controcts—Note L	$53,473	$11,495

Notes to Financial Statements

Note L (in part): Investment in Trans-Alaska Pipeline, Prudhoe Bay Properties, and Related Commitments

Tankers—The Company has contracts (cancellable subject to loss of deposits) for construction of eight tankers to transport Alaskan crude oil. It is anticipated that these contracts for the tankers, estimated to cost $720 million (including interest during construction) will be assigned to others and the Company will enter into charter commitments or lease arrangements.

Timber Cutting Rights

UNION CAMP CORPORATION (DEC)

	1975	1974
Assets		
Timber Cutting Rights (See Contra)	$21,990,000	$24,101,000
Liabilities and stockholders' equity		
Payments for timber cutting rights due through 1984 (See Contra)	21,990,000	24,101,000

Notes to Financial Statements

Note 3: Timber cutting rights—The Company has the right under a timber cutting contract to cut and use or sell the timber and all future growth up to 1984 on approximately 201,500 acres of timberland in south-central Alabama. Minimum timber quantities are required to be paid for in annual amounts of $3,286,000 between 1976 and 1983 and $1,378,000 in 1984. The aggregate payments will be treated as the cost of timber purchased. The Company's rights to the timber and the present value of its obligations under the cutting contract discounted at 5% have been included in contra accounts on the balance sheet.

Assets Leased to Others

SUNDSTRAND CORPORATION (DEC)

	1975	1974
	($000)	
Long-term Notes and Accounts Receivable........................	$ 3,130	$ 6,316
Equipment systems leased to customers (Net of accumulated depreciation of $867,000 in 1975 and $376,000 in 1974)	3,062	2,479
Property, plant and equipment		
Land and improvements..........	9,148	8,449
Buildings and improvements.....	82,177	74,583
Machinery and equipment	224,142	206,522
	315,467	289,554
Less accumulated depreciation and amortization............	132,425	120,705
	183,042	168,849
Other assets (principally goodwill, prepaid compensation and patents)..........................	7,189	6,092

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.

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 2-19 shows the number of survey companies disclosing short-term debt. Amounts of long-term debt due within one year are detailed separately in Table 2-23.

ABBOTT LABORATORIES (DEC)

	1975	1974
Current liabilities:		
Short-term borrowings, including commercial paper of $18,478,000 in 1975 and $12,985,000 in 1974 (Note 5)	$ 80,766,000	$ 79,293,000
Trade accounts payable	50,344,000	46,752,000
Other accrued liabilities	60,936,000	42,387,000
Salaries, wages and commissions	24,438,000	19,455,000
Payroll savings plan	8,338,000	7,602,000
Dividends payable	5,525,000	4,567,000
Income taxes payable	22,886,000	16,416,000
Current portion of long-term debt	6,566,000	4,912,000
Total current liabilities	$259,799,000	$221,384,000

Note 5: Short-term borrowings—Short-term borrowings at December 31, 1975, and 1974 consisted principally of domestic commercial paper and international bank loans. Following is a summary of such borrowings during the years:

Domestic	1975	1974
Average borrowings during the year	$42,907,000	$ 66,042,000
Weighted average interest rate during the year	6.5%	10.3%
Highest level of borrowings at any month-end during the year	$46,019,000	$102,571,000
Weighted average interest rate at December 31	6.0%	8.9%
International		
Average borrowings during the year	$61,703,000	$ 53,723,000
Weighted average interest rate during the year	14.1%	15.0%
Highest level of borrowings at any month-end during the year	$69,459,000	$ 66,158,000
Weighted average interest rate at December 31	10.3%	16.1%

At December 31, 1975, the Company had $50,000,000 of domestic short-term lines of credit (of which $3,700,000 was used) that was available for general corporate purposes or to support commercial paper issued by the Company. Several of the credit lines require the Company to pay nominal commitment fees; the others require maintenance of compensating balances equal to 10 percent of the lines plus 10 percent of any portions that are used. The compensating balances are subject to withdrawal by the Company at its option.

TABLE 2-19: SHORT TERM DEBT

Description	1975	1974	1973	1972
Notes or loans				
Payee indicated	256	207	252	204
Payee not indicated	213	224	217	256
Commercial Paper	35	36	36	16
Short-term Debt or Borrowings	26	36	27	27
Other	13	10	13	11
Total Presentations	**543**	**513**	**545**	**514**
Number of Companies				
Showing short-term debt	447	452	448	430
Not showing short-term debt	153	148	152	170
Total	**600**	**600**	**600**	**600**

BURROUGHS CORPORATION (DEC)

	1975	1974
Current liabilities		
Notes payable within one year	$382,562,793	$199,219,774
Current maturities of long-term liabilities	36,505,746	115,700,694
Accounts payable	108,582,901	91,101,943
Accrued payrolls and commissions	63,554,500	53,743,414
Accrued taxes other than income taxes	44,024,119	43,821,682
Customers' deposits and prepayments	131,815,631	90,436,918
Dividend payable to shareholders	5,991,482	4,895,171
Estimated income taxes	86,100,000	89,300,000
Total current liabilities	$859,137,172	$688,219,596

Notes to Consolidated Financial Statements

Note 4: Notes payable within one year

	December 31 1975	December 31 1974
Borrowings of subsidiaries outside the U.S.	$184,372,793	$103,774,774
Commercial paper sold within the U.S.	141,240,000	95,445,000
Revolving credit agreement and other bank borrowings in the U.S.	56,950,000	
	$382,562,793	$199,219,774

Borrowings of subsidiaries outside the U.S. comprise bank overdrafts and short-term notes payable to banks. The interest rates on these borrowings vary considerably, primarily depending upon the countries in which the subsidiary is operating. The average interest rates on these borrowings at December 31, 1975 and 1974 were 10.3%, respectively. Commercial paper borrowings are made at negotiated rates. The average interest rates for commercial paper outstanding at December 31, 1975 and 1974 were 6.1% and 9.6%, respectively. Bank borrowings in the U.S. are made at the approximate prime interest rate in effect at time of borrowing which averaged 7.5% on outstanding loans at December 31, 1975.

In October, 1974 the Company entered into a $100,000,000 three-year revolving credit agreement with 31 U.S. banks. The agreement provides that the Company maintain consolidated working capital at not less than $200,000,000 and places restrictions on the payment of cash dividends. As of December 31, 1975, approximately $350,000,000 of retained earnings was free for dividend payment. A commitment fee is payable on the average unused portion of the credit, and the interest rate is at the prime rate of the agent bank. The Company has agreed to maintain compensating cash balances with the participating banks at an average of 20% of any amounts borrowed and 10% of the unused portion of the credit. In 1974, this facility was not used. As of December 31, 1975, $12,000,000 was in use.

The Company has entered into agreements with 42 banks in the U.S. whereby it may borrow up to $150,000,000 under open lines of credit at the prime interest rate. These lines were increased from $100,000,000 available in 1974. The Company has agreed to maintain with the banks as compensating cash balances an average of 20% of any amounts borrowed and 10% of the unused lines of credit. In 1974, these lines were not used. As of December 31, 1975, none was in use.

During 1975 and 1974, notes payable within one year reached month-end maximums of $383,000,000 and $200,000,000, respectively. During 1975 notes payable within one year averaged $282,000,000 with an average interest rate of 8.4%. Comparable averages for 1974 were $110,000,000 and 11%. Average notes payable within one year is the average of month-end borrowings. Average interest rates are determined by dividing actual interest accrued by average notes payable within one year.

PEOPLES DRUG STORES, INCORPORATED (DEC)

	1975	1974
Current liabilities:		
Short-term borrowing (Note 7)	$ 8,000,000	$ —
Current maturities of long-term notes payable	450,000	2,500,000
Accounts payable	18,567,000	23,636,000
Accrued salaries and wages	1,148,000	1,366,000
Accrued rent	1,509,000	1,592,000
Accrued interest	166,000	159,000
Federal and state income taxes	174,000	1,295,000
Other accrued expenses	3,500,000	3,265,000
Total current liabilities	$33,514,000	$33,813,000

Note 7: Short-term Borrowing—The Company has a $12,000,000 bankline of credit through American Security & Trust Company with interest at the bank's prime rate. Two officers of this bank were directors of the Company during 1975 and the bank's Trust Department's nominee is record holder of approximately 15.4% of the Company's outstanding common stock. Included in the 15.4% is approximately 67,120 shares or 2.7% of the Company's outstanding stock held by the Trust Department for the Company's employees who have purchased the Company's stock through the Employee Stock Purchase Plan. A compensating balance of 10% is maintained on $4,000,000 of the line of credit and an additional 10% on any portion of the last $4,000,000 as used.

The maximum outstanding borrowings were $12,000,000 in 1975 and $5,000,000 in 1974. The average borrowings were $5,042,000 in 1975 and $2,958,000 in 1974 at a weighted average interest rate of 8.23% and 10.71%, respectively. The average borrowings were computed using the amounts outstanding at the end of each month. The average interest rates were computed using the interest rates applicable to the borrowed amounts and days outstanding.

STOKELY-VAN CAMP, INC. (MAY)

	1975	1974
Current liabilities:		
Short-term borrowings	$12,027,038	$13,589,397
Accounts payable	23,483,123	23,752,565
Accrued expenses	6,400,593	5,854,865
Dividends payable	1,087,760	1,008,010
Income taxes	1,318,240	2,413,645
Total current liabilities	$44,316,754	$46,618,482

Notes to Financial Statements

Short-term borrowings—Short-term borrowings outstanding, less refinanced borrowings shown as long-term debt, at May 31, 1975 and 1974 were as follows:

	1975	1974
Notes payable to banks	$ 3,427,038	$13,589,397
Commercial paper	8,600,000	—
	$12,027,038	$13,589,397

At May 31, 1975 the average interest rates were 7.8% for notes payable to banks and 5.7% for commercial paper. The average interest rate for notes payable to banks at May 31, 1974 was 10.7%.

During fiscal 1975, aggregate short-term borrowings averaged $59,750,000 at an average interest rate of 10.2% and did not exceed $91,340,000. During fiscal 1974, aggregate short-term borrowings averaged $25,800,000 at an average interest rate of 9.4% and did not exceed $43,600,000. Short-term borrowings are generally at bank prime interest rates and prevailing commercial paper rates for maturities not exceeding 90 days. The reported average interest rates are based on short-term interest expense divided by the daily average short-term borrowings outstanding. The Company had confirmed bank lines of credit and revolving standby credit facilities permitting short-term borrowings of $98,875,000 on May 31, 1975 and $78,000,000 on May 31, 1974. The Company has informally agreed to maintain compensating balances not restricted as to withdrawal. Average book compensating balances were $6,260,000 during fiscal 1975 and $6,400,000 during fiscal 1974.

SEARS, ROEBUCK AND CO. (JAN)

	1976	1975
	(Dollars in thousands)	
Current Liabilities		
Short-term borrowings (note 11)		
Commercial paper	$1,706,286	$2,300,742
Banks	217,567	227,181
Agreements with bank trust departments	634,384	539,615
Current maturity of long-term debt	125,000	—
Accounts payable and accrued expenses	1,119,604	844,876
Unearned maintenance agreement income	221,562	203,240
Deferred income taxes	782,673	781,620
Total current liabilities	$4,807,076	$4,897,274

Note 11: Short-term borrowings—The company obtains required short-term funds through the placement of commercial paper, borrowings from banks and under agreements with bank trust departments. At January 31, 1976, the company had unused lines of bank credit approximating $2.2 billion of which more than $350 million is also available for use by a designated subsidiary. The credit lines are renewable annually at various dates and provide for loans of varying maturities at the prime rate. There are no formal or informal compensating balance arrangements with any of the banks.

Selected details of the company's short-term borrowings are as follows:

	Commercial paper		Banks		Agreements with Bank trust departments	
(millions)	Amount	Weighted interest rate	Amount	Weighted interest rate	Amount*	Weighted interest rate
Balance, January 31, 1976	$1,706	5.1%	$218	7.1%	$629	5.2%
Average during 1975	2,017	6.1	248	7.9	580	6.3
Maximum during year (month end)	2,232		403		629	
Balance, January 31, 1975	$2,301	7.7%	$227	10.3%	$509	6.5%
Average during 1974	2,313	10.0	308	11.0	414	9.0
Maximum during year (month end)	2,664		415		509	

*Excludes $5 million and $30 million of current maturities of 13 month fluctuating interest rate notes in 1976 and 1975, respectively.

TRADE ACCOUNTS PAYABLE

THE CLEVELAND-CLIFFS IRON COMPANY (DEC)

	1975	1974
Current liabilities		
Accounts payable, including $8,342,000 (1974—$5,051,000) to associates	$15,027,000	$19,226,000
Accrued expenses	1,234,000	1,417,000
Employee compensation	7,348,000	4,189,000
Royalties payable	1,828,000	1,708,000
Income taxes	3,858,000	1,033,000
Current portion of long-term debt	1,000,000	1,000,000
Other liabilities	1,253,000	1,120,000
Total current liabilities	$31,548,000	$29,693,000

SCOTT PAPER COMPANY (DEC)

	1975	1974
	(thousands)	
Current liabilities		
Payable to suppliers and others.	$159,448	$120,637
Loans and current maturities of long term debt	3,669	15,855
Accrued taxes on income	17,987	4,910
	$181,104	$141,402

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Payable to Suppliers and Others

	December 31 1975	1974
	(thousands)	
Payable to suppliers	$ 66,868	$ 47,239
Payable to affiliates	21,651	18,691
Accrued salaries, wages, and employee benefits	19,890	14,879
Taxes, other than on income	7,477	8,818
Bank overdrafts	22,362	6,931
Accrued interest	6,357	3,142
Other accrued expenses	14,843	20,937
	$159,448	$120,637

Bank overdrafts represent checks written but not yet presented to Scott's banks for collection.

TABLE 2-20: CURRENT LIABILITIES — TRADE CREDITORS

Description	1975	1974	1973	1972
Accounts payable, payables, or trade payables in a separate caption	388	382	389	381
Accounts payable combined with accrued liabilities or accrued expenses	189	184	187	192
Other captions	23	24	24	27
Total Companies	**600**	**600**	**600**	**600**

THE SINGER COMPANY (DEC)

	1975	1974
	(Amounts in Millions)	
Current liabilities:		
Notes and loans payable	$232.4	$355.9
Accounts payable and accrued expenses	400.7	347.1
Income taxes payable	12.7	81.1
Provision for discontinued operations	275.7	30.4
Total current liabilities	$921.5	$814.5

Notes to Financial Statements

Accounts Payable and Accrued Expenses—Accounts payable and accrued expenses at December 31, 1975 and 1974 are summarized below:

	1975	1974
	(Amounts in Millions)	
Accounts payable:		
Trade	$ 89.4	$107.4
Drafts	46.3	47.9
Other	59.7	58.2
	195.4	213.5
Accrued expenses:		
Taxes, other than income taxes	18.6	17.7
Salaries, wages, and commissions.	27.6	33.0
Interest	14.6	16.8
Costs and other expenses	90.1	66.1
Provisions for facility closings and other items	54.4	—
	205.3	133.6
	$400.7	$347.1

TABLE 2-21: CURRENT LIABILITIES—LIABILITIES TO OR FOR EMPLOYEES

Description	1975	1974	1973	1972
Salaries, wages, payrolls, commissions	197	196	194	184
Withholdings, payroll taxes.	36	37	36	39
Pension or retirement plan contributions	28	37	31	28
Profit-sharing contributions.	28	22	30	27
Other captions	44	44	42	32
Total Presentations	**333**	**336**	**333**	**310**
Number of Companies				
Showing liabilities to or for employees	202	206	206	202
No such liabilities	398	394	394	398
Total	**600**	**600**	**600**	**600**

LIABILITIES TO OR FOR EMPLOYEES

Table 2-21 shows the nature of accounts identified as current liabilities to or for employees.

BIRD & SON, INC. (DEC)

	1975	1974
Current liabilities:		
Accounts payable and accrued expenses	$10,578,000	$ 9,984,000
Advance payments on sales contracts	6,395,000	7,245,000
Long-term liabilities, portion due within one year	100,000	94,000
Pension contribution payable	1,802,000	1,316,000
Federal income taxes	3,362,000	4,099,000
Dividend payable	770,000	769,000
Total current liabilities	$23,007,000	$23,507,000

SIGNODE CORPORATION (DEC)

	1975	1974
	(Thousands of Dollars)	
Current liabilities		
Bank loans	$ 242	$ 5,401
Current portion of long-term debt.	1,526	4,959
Accounts payable	15,334	15,232
Accrued expenses—		
Salaries and wages	5,546	5,620
Profit sharing contribution	4,089	5,710
Taxes other than income	3,027	2,882
Other	4,932	6,246
Accrued income taxes	4,110	8,263
Total current liabilities	$38,806	$54,313

INCOME TAX LIABILITY

Table 2-22 summarizes the descriptive balance sheet captions used to describe the current liability for income taxes.

AMPEX CORPORATION (APR)

	1975	1974
	($000)	
Current liabilities:		
Accounts payable	$10,249	$16,541
Notes payable and current portion of long-term debt	2,511	1,651
Compensation and employee benefits	10,405	9,443
Royalties	6,076	6,292
Taxes on income	6,726	7,383
Other liabilities	22,636	22,006
Total current liabilities	$58,603	$63,316

BAUSCH & LOMB INCORPORATED (DEC)

	1975	1974
Current liabilities:		
Notes payable	$32,745,000	$47,691,000
Accounts payable	19,464,000	20,002,000
Accrued liabilities	23,377,000	20,434,000
Dividends payable	911,000	906,000
Current portion of long-term debt.	4,067,000	1,785,000
Federal and foreign income taxes.	4,628,000	—
	$85,192,000	$90,818,000

TABLE 2-22: CURRENT INCOME TAX LIABILITY

	1975	1974	1973	1972
Income Taxes	282	289	271	239
Federal income taxes	59	61	56	82
Federal and state income taxes	45	56	44	48
U.S. and foreign income taxes	42	37	42	40
Federal and foreign income taxes	40	30	41	54
Federal, state, and foreign income taxes	24	23	23	21
Taxes — type not specified	41	40	40	39
Other captions	42	35	49	48
	575	571	566	571
No caption for taxes payable	25	29	34	29
Total Companies	**600**	**600**	**600**	**600**

COLGATE-PALMOLIVE COMPANY (DEC)

	1975	1974
	($000)	
Current liabilities		
Notes and loans payable to banks	$ 59,437	$107,008
Current portion of long-term debt	7,938	6,495
Accounts payable	148,399	150,000
Accrued payrolls, commissions and bonuses	22,576	19,472
Dividends payable	13,151	11,749
Accrued advertising	36,413	38,960
Accrued income taxes	80,050	54,334
Other accrued taxes	23,718	20,884
Other accruals	72,991	62,063
Total current liabilities	$464,673	$470,965

SNAP-ON TOOLS CORPORATION (DEC)

	1975	1974
Current Liabilities:		
Current maturities of long-term debt	$ 375,542	$ 372,606
Accounts payable	7,580,276	7,829,360
Accrued liabilities		
Compensation	8,169,456	7,477,829
Retirement plans, taxes and other	5,840,986	4,167,835
Total accrued liabilities	14,010,442	11,645,664
Income taxes	3,092,404	2,492,448
Dealer deposits	9,131,934	7,408,917
Total current liabilities	$34,190,598	$29,748,995

STANLEY HOME PRODUCTS, INC. (DEC)

	1975	1974
Current Liabilities:		
Notes and loans payable	$ 1,157,895	$11,336,464
Accounts payable	11,908,099	15,325,704
Dealers' security deposits	4,609,252	4,816,939
Federal, state and foreign taxes on income	5,223,625	2,732,561
Unredeemed coupons and certificates	2,492,053	2,628,187
Accrued payroll and commissions	1,194,384	1,237,108
Other accrued expenses	5,659,767	5,403,255
Dividends payable	711,335	711,333
Total current liabilities	$32,956,410	$44,191,551

TABLE 2-23: CURRENT AMOUNT OF LONG-TERM DEBT

	1975	1974	1973	1972
Current *maturities* of long-term debt	157	165	159	144
Current *portion* of long-term debt	145	152	138	132
Long-term debt *due* or *payable* within one year	89	92	89	87
Current installment of long-term debt	60	66	59	59
Type of long-term debt — e. g. Bonds Payable, Notes Payable, etc	11	15	10	21
Caption combining maturing portion with other amounts	52	31	55	71
Total Companies	**514**	**521**	**510**	**514**

CURRENT AMOUNT OF LONG TERM DEBT

Table 2-23 summarizes the descriptive balance sheet captions used to describe the amount of long term debt payable during the next year.

AMERICAN HOSPITAL SUPPLY CORPORATION (DEC)

	1975	1974
	($000)	
Current Liabilities:		
Notes payable to banks	$ 3,202	$ 4,677
Commercial paper	30,750	7,265
Current maturities on long-term obligations	1,314	1,546
Accounts payable	89,062	83,934
Commissions, salaries and withholdings	20,765	16,014
Retirement and profit-sharing plans	6,229	5,221
Taxes other than federal income taxes	7,071	5,857
Federal income taxes	9,147	6,138
Total current liabilities	$167,540	$130,652

AMERICAN MOTORS CORPORATION (SEP)

	1975	1974
	($000)	
Current Liabilities:		
Short-term bank borrowings (Note D)	$ 64,274	$ —
Accounts payable	315,947	278,341
Accrued expenses	94,182	68,420
Taxes on income (Note H)	7,726	9,784
Current portion of long-term debt	936	942
Total current liabilities	$483,065	$357,487

HARNISCHFEGER CORPORATION (OCT)

	1975	1974
Current Liabilities:		
Notes payable to banks:		
Parent corporation	$ 6,000,000	$ —
Subsidiaries	6,718,255	1,422,120
Current installments on long-term debt	2,170,000	1,870,000
Trade accounts payable	21,911,090	15,637,730
Other accounts payable and accrued liabilities	19,615,101	13,202,869
Accrued payrolls and pension contributions	11,146,599	8,363,423
Advance payments and progress billings	18,028,171	8,478,894
Accrued income taxes (including $989,640 deferred in 1975)	10,868,761	4,120,585
	$96,457,977	$53,095,621

OTHER CURRENT LIABILITIES

Table 2-24 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 2-24.

ATLAS CORPORATION (JUN)

	1975	1974
Current Liabilities:		
Notes payable to banks	$13,595,164	$ 9,071,055
Purchase contracts, current maturity (Note 4)	329,517	1,595,517
Accounts payable	5,118,798	4,756,283
Liability for income taxes	374,299	134,956
Accrued liabilities	1,816,000	2,071,543
Total current liabilities	21,233,778	17,629,354
5% Convertible Subordinated Debentures	275,100	275,300
Purchase contracts, less discount of $236,000 and $274,000 (Note 4)	991,432	1,126,499
Industrial Revenue Bonds	1,300,000	1,300,000
Other liabilities, long-term	745,073	910,570
Total liabilities	24,545,383	21,241,723
Minority interests	1,130,256	865,700

Note 4: Purchase contracts payable represent amounts owed by the Company for the purchase of certain mineral interests, payable over a period ending December 1, 1981 and have been discounted at 5¾%.

TABLE 2-24: OTHER CURRENT LIABILITIES

	Number of Companies			
	1975	**1974**	**1973**	**1972**
Dividends payable	109	109	102	104
Taxes not combined with Federal income taxes	93	95	112	120
Deferred taxes	60	43	57	63
Interest	34	35	38	38
Customer advances, deposits	36	34	25	28
Estimated costs relating to discontinued operations	21	20	12	14
Billings on uncompleted contracts	15	15	11	13
Guarantees, warranties, service contract obligations	14	13	17	16
Due to affiliated companies	10	12	17	15
Other — Described	61	66	54	46

CARESSA, INC. (SEP)

	1975	1974
Current Liabilities:		
Accounts payable	$ 57,495	$ 83,371
Current installments of long-term debt	20,709	19,506
State and Federal income taxes	1,154,402	285,425
Due under letters of credit for merchandise in transit to customers	1,035,804	1,022,697
Accrued freight and duty	391,565	212,857
Other accrued expenses	190,768	163,256
Due in connection with acquisition of foreign company		242,894
Dividends payable	169,741	140,980
Accrued payroll and sales commissions	279,187	199,440
Total current liabilities	$3,299,671	$2,370,426

CLAROSTAT MFG. CO., INC. (DEC)

	1975	1974
Current Liabilities:		
Payable to suppliers and others	$ 564,993	$ 613,465
Accrued payrolls and other expenses	431,135	650,457
Due to officer-shareholder (Note 8)	577,391	
Notes payable to bank	2,500	135,000
Federal income taxes	51,461	33,213
Long-term debt, payable within one year	55,407	68,190
Total current liabilities	$1,682,887	$1,500,325

Note 8: Extraordinary Credit—The $105,709 gain results from the negotiated settlement of a long-term obligation due to an officer-shareholder, collateralized by a second deed of trust on Solar real property and a chattel mortgage on the subsidiary's machinery and equipment. The reduced balance of $577,391 was paid in 1976.

PHILIP A. HUNT CHEMICAL CORPORATION (DEC)

	1975	1974
Current Liabilities:		
Accounts payable	$4,541,929	$4,303,117
Income taxes payable (Note 1)	851,440	1,133,822
Sundry liabilities and accrued expenses	961,497	1,295,515
Redemption requirement—preferred stock (1,200 shares)	120,000	120,000
Total current liabilities	$6,474,866	$6,852,454

Notes to Consolidated Financial Statements

Note 4: Preferred Stock—At January 3, 1976, there were 9,600 shares of $100 par value non-cumulative 3% preferred stock issued and outstanding. The Company is permitted to acquire all such outstanding shares at any time and is required to provide sinking fund payments annually for mandatory redemption of the preferred shares at par in amounts equal to the lesser of $120,000 or 20% of consolidated net income for the prior fiscal year. The July 1976 requirement of $120,000 for redemption of 1,200 shares is reflected as a current liability in the accompanying balance sheet.

SHAKESPEARE COMPANY (JUL)

	1975	1974
Current Liabilities:		
Notes payable, principally to banks	$ 3,003,371	$ 2,922,772
Trade accounts payable	3,546,461	4,589,341
Salaries, wages, and other accrued liabilities	4,517,951	3,998,397
Accrued federal excise taxes—Note C	3,717,502	4,326,069
Federal, state, and foreign income taxes	474,116	921,060
Current portion of long-term debt	642,052	97,784
Total current liabilities	$15,901,453	$16,855,423

Note C: Federal Excise Taxes—Federal excise tax returns of the Company and one of its subsidiaries covering all taxable periods through December 31, 1970, have been examined by the Internal Revenue Service. In addition, returns for another subsidiary have been examined through December 31, 1972.

Assessments for additional excise taxes have been made against these two subsidiaries in the amount of $2,466,286, including interest through the dates of the notices of assessment. Each of those subsidiaries has paid a portion of the assessment and filed claim for refund of the portion paid. All claims for refund have subsequently been denied. Suits for refund have been filed, and the Internal Revenue Service has filed counterclaims for assessments made through December 31, 1970.

Although management believes the assessments against the two subsidiaries for such additional taxes are unwarranted and will continue to contest them vigorously, provisions have been made to cover all additional taxes assessed, plus interest thereon, and for possible additional taxes for subsequent periods still open for examination, computed on the same basis as the additional assessments and including interest to July 31, 1975. The final determination of the excise tax liability will have no adverse effect upon the consolidated financial statements.

During 1975, all excise taxes previously assessed by the Internal Revenue Service against the Company, other than the two subsidiaries mentioned above, were settled. The settlement had no significant effect on the consolidated financial statements.

WHIRLPOOL CORPORATION (DEC)

	1975	1974
	(thousands of dollars)	
Current Liabilities:		
Notes payable—Notes F and G	$ 11,881	$ 86,819
Accounts payable	50,356	47,646
Payrolls and other compensation	34,653	32,009
Accrued pension costs	3,552	21,166
Taxes and other accrued expenses	21,672	19,573
Income taxes	38,793	5,267
Product warranty	14,882	17,940
Current maturities of long-term debt	5,090	4,112
Total current liabilities	$180,879	$234,532

Notes to Consolidated Financial Statements

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.

ROCKWELL INTERNATIONAL CORPORATION (SEP)

	1975	1974
	(In millions)	
Current Liabilities:		
Short-term borrowings	$ 62.5	$ 483.8
Accounts payable—trade	353.1	320.6
Accrued payrolls and employee benefits	186.7	181.5
United States and foreign income taxes	63.4	24.2
Other current liabilities	314.5	280.8
Total current liabilities	$980.2	$1,290.9

Note 8: Other Current Liabilities—Other current liabilities at September 30, 1975 and 1974 are summarized as follows (in millions):

	1975	1974
Advance payments from customers	$ 66.3	$ 50.6
Accrued taxes, other than United States and foreign income taxes	48.5	46.1
Accrued product warranties	36.6	23.1
Advances from unconsolidated finance subsidiaries	25.2	38.5
Accrued interest	11.7	15.9
Dividends payable	2.4	2.5
Other	123.8	104.1
Other current liabilities	$314.5	$280.8

LONG-TERM DEBT

Table 2-25 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.

TABLE 2-25: LONG-TERM DEBT

	Number of Companies			
	1975	**1974**	**1973**	**1972**
Unsecured				
Notes	460	463	467	448
Debentures	228	286	290	274
Loans	101	102	103	107
Other — Described	66	68	76	72
Collateralized				
Mortgages	218	213	205	228
Capitalized leases	179	175	165	156
Notes or loans	79	77	74	83
Other — Described	81	78	90	69
Convertible				
Debentures	203	196	190	210
Notes	37	33	32	41
Other — Described	14	15	13	16

AMERADA HESS CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 5 (in part): Long-term debt—Long-term debt, less current maturities, at December 31, 1975 and 1974, consists of the following:

	1975	1974
6¾% Subordinated Debentures Due 1996 with sinking fund requirements and effective interest rate of approximately 7.4% (less unamortized discount of $16,273,000 at December 31, 1975 and $17,076,000 at December 31, 1974)	$103,727,000	$102,924,000
6¾% Debentures Due 1987 with sinking fund requirements and effective interest rate of approximately 7.7% (less unamortized discount of $3,658,000 at December 31, 1975 and $4,327,000 at December 31, 1974)	30,342,000	32,673,000
6% Convertible Notes, due May 1, 1986 (convertible into common stock of the Corporation at $17.25 per share)	15,000,000	15,000,000
6% Sinking Fund Notes (due through 1986)	33,750,000	37,000,000
Notes at 5½% to 10% payable to insurance companies (due through 1992)	190,381,000	179,852,000
Bank loans at prime rate (*) plus ¼% (due through 1981)	235,000,000	249,998,000
Bank loans at 6 7/16% to 10⅞% (due through 1982)	2,559,000	4,659,000
Construction obligations at prime rate (*) (due through 1982)	17,846,000	18,450,000
Purchase and construction obligations at 4% to 6.4% (due through 1995)	9,585,000	668,000
Total long-term debt	$638,190,000	$641,224,000

*Prime rates were 7¼% at December 31, 1975, and 10% to 10½% at December 31, 1974.

Debt discount and related finance expense are being amortized on a straight-line basis.

The aggregate long-term debt maturing during the next five years is approximately as follows: 1976—$33,117,000 (included in current liabilities); 1977—$75,423,000; 1978—$78,327,000; 1979—$77,379,000; 1980—$86,653,000.

The Corporation's long-term debt agreements provide that minimum net current assets must be maintained and that the cumulative amount of cash dividends, stock purchases and stock redemptions after December 31, 1974 may not exceed the consolidated net income, as defined, subsequent to December 31, 1974 plus $30,000,000 and a credit for certain proceeds of sales of stock. At December 31, 1975, net current assets exceeded the minimum by approximately

$253,503,000 and $127,247,000 of retained earnings was free of such restrictions.

In connection with the long-term debt and unused lines of credit at December 31, 1975, the Corporation maintains average cash balances with certain banks aggregating approximately $53,000,000 under informal and unrestricted arrangements.

Unused-lines of credit with two banks available to the Corporation upon call totalled approximately $60,000,000 and $79,000,000 at December 31, 1975 and 1974, respectively.

CAESARS WORLD, INC. (JUL)

	1975	1974
Long-term debt, less current portion (Note 8)	$95,198	$95,558

Note 8: Long-term debt:

	1975	1974
	(Thousands Omitted)	
Mortgages payable, notes and equipment contracts (a)	$76,144	$76,773
7% convertible senior subordinated debentures (b)	11,955	11,955
12.5% subordinated sinking fund debentures, net of unamortized discount (c)	13,326	12,788
	101,425	101,516
Less: current portion	6,227	5,958
	$95,198	$95,558

(a) The mortgages payable consist of mortgages on property and equipment, bearing interest at rates ranging from 6% to 12% annually, and maturing through 1991.

The notes payable bear interest ranging from 3% to 12.5% annually, and mature through 1990. The equipment contracts bear interest at rates of generally 5% to 8% add-on and mature through 1977.

Substantially all property and equipment was pledged as collateral for the mortgages, notes and equipment contracts payable. In addition, the stock of four subsidiaries was pledged as collateral for certain notes payable.

(b) The 7% convertible senior subordinated debentures due 1989 are convertible into common stock at the rate of one share of common stock for each $15.77 of principal, subject to adjustment to prevent dilution. They are redeemable in multiples of $100,000 at the option of the Company according to a schedule of prices included in the debentures. The Company is required to make sinking fund payments of $1,592,000 in 1985 and $1,662,000 in 1986 through 1988, subject to credits for conversions and redeemed debentures.

(c) At July 31, 1975, $20,997,000 principal amount of 12.5% subordinated sinking fund debentures due 1990 were outstanding. Of these, $19,757,000 principal amount were issued as of July 31, 1974, and the remainder in January, 1975. The debentures were recorded at approximately 60% of their principal amount, which was their market value when they were issued. The resulting discount is being charged to income over the life of the debentures, resulting in an effective interest rate of approximately 20%. The Company is required to make sinking fund payments of $1,235,000 in 1982 through 1989, subject to credit for redeemed debentures.

The aggregate maturities in each of the next five years are as follows (thousands omitted):

Year ended July 31,	
1976	$ 6,227
1977	23,562
1978	9,073
1979	5,971
1980	6,152

THE CESSNA AIRCRAFT COMPANY (SEP)

	1975	1974
Long-term debt due after one year (Note 5):		
4.65% notes payable	$ 1,200,000	$ 1,920,000
5.95% notes payable	11,950,000	13,100,000
7% notes payable	1,650,000	2,400,000
9.5% notes payable	26,000,000	9,000,000
6.5% real estate mortgage note payable	1,593,750	1,700,000
Other notes payable	880,000	2,400,000
3.875% convertible subordinated debentures	13,970,000	13,970,000
Capitalized lease obligations	7,695,679	7,980,892

Note 5: Long-term debt—Long-term notes and debentures are payable as follows: 4.65% notes, $720,000 annually with final maturity in 1978; 5.95% notes, $1,150,000 annually with final maturity in 1986; 7% notes, $275,000 semiannually beginning December 1975 with final maturity in 1979; 9.5% notes, $1,625,000 annually beginning October 1979 with final maturity in 1993; 6.5% real estate mortgage note, $106,250 semiannually beginning April 1976 with final maturity in 1983; other notes, $880,000 in 1978; 3.875% convertible subordinated debentures, $1,000,000 annually beginning in 1984 with final maturity in 1992. Prepayments may be made, with or without premiums, as specified in the debt agreements, and future conversions of the debentures may be used to reduce annual retirements mentioned above.

The 3.875% convertible subordinated debentures are convertible at any time into common stock at $26.98 per share. Therefore, 517,723 shares of common stock are reserved at September 30, 1975 for the conversion privilege on outstanding debentures. The conversion of $3,226,000 in 1974 of debentures resulted in the issuance of 119,541 shares of common stock.

Certain Kansas municipalities have issued Industrial Revenue Bonds at interest rates ranging from 4.5% to 7% with maturities extending to 1986 to provide funds to acquire leased plant facilities, which facilities are accounted for as purchases. Annual rentals of $1,446,750 are required for retirement of bonds and interest. Expected bond retirements for the next year of $1,080,000 are included in current liabilities.

The various debt agreements contain certain restrictions on working capital, purchase of Cessna's stock and payment of cash dividends. Under the most restrictive of these provisions, $72,800,000 of earnings reinvested in business were restricted at September 30, 1975.

Long-term debt maturing within each of the five years subsequent to September 30, 1975, is as follows: 1976—$3,606,250; 1977—$3,687,775; 1978—$4,292,500; 1979—$2,972,500; and 1980—$4,104,000.

LESLIE FAY INC. (APR)

	1975	1974
Long-term debt—Note 4	$14,503,000	$15,111,000

Note 4: Long-term Debt

	1975	1974
8⅞% senior notes—principal amount $10,000,000, net of unamortized discount of $52,000 and $60,000; effective interest rate 8.9% (a)	$ 9,948,000	$ 9,940,000
8.24% subordinated notes-principal amount $2,500,000, net of unamortized discount of $219,000 and $250,000; effective interest rate 9.4% (b)	2,281,000	2,250,000
2%-8½% mortgage notes (c)	2,971,000	3,192,000
Notes payable—banks		1,200,000
	15,200,000	16,582,000
Current maturities	697,000	1,471,000
	$14,503,000	$15,111,000

(a) The notes are due in March 1989. Commencing in March 1976, and semi-annually thereafter, through September 1988, sinking fund payments of $357,000 are required.

(b) The notes mature in March 1989 and are subordinated to all indebtedness for monies borrowed. Semi-annual sinking fund payments of $89,250 are required between March 1976 and September 1988. Discount represents the unamortized portion of the value assigned to common stock purchase warrants (Note 5 (b)) issued in conjunction with the notes.

(c) Mortgage notes are due in varying installments through 2002 and are collateralized by property, plant and equipment with a depreciated cost of approximately $4,700,000 at April 30, 1975.

Under the provisions of its debt agreement with institutional lenders, the Company is required to maintain minimum consolidated working capital and a current asset ratio as defined. Additionally, dividends, funded debt, rentals and other items are restricted. At April 30, 1975, consolidated working capital exceeded requirements by $13,958,000 and approximately $3,700,000 of retained earnings were available for cash dividends and restricted expenditures.

Long-term debt maturities during the next five years are tabulated as follows:

Years Ending April 30,	Amount
1976	$ 697,000
1977	1,165,000
1978	1,187,000
1979	1,211,000
1980	1,204,000

PRATT & LAMBERT, INC. (DEC)

	1975	1974
Other Liabilities (current maturities included in current liabilities):		
Long-term debt—notes payable to bank (Note F)	$1,800,000	$2,200,000
Deferred income taxes	205,519	187,303
Total other liabilities	$2,005,519	$2,387,303

Note F: Long-term Debt—On February 3, 1976, the company concluded a long-term financing arrangement with two banks whereby the company may borrow up to $4,000,000 through 1979 and an additional $3,000,000 through 1980 at an interest rate equal to ¼% over the prime rate. The loan is payable in annual amounts of $500,000, $1,000,000, $1,000,000 and $1,500,000 in 1980, 1981, 1982, and 1983 respectively, in equal quarterly installments. Any balance remaining is payable on December 31, 1983.

The loan agreement contains, among other terms, various requirements which include the maintenance of consolidated working capital of at least $11,000,000 and shareholders' equity of at least $20,000,000.

On February 3, 1976, the company borrowed $3,000,000 under the above agreement which was used, in part, to repay short-term borrowing under its lines of credit ($200,000) and the notes payable under the term loan agreement ($1,600,000). Accordingly, these obligations have been classified as long-term debt in the accompanying balance sheet at December 31, 1975.

In addition, the agreement provides for demand line of credit borrowings of up to $3,000,000 at the bank's prime rate. The company is expected to maintain an average compensating balance, as determined by the bank ledger records, of 10% of its line of credit plus the balance owing on the amounts due under the long-term portion of the agreement.

RAYBESTOS-MANHATTAN, INC. (DEC)

	1975	1974
Long-term debt (Note H)	$43,390,045	$35,217,030

Note H: Long-term Debt—Long-term debt consists of the following:

	1975	1974
10⅞% Debentures due June 15, 1975, retired January 15, 1975		$25,000,000
8⅞% Note payable to The Prudential Insurance Company of America	$35,000,000	
Notes payable to banks—less current maturities of $1,186,902 in 1975 and $163,397 in 1974—$577,017 of which is secured by land and buildings	627,417	1,892,553
5.89% Industrial Revenue Bonds, LaGrange, Georgia—less current maturities of $25,000 in 1974 (Note B)		725,000
6.5% Industrial Revenue Bonds, Connecticut	2,860,000	2,860,000
6.5% Industrial Revenue Bonds, Crawfordsville, Indiana	1,000,000	1,000,000
Capitalized lease obligations—less current maturities of $105,064 in 1975 and $50,250 in 1974.	1,482,083	1,302,399
Deferred termination pay, at present value based upon an imputed rate of 6%, net of discount of approximately $1,310,000 in 1975 and $1,462,000 in 1974—less current maturities of $46,160 in 1975 and $30,862 in 1974	1,851,384	1,732,097
Other—less current maturities of $127,299 in 1975 and $814,285 in 1974, of which $97,601 is secured by machinery and equipment	569,161	704,981
	$43,390,045	$35,217,030

On June 1, 1974 the Company signed a Note Agreement with The Prudential Insurance Company of America to borrow $35,000,000 at 8⅞%. The loan was made on January 15, 1975 and has a term of 17 years. The proceeds of the loan were used to retire domestic short-term bank loans, to increase working capital and to retire the $25,000,000 10⅞% Debentures, outstanding at December 29, 1974. The Note is to be repaid in annual installments of $2,500,000 commencing February 1, 1979 with interest payable semi-annually commencing in 1975. The Note Agreement includes requirements for working capital, net worth and limitations on dividends, debt and liens, investments and leases. Consolidated retained earnings available for dividends under the Agreement amount to about $7,200,000 at December 28, 1975.

The long-term debt, net of current maturities of $1,465,425, is payable approximately as follows:

	December 28, 1975
1977	$ 460,483
1978	473,854
1979	3,142,431
1980	2,847,397
Thereafter	36,465,880
	$43,390,045

SUNDSTRAND CORPORATION (DEC)

	1975	1974
	(Amounts in thousands)	
Long-term senior debt (less current portion)	$163,601	$158,636
Long-term convertible subordinated debt	35,430	35,430

Financial Summary

Long-term Senior Debt—The composition of long-term senior debt is as follows:

	(Amounts in thousands) 1975	1974
7⅛% notes due serially 1975-1982	$ 1,662	$ 1,900
6½% notes due serially 1975-1982	18,375	21,000
9¼% notes due serially 1979-1991		30,000
10½% notes due serially 1979-1991	60,000	
¾% over the prime commercial interest rate notes due serially 1975-1978	13,200	17,400
6¾% notes due serially 1975-1987	5,599	6,067
1½% over the prime commercial interest rate notes due 1978 (a)	39,050	55,000
Notes with an interest rate adjusted semi-annually to 1½% over the London Interbank offered rate due serially 1975 through 1978 with $11,875,000 due in 1978	19,375	23,125
Notes with various interest rates adjusted periodically to 1% over the London Interbank offered rate due serially 1976-1980	8,452	9,065
Promissory and mortgage notes with various interest rates due serially 1975-1991	11,442	8,263
	177,155	171,820
Current portion	13,554	13,184
Long-term portion	$163,601	$158,636

(a) On November 20, 1975 this bank credit agreement was revised to provide Sundstrand with an option to convert the principal amount outstanding on February 1, 1978 to a term loan payable in four equal annual installments commencing February 1, 1979 and to increase the rate of interest from 1% over the prime commercial interest rate.

On January 29, 1976, Sundstrand Finance International N.V., a wholly-owned subsidiary, entered into an underwriting agreement for a public Eurodollar note offering of $20,000,000 of 9¾% sinking fund notes due 1983 guaranteed by Sundstrand. The proceeds from the sale of these notes scheduled for closing on February 18, 1976, will be loaned by Sundstrand Finance International N.V. to Sundstrand and will be used to repay a portion of the 1½% over prime commercial rate notes due 1978.

Total payments required under long-term senior debt agreements for the five years subsequent to December 31, 1975, together with the pro-forma payments required assuming the proceeds of the Eurodollar notes are applied to the payment of the 1½% over prime commercial rate notes due 1978 and assuming Sundstrand exercises its option to convert the outstanding balance of the 1½% over prime commercial rate notes due 1978 to a term loan are as follows:

	(Amounts in thousands)	
	December 31, 1975	Pro-forma
Year ended December 31,		
1976	$13,600	$13,600
1977	14,300	15,300
1978	62,300	24,300
1979	9,300	16,000
1980	9,500	17,200

The various loan agreements contain certain restrictions with respect to the maintenance of working capital and which limit the amount of retained earnings available for payment of cash dividends and acquisition of Sundstrand's capital stock. As of December 31, 1975, working capital exceeded the most restrictive of these provisions by $36,500,000 and consolidated retained earnings of $6,200,000 was free of restrictions as to the payment of cash dividends and acquisition of Sundstrand's capital stock.

Sundstrand has informal commitments to maintain average compensating balances at 15% to 20% of the amounts borrowed and 10% to 15% of unused commitments under the domestic short-term bank credit arrangements, the 1½% over prime commercial rate notes due 1978 and the ¾% over prime commercial rate notes due 1975-1978. These compensating balances are maintained in Sundstrand's operating accounts, are not restricted as to withdrawal and amounted to approximately $13,900,000 at December 31, 1975.

Long-term Convertible Subordinated Debt—The composition of long-term convertible subordinated debt is as follows:

	Amounts in thousands	
	1975	1974
Convertible subordinated debt......		
6% notes due in 1989...........	$15,000	$15,000
5% debentures due in 1993....	20,430	20,430
	$35,430	$35,430

The 6% notes and the 5% debentures are convertible at the option of the holder into fully paid and nonassessable shares of Common Stock at conversion prices of $29.71 and $71.00 per share, respectively (subject to adjustment in certain events). At December 31, 1975, 504,881 shares and 287,736 shares, respectively, of authorized but unissued Common Stock were reserved for such conversion. The 5% debentures are convertible at any time prior to maturity. The 6% notes may be redeemed in whole under certain circumstances upon 30-day notice. The 5% debentures may be redeemed in whole or in part upon 30-day notice. The 6% notes and the 5% debentures require an annual sinking fund commencing in 1979 sufficient to retire not less than 66⅔% and 70%, respectively, of these notes and debentures prior to maturity. These minimum requirements amount to $2,022,000 commencing in 1979.

SYBRON CORPORATION (DEC)

	1975	1974
Total Current Liabilities	$104,713,000	$108,967,000
Long-term debt......................	110,344,000	96,744,000
Other non-current liabilities.........	15,478,000	13,829,000
Total Liabilities....................	$230,535,000	$219,540,000

Notes to Financial Statements

Debt—The long-term debt of the Corporation and its subsidiaries consists of:

	1975	1974
Notes payable to banks:		
Due 1978-1983	$ 20,000,000	$ 20,000,000
Due 1979-1982		15,000,000
9⅛% notes due 1985.............	35,000,000	
Amounts payable to banks in:		
Germany, due 1976.............		3,272,000
United Kingdom, due 1978-1981	6,728,000	10,485,000
Italy, due 1978-1982...........	368,000	
4½% convertible subordinated debentures due 1980, convertible into common stock at $17.27..	283,000	298,000
4½% convertible subordinated debentures due 1987, convertible into preferred stock at $63.00 a share; sinking fund requirements of $564,000 in 1983 and $800,000 annually thereafter to 1986............................	7,152,000	7,152,000
8% sinking fund debentures due 1987; sinking fund requirements of $600,000 annually from 1977 to 1982 and $1,950,000 annually thereafter to 1986....	13,800,000	14,400,000
7½% sinking fund debentures due 1994; sinking fund requirements of $1,250,000 annually from 1977 to 1993...................	25,000,000	25,000,000
1975 Series A Industrial Development Revenue Bonds, due 1985-1995......................	1,000,000	
Other long-term debt...............	1,945,000	2,170,000
	111,276,000	97,777,000
Less-payments due within one year classified as short-term debt...	932,000	1,033,000
Total	$110,344,000	$ 96,744,000

Notes payable to banks due 1978 to 1983 are subject to the terms of a revolving credit agreement entered into in 1973 by the Corporation and a commercial bank. The agreement provides for borrowing up to $20,000,000 at 6½% to February 1, 1980, and at the minimum commercial lending rate plus ½ of 1% from that date to February 1, 1983. The notes are payable in twenty quarterly installments beginning May 1, 1978. A fee of ½ of 1% per year is payable on the unused balance, if any, of the committed funds and the Corporation has an informal understanding with the bank that 15% of the commitment will be deposited therein.

In May, 1975, the Corporation sold $35,000,000 of 9⅛% notes due 1985 to the public through an underwriting syndicate. The notes are subject to redemption at par at anytime after April 30, 1982. Interest is payable semi-annually on May 1st and November 1st. A portion of the proceeds of the sale of the notes was used to refund $15,000,000 of debt then outstanding under a revolving credit agreement with three commercial banks. The credit agreement was cancelled without penalty.

The Corporation has a line of credit available with a German bank for the equivalent of $3,056,000 in German marks. At December 31, 1975, there were no borrowings under the line and it has been cancelled effective March 31, 1976.

Subsidiaries of the Corporation in the United Kingdom have agreements with several banks in the United Kingdom to borrow the equivalent of $12,150,000 in pounds sterling. At December 31, 1975, $6,728,000 was borrowed under these agreements. Under the terms of the agreements, payments are due in 1976 and 1978, commitment fees of ½ of 1% per year are payable on unused balances, if any, and interest is at rates ¾ of 1% to 2¼% per year over the base lending rates as defined by the respective banks. Amounts due in 1976 can be refunded under existing agreements which extend to 1981.

In September, 1975, the Corporation entered into an agreement with the County of Monroe Industrial Development Agency whereby $1,000,000 of 1975 Series A Industrial Development Revenue Bonds maturing $500,000 in 1985 and $500,000 in 1995, with interest rates of 7% and 8%, respectively, were issued. The proceeds of the bonds are being used to finance the construction of a building. The transaction is accounted for as a capitalized lease.

A subsidiary of the Corporation in Italy has entered into a revolving credit agreement with a bank in Italy for the equivalent of $2,940,000 in Italian lire. At December 31, 1975, $368,000 was borrowed under this agreement. Under terms of the agreement the principal will be converted into a term loan after two years and payments are due in three equal annual installments beginning in September, 1978. Interest is at 2% over the interbank rate or if such rate is not available, at the bank's prime rate. A commitment fee of ½ of 1% per year is payable on the average unused balance each quarter. Prepayments of the term loan are permitted in fixed multiples for a fee of ½ of 1% of the amount prepaid.

In May, 1975, the Corporation entered into a ten year parallel loan agreement with a United Kingdom company under which the Corporation loaned $4,636,000 to that firm's pension trustees and borrowed, through the Corporation's subsidiary in that country, an equivalent amount in pounds sterling, with semi-annual interest payments receivable on the dollar loan at 1½% less than interest payments payable on the pound sterling loan. The loans are subject to prepayment after five years, may be adjusted as to principal amount if currency exchange rates fluctuate and are subject to an irrevocable right to set off if either party fails to perform its obligations under the agreements. Accordingly, the loan amounts are offset in the Statement of Financial Position.

In July, 1975, the Corporation entered into a seven year parallel loan agreement with another United Kingdom company under which the Corporation loaned $3,900,000 to that company's subsidiary in the United States and borrowed an equivalent amount in pounds sterling through the Corporation's subsidiary in the United Kingdom from a subsidiary of the British firm, with semi-annual interest payments receivable on the dollar loan at 1⅞% less than interest payments payable on the pound sterling loan. The loans are subject to prepayment after five years, may be adjusted as to principal amount if currency exchange rates fluctuate and are subject to an irrevocable right of set off if either party fails to perform its obligations under the terms of the agreements. Accordingly, the loan amounts are offset in the Statement of Financial Position.

Long-term debt payment requirements over the next five years are: 1976—$932,000; 1977—$2,254,000; 1978—$10,131,000; 1979—$5,908,000; 1980—$6,179,000.

Under certain of the long-term debt agreements, there are provisions for restrictions including restrictions on the payment of cash dividends. Under the terms of the most restrictive agreement, $3,500,000 of retained earnings was available for cash dividends at December 31, 1975.

The short-term debt of the Corporation and its subsidiaries consists of:

	1975	1974
Borrowings, principally at prime rates:		
Domestic banks	$ 235,000	$ 2,240,000
Foreign banks, payable in foreign currencies	8,919,000	17,604,000
Long-term debt due within one year	932,000	1,033,000
Total	$10,086,000	$20,877,000

Maximum month end short-term borrowings outstanding during each year were $28,582,000 in April, 1975, and $20,877,000 in December, 1974.

THE UNITED PIECE DYE WORKS (DEC)

	1975	1974
Long-term debt, less current portion reflected above (Note F)	$2,433,008	$1,250,985

Note F: Long-term Debt—At December 28, 1975 and December 29, 1974, long-term debt consists of the following:

	1975	1974
(1) Notes payable—bank, pursuant to loan agreement	$1,829,000 (a)	$ 750,000 (a)
(2) Notes payable—bank, payable in equal quarterly installments of $39,903 through December 1980, including interest at 9% per annum, collateralized by Edenton, North Carolina, plant.	637,000	
(3) Mortgage payable—$30,763 paid September 1, 1975 and balance refinanced by loan (2) above		167,952
(4) Notes payable—former shareholders of Wedgwood, interest at 6% per annum (net of imputed additional interest at 4½% aggregating $1,756 in 1975 and $14,123 in 1974)...	154,299	616,932
(5) Equipment notes—payable in equal monthly installments of $6,068, including interest at 11.7% per annum, collaterized by certain machinery and equipment	246,747	
(6) Equipment notes—payable in equal monthly installments of $3,184, including interest at 9½% per annum, collateralized by certain machinery and equipment	30,497	146,510
(7) Equipment notes—payable in equal quarterly installments of $42,052, including interest at 10%, collateralized by certain machinery and equipment.......	400,095	
(8) Mortgage payable—refinanced by loan (1) above, collateralized by Bridgewater, Virginia, plant		400,833
	$3,297,638	$2,082,227
Less portion due within one year	864,630	831,242
Balance	$2,433,008	$1,250,985

The aggregate maturities of long-term debt in each of the five fifty-two or fifty-three week fiscal years subsequent to December 28, 1975 are as follows:

Year Ending	
January 2, 1977....................	$ 864,630
January 1, 1978....................	605,431
December 31, 1978................	552,999
December 30, 1979................	418,834
December 29, 1980................	855,744
	$3,297,638

(a) On December 20, 1974, the Company entered into an agreement with a bank pursuant to which the bank agreed to loan the Company up to $2,000,000. The Company borrowed $750,000 on that date and $1,250,000 on February 27, 1975. The loans are repayable in 20 equal quarter-annual installments of $27,000 and $45,000, respectively, plus final payments aggregating $560,000 in 1980. Interest on the loans is charged at ½ of 1% above the bank's prime interest rate. The agreement provides, among other things, that the Company maintain: (a) a minimum working capital of $5,000,000 and (b) compensating balances of twenty percent of the outstanding debt; in the event that the compensating balances are not maintained, the bank may impose a penalty charge. The Company has maintained adequate balances during 1975. These loans are collateralized by the Company's Bridgewater, Virginia, plant, and certain other machinery and equipment in Charleston, South Carolina.

CREDIT AGREEMENTS

As shown in Table 2-26, many of the survey companies disclosed the existence of loan commitments from banks or insurance companies for future loans. Examples of such loan commitments follow.

ANHEUSER-BUSCH, INCORPORATED (DEC)

Notes to Consolidated Financial Statements

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 $625,000 in 1975 and $320,000 in 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. Such balances, maintained pursuant to an informal understanding with the banks, are not otherwise restricted as to withdrawal. No funds were borrowed from the banks during 1975 or 1974.

JEWEL COMPANIES, INC. (JAN)

Notes to Financial Statements

Short-term and Long-term Debt (in part)—On September 15, 1975, the Company entered into a $60,000,000 credit agreement with a number of its principal banks which replaced the $40,000,000 revolving credit agreement dated January 25, 1974. The agreement provides for interest at the prime rate on a floating basis until February 10, 1978 and at the prime rate plus ¼% for the year ending February 10, 1979. The terms of the agreement also provide for a com-

TABLE 2-26: CREDIT AGREEMENTS

Type of Agreement	1975	1974	1973	1972
Revolving credit	198	200	139	128
Other	227	281	150	84
Total Disclosures	**475**	**481**	**289**	**212**
Number of Companies				
Disclosing credit agreement	385	389	270	189
Not disclosing such agreement	215	211	330	411
Total	**600**	**600**	**600**	**600**
Compensating Balances	274	255	125	N/C

N/C — Not Compiled

mitment fee of ½% per annum on the daily unused portion. On or before February 10, 1979, the Company may convert all, or any part of, the outstanding credit loans into term loans payable over 3½ years bearing interest at the prime rate plus ½%. On January 31, 1976, $27,649,000 was classified as long-term debt all of which was outstanding short-term notes supported by the above agreement based on the Company's expectation that at least this amount will be continuously outstanding during the ensuing year in the form of either short-term notes or through the credit agreement.

Lines of credit are maintained with commercial banks ($58,400,000 at January 31, 1976) to assure the availability of adequate short-term funds to meet seasonal borrowing requirements. The Bank lines are supported by cash balances at the line banks. The arrangements with the banks are informal in nature; the supporting balances are largely generated from the normal time lag in presentation of company checks for payment and from receipts in process and do not restrict the availability of such supporting funds in meeting the Company's daily requirements.

Additional bank credit was also available through the unused portion of the aforementioned $60,000,000 credit agreement. At January 31, 1976, the Company had bank credit arrangements amounting to $118,400,000. The maximum amount outstanding on any day during 1975 was $90,442,000 and averaged $67,249,000 on a weekly basis. The average weekly interest rate on these borrowings was 6.4%.

The Company's loan agreements provide restrictions as to the maintenance of working capital (as defined) and payment of cash dividends on common stock. As of January 31, 1976, net working capital was approximately $39,000,000 in excess of minimum requirements and retained earnings not restricted for cash dividends were $89,000,000.

NATIONAL CAN CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note G: Short-term Credit Arrangements—The Corporation maintains lines of credit aggregating $85,000,000 with a number of commercial banks which provide for short-term borrowings at prime rate and are available to support outstanding commercial paper. At December 31, 1975, unused available lines of credit amount to $47,625,000.

Maximum short-term borrowings outstanding (including commercial paper) during 1975 were $83,245,000 and the average monthly outstanding short-term borrowings during the year were $64,767,000. The weighted average interest rate in effect was 7.26% during 1975 and was 6.39% at December 31, 1975.

The Corporation has agreed to maintain average collected balances aggregating approximately $10,100,000. Although the Corporation has agreed to maintain such average collected balances during the year, these balances are not restricted and may be drawn down for daily operations as needed.

U. S. INDUSTRIES, INC. (DEC)

Notes to Financial Statements

Note E (in part): Long-term Debt and Revolving Credit Agreement—The various loan agreements contain certain restrictive covenants, including maintenance of working capital, funded debt to capitalization ratios, limitations on investments and advances to unrestricted subsidiaries (as defined) and limitations on dividend payments. Under the most restrictive agreements at December 31, 1975 retained earnings unrestricted for dividend payments amounted to approximately $7.2 million (as to a short-term credit agreement maturing September 30, 1976) and $18.6 (as to the 7.35% notes payable to insurance companies maturing on October 1, 1983). At December 31, 1975, approximately $.7 million of receivables, $7.3 million of inventory and $36.6 million of property, plant and equipment were pledged as collateral for long and short-term indebtedness.

The Corporation has a revolving credit agreement which provides for the borrowing on a 90-day basis of up to $100 million until September 30, 1976. On or before that date, the Corporation may elect to replace these notes with term notes bearing interest at ½% above prime rate, payable in twelve equal quarterly installments commencing December 31, 1976. Current borrowings under this agreement bear interest at ¼% above prime, and the Corporation is obligated to pay a fee of ½% of the daily average unused portion of the commitment during the revolving credit period.

As a condition of making any of the loans, either on the basis of 90-day notes or the term notes, the Corporation must make certain representations including among other things, that there has been no material adverse change in the business or assets of the Company and its Subsidiaries (as defined). The Corporation expects to be able to continue to make these representations. These notes have been classified as current liabilities at December 31, 1975, in accordance with the provisions of Statement No. 6 of the Financial Accounting Standards Board, issued in May 1975. Notes payable under this agreement at December 31, 1974, previously carried as long-term debt, have been reclassified for comparative purposes.

WEYERHAEUSER COMPANY (DEC)

Notes to Consolidated Balance Sheet

(Dollar Amounts in Thousands Except Per Share Figures)

Note 5: Debt—Long-term debt obligations, excluding amounts payable within one year, consist of the following:

	December 28, 1975	December 29, 1974
5.20% sinking fund debentures issued in 1966 due $7.5 million per annum 1972 through 1991	$102,635	$102,635
7.65% sinking fund debentures issued in 1969 due $10 million per annum 1980 through 1994	150,000	150,000
8⅝% sinking fund debentures issued in 1970 due $6 million per annum 1976 through 2000	144,000	150,000
8.90% sinking fund debentures issued in 1974 due $7.6 million per annum 1979 through 2003 and $10 million in 2004	200,000	177,450
8⅛% notes due October 1976	—	50,000
8% notes due January 1985	250,000	—
Revolving credit agreements/commercial paper	12,300	231,213
Other	70,518	54,255
	$929,453	$915,553

The four sinking fund debenture issues have a number of customary provisions in common, including (1) redemption at par plus decelerating premiums, (2) option to deliver debentures in lieu of sinking fund payments in cash and (3) nonrefundability for periods ranging from five to ten years in anticipation of borrowings at an interest cost less than that provided in the debenture issue.

The Company has revolving credit agreements with groups of banks. A 1972 agreement provides for (1) borrowings of up to $125 million on 90-day notes at 5⅝% the first year, 6⅛% the second year and at New York prime rate, not to exceed 7½%, the next three years, (2) a commitment fee of not more than ½% on the unused credit, (3) conversion of the notes as of April 25, 1977 to a three-year term loan payable in three equal annual installments and bearing interest at ¼% over New York prime rate for the first two years and ½% over such prime rate for the third year, and (4) maintenance of consolidated working capital of $90 million, as defined in the credit agreement. As funds are drawn under the credit agreement the Company, pursuant to an informal arrangement, provides compensating balances with the participating banks averaging ten percent of the funds loaned. At December 29, 1974 this credit agreement was fully utilized and balances provided were $12.5 million (including $6 million non-interest bearing time deposits) and were legally subject to withdrawal without sanctions. At December 28, 1975 this credit was not utilized and at February 2, 1976, the agreement had been cancelled.

A 1974 agreement provides for (1) borrowings of up to $160 million on short-term notes at ½% over the offered rate quoted by first-class banks in the London interbank Eurocurrency market for the first three years, and ⅝% over such rate for the next two years, (2) a commitment fee of ¼% on the unused credit for the first three years and ⅜% for the next two years, (3) conversion of the notes as of April 2, 1979 to a three-year term loan payable in three annual installments and bearing interest at ¾% over the six-month London interbank Eurocurrency market rate, and (4) maintenance of consolidated working capital of $90 million as defined in the credit agreement. A second 1974 agreement, cancelled by the Company in February 1975, provided for (1) borrowings of up to $150 million during the first two years, $120 million the third year and $30 million the last year, at 120% of New York prime rate, (2) a commitment fee of ¾% on the unused credit, and (3) maintenance of consolidated working capital of $90 million, as defined in the credit agreement. Neither at December 28, 1975 nor December 29, 1974 were either of the 1974 revolving credit agreements utilized or compensating balances maintained.

During 1975 the Company and Weyerhaeuser Real Estate Company jointly negotiated commercial paper borrowings under master note arrangements with the trust departments of various banks. Either company, or both, may be the borrower and notes are discounted at the discount rate of Ford Motor Credit Company or General Motors Acceptance Corporation for their ordinary commercial paper borrowings. If Weyerhaeuser Real Estate Company is the borrower, the Company is guarantor of such borrowings and earns a fee measured by the difference between the interest rate provided in these arrangements and the New York prime interest rate. Under agreement with the Company, Weyerhaeuser Real Estate Company must maintain unused non-guaranteed credit arrangements equal to the amount of its usage under these master note arrangements. At December 28, 1975 Weyerhaeuser Real Estate Company had borrowed $140.2 million under these arrangements.

The Company from time to time utilizes commercial paper in lieu of borrowings under the revolving credit agreements. To the extent that the revolving credit agreement commitments are unused an equal amount of commercial paper is classifiable as long-term debt. $12,300 and $106,213 has been so classified at December 28, 1975 and December 29, 1974 respectively. A summary of commercial paper activity follows:

	1975	1974
Outstanding at end of period	$12,300	$106,213
Average interest rate	6.3%	9.2%
Borrowings during the period:		
Maximum month-end amount	$92,208	$175,997
Average amount	$69,122	$ 76,878
Average interest rate	6.7%	10.4%

During 1973 and 1974 the Company and Weyerhaeuser Real Estate Company established various bank lines of credit in the maximum aggregate sum of $146.3 million. These lines of credit were subsequently reduced to $72.3 million in May 1975. Either company, or both, may utilize the credit lines and borrowings thereunder are evidenced by demand notes at current prime rates of interest. Neither company is a guarantor of the borrowings of the other. Although no portion of the credit lines was availed of by the Company during 1974 or 1975 amounts outstanding in respect of Weyerhaeuser Real Estate Company were $2 million at December 28, 1975 and $146.3 million at December 29, 1974. The Company's other short-term borrowings, except for commercial paper, were not significant.

Other long-term debt of $70,518 at December 28, 1975 and $54,255 at December 29, 1974 consists principally of domestic timber purchase contracts and foreign bank and other borrowings. As a result of translation adjustments, foreign long-term debt increased $3,300 in 1974.

Long-term debt maturities during the next five years are:

1976	$67,889
1977	14,884
1978	16,275
1979	31,174
1980	35,221

Neither the revolving credit agreements nor the indenture agreements relating to the various note and debenture issues contain covenants materially restricting the manner in which the Company might otherwise conduct its business.

Except as otherwise stated compensating balance arrangements were not significant.

WHITE MOTOR CORPORATION (DEC)

Notes to Financial Statements

Note B: Short-term Bank Borrowings—At December 31, 1975, borrowings of $145,500,000, the maximum allowable under lines of credit with several banks, are repayable on demand. The Corporation and its finance subsidiaries are, as required by the insurance lenders (see Note C), continuing their negotiations with the banks for revolving credit agreements having terms of not less than 364 days to replace the existing demand notes with promissory notes. In January, 1976, the banks agreed, pending negotiation of the aforementioned revolving credit agreements, to eliminate all compensating balance requirements. The bank lenders have entered into "stand still" agreements since December 2, 1975, under which the bankers agree among themselves not to demand payment until the earlier of a set date, presently March 15, 1976, or a date upon which holders of two-thirds of dollar amounts outstanding elect to make such demand. Similar restrictions on maximum borrowings under lines of credit and "stand still" agreements have been put into effect with respect to the Corporation's finance subsidiaries (see Note A of Notes to Consolidated Financial Statements of The White Motor Credit Corporation and Subsidiary).

Borrowings of $130,000,000 repayable on demand, were outstanding at December 31, 1974 under lines of credit with several banks aggregating $170,000,000 at prime rates of interest. Borrowings at December 31, 1975 were at rates varying from prime to 125% of prime, with rates in excess of prime in lieu of compensating balance arrangements. In November, 1975, the banks informed the Corporation that minimum rather than average compensating balances must be maintained and, as a result, cash of approximately $23,500,000 became restricted as to withdrawal. Prior to that time, the Corporation had an understanding that it would maintain compensating balances of 10% of its lines of credit with certain banks and 10% of its lines of credit plus 10% of its borrowings with certain other banks. Such compensating balances were to be maintained on an average basis for an annual period as reflected in the banks' daily collected ledger balances. These compensating balances, which were not restricted as to withdrawals, served both as compensation to the banks for services and as part of the Corporation's minimum operating cash balances. The banks considered both the Corporation and its finance subsidiaries as a single entity for determining compliance with compensating balance requirements.

Information regarding borrowings under the aforementioned credit lines for the periods indicated is as follows:

	1974	1975
Maximum borrowings at any month end...............................	$130,000,000	$155,000,000
Average borrowings................	82,700,000	142,400,000
Compensating balance at end of year..............................	28,200,000	—
Minimum deposit requirement at end of year......................	—	23,500,000
Compensating balance or minimum deposit requirement stated in terms of the Corporation's book balance at end of year..........	28,600,000	23,200,000
Average compensating balances....	20,000,000	23,000,000
Average interest rate	11.1%	8.5%
Average interest rate at end of year	10.6%	7.9%

Average borrowings were computed by dividing the total of daily outstanding principal balances by the number of days in the periods, and average interest rates were computed by dividing actual interest expense by the average borrowings. The difference between the compensating balance or minimum deposit requirement amounts and the amounts stated in terms of the Corporation's book balance is attributable to estimated average uncollected funds less estimated float.

Note D: Financing—Long-term indebtedness was increased by $26,352,000 in 1974. Cash requirements for significant increases in current assets in 1974 and for capital expenditures not covered by long-term borrowings were financed through increases in short-term borrowings and by deferring payments on current liabilities. Under the 1974 loan agreements with insurance companies for the 9¼% notes, additional borrowings of $10,000,000 were scheduled to be received in 1975; however, the Corporation has been unable to obtain such funds because of its continuing need in 1975 for waivers of compliance with various terms of the loan agreements (see Note C). For the same reason, the Corporation has also experienced difficulty in finalizing other arrangements for long-term financing negotiated in 1974 except for bank financing of $8,000,000 in 1975 for specialized tooling related to the new family of trucks. In 1975 the Corporation also became restricted from incurring additional funded debt under covenants of the Indenture covering the 7½% Sinking Fund Debentures.

Operating losses and capital expenditures in 1975 and continued dependence on short-term borrowings have resulted in serious financial difficulties, including a significant decline in working capital. In February, 1975 under waivers of compliance, the insurance lenders limited the maximum amount of short-term borrowings to $170,000,000, reduced to $150,000,000 at June 1, 1975. Such limitation has made it more difficult for the Corporation to obtain additional financing that would enable it to limit the age and amounts for certain current liabilities and to comply with the terms and conditions of the amended restrictive covenants of the loan agreements. Also, in late 1975, the availability of increased lines of credit became limited and two of the Corporation's short-term bank lenders made, and subsequently withdrew demands for payment of amounts owed them. In November, 1975 the bank lenders collectively limited borrowings under lines of credit to amounts then outstanding ($145,500,000) and placed additional restrictions on minimum deposit requirements. In January, 1976 such lenders agreed to eliminate all compensating balance requirements (see Note B) pending negotiation of the revolving credit agreement required under the aforementioned conditional waivers. Such credit arrangements were not obtained by January 31, 1976, and the insurance lenders extended the requirement date to March 31, 1976. The stand-still agreements (see Note B) with bank creditors were extended to March 15, 1976. Modifications to the terms and conditions of loan agreements with the insurance lenders and other creditors may be required from time to time to maintain the existing level of credit or to obtain additional financing needed to satisfy the Corporation's cash needs.

Under various loan agreements, the Corporation is presently restricted from incurring additional long-term debt and has been unsuccessful in obtaining equity financing. Bank lenders have indicated an unwillingness to make commitments to provide additional short-term financing and management does not anticipate that short-term financing would be available from other sources. Management believes that without additional financing the Corporation will continue to experience a serious working capital problem and significant improvement in the Corporation's financial condition will be impeded without continued support of its trade creditors and banks and insurance lenders to maintain existing financing. Management further believes that if the proposed merger described in Note P is not consummated it will be more difficult to obtain additional equity or debt financing in the near future.

The following uncertainties may have some effect on the ability of the Corporation to maintain satisfactory financing arrangements: (1) the ultimate effects of the notification by Consolidated Freightways, Inc. of its intention to terminate the agreement under which the Corporation has purchased and resold "White-Freightliner" trucks (see Note 5); (2) the final outcome of the Minnesota Pension litigation (see Note I); (3) possible additional pension expense and funding requirements (see Note J); (4) the ability of the Corporation to obtain waivers which will be required in the future (see Note C); and (5) possible additional losses which may arise from a contract (see Note K) and the disposition of certain product lines and facilities (see Note N).

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 noncancelable leases should be disclosed, as of the date of the latest balance sheet presented, in the aggregate for:

a. Each of the five succeeding fiscal years,

b. Each of the next three five-year periods, and

c. The remainder as a single amount.

The amounts so determined should be reduced by rentals to be received from existing noncancelable subleases (with disclosure of the amounts of such rentals). The totals 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

TABLE 2-27: LONG TERM LEASES

	Number of Companies		
Information Disclosed as to Non-capitalized Leases	**1975**	**1974**	**1973**
Rental Expense			
Basic	336	335	211
Contingent	72	73	45
Minimum Rental Commitments			
Schedule of	245	240	252
Classified by Major Categories of Property	155	157	108
Present Value	115	116	71
Renewal or Purchase Options	62	63	57

Number of Companies	**1975**	**1974**	**1973**	**1972**
Noncapitalized leases only	319	314	297	259
Capitalized and non-capitalized leases	126	130	124	83
Capitalized leases only	47	45	41	73
No leases disclosed	108	111	138	185
Total	**600**	**600**	**600**	**600**

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 2-27 summarizes disclosures made by lessees. Examples of lessee disclosures follow.

Leases Capitalized

THE ANACONDA COMPANY (DEC)

	1975	1974
Long-term debt	335,872	273,755
Capitalized lease obligations	133,321	131,890

Notes to Financial Statements

Summary of Significant Accounting Policies (in part):

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.

Capitalized Lease Obligations—Capitalized lease obligations 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: 1976, $3.4; 1977, $3.9; 1978, $4.4; 1979, $4.5; 1980, $3.6.

Aluminum reduction facilities at Sebree, Kentucky, are leased from an equipment trust formed to construct and own the facilities. The lease term expires in 1993 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 per cent.

Certain air pollution control facilities at the copper smelter at Anaconda, Montana, have been subleased by the company for a period of 25 years through 1998 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 percent.

ELECTRIC HOSE AND RUBBER COMPANY (AUG)

	1975	1974
Long-term debt less amounts due within one year-Note 2	$7,687,200	$6,117,000

Notes to Financial Statements

Note 2: Long-term Debt—

	August 31,	
	1975	1974
Industrial revenue bonds	$3,540,000	$2,600,000
Instalment purchase obligation	137,200	145,700
Term loan payable to banks	4,658,500	4,200,000
Mortgage note payable—Olney facilities	1,000,000	
Mortgage payable—Wilmington facilities	38,800	49,700
	9,374,500	6,995,400
Less—amounts due within one year	1,687,300	878,400
Long-term debt—less current portion	$7,687,200	$6,117,000

The Company has arrangements with the City of McCook and City of Alliance, Nebraska, for the construction, financing and lease to the Company of manufacturing plant facilities situated at both locations. The McCook arrangement covers the entire plant facility whereas the Alliance arrangement covers structural additions to the present facility leased (see following paragraph) by the Company and the purchase of manufacturing equipment. The financing was accomplished by the sale of industrial revenue bonds which bear interest at 5.0% to 6.5% per annum and mature serially in progressive annual amounts ranging in the aggregate from $355,000 in 1976 to a maximum of $480,000 in 1981 and declining thereafter to $155,000 in 1985. The payments to be made by the Company are in amounts equal to principal and interest payments on the bonds through 1985. The issues are secured by the assignment of the leases and mortgage indentures on the McCook and Alliance facilities. The leases provide that upon the payment of all the outstanding industrial revenue bonds the McCook and Alliance facilities will be conveyed to the Company for a nominal value. In accordance with the generally accepted accounting principles for such leases, these transactions have been treated as financings with the property covered by these leases being recorded as fixed assets of the Company and the related lease commitments being recorded as long-term debt—industrial revenue bonds. During 1975, $1,200,000 additional industrial revenue bonds were issued in accordance with the above terms for construction of additional mixing and warehouse facilities at McCook.

Under a noncancelable lease agreement, expiring in 1986, covering the land and original building located in Alliance, Nebraska, the Company is required to make annual payments of $18,000 through 1986. This lease is also deemed to be a financing (at expiration of the lease, title to be conveyed to the Company without further payment) with the related cost of the land and building (equivalent to the future rental payments discounted at 6.75%) being recorded as fixed assets and the lease commitment being recorded as long-term debt—installment purchase obligation.

In January 1975, the Company renegotiated its term loan agreement with two banks in the amount of $6,000,000, which included the consolidation of existing outstanding short-term notes payable to the lending banks. The term loan is payable in monthly instalments of $108,300 plus interest at 1.25% above prime. The interest rate at August 31, 1975 was 9.00%. During 1975, the Company prepaid $875,000 of the loan principal balance.

The land and building in Olney, Texas were financed by a $1,000,000 one-year construction note payable to a bank. Under a noncancelable commitment by the bank, the note will be refinanced in the same amount on or before November 22, 1975 as a 20-year mortgage note payable secured by a deed of trust on the land and building. The mortgage note will be payable in equal monthly instalments of principal and interest at a floating rate not to exceed 9.75%.

The mortgage on the Wilmington facilities bears interest at the rate of 6% and is payable monthly in the amount of $1,100, including interest with final payment due September 1981.

The agreements relating to the industrial revenue bonds and the term loan payable to banks include provisions for events of default relating to working capital, debt and net worth limits, capital expenditures and dividend restrictions. Under the most restrictive covenants of these agreements, cash dividends cannot be declared by the Company unless the net worth of the Company is at least equal to 200% of its long-term debt and, furthermore, cash dividends in any fiscal year are limited to 40% of net earnings in such year. For the year ended August 31, 1975, the Company's capital expenditures and dividend payments exceeded the amounts allowed under the provisions of the term loan payable; however, these provisions were waived by the lending banks for the year ended August 31, 1975.

Maturities for all long-term borrowings for the years ending August 31, 1977 through 1980 are as follows: 1977-$1,714,200; 1978-$1,742,400; 1979-$6,221,700; 1980-$481,400.

UNITED FOODS, INC. (FEB)

Notes to Consolidated Financial Statements

Note 7: Long-term Debt—Long-term debt consisted of the following:

	February 28, 1975	1974
Notes and contracts:		
5½ to 6¼% first mortgage revenue bonds due to 1988....	$10,718,000	$11,324,000
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..........................	3,433,954	3,796,305
Unsecured notes due to 1978 with interest from 4¾ to 8% and 1% above prime........	1,191,850	1,771,787
Purchase obligations payable in installments with interest up to approximately 15%......	1,202,060	1,745,221
Deferred compensation contracts with interest to 5½%.......	451,315	1,032,581
Land lease obligation capitalized	1,748,012	1,841,865
Total notes and contracts........	18,745,191	21,811,759
Convertible subordinated notes:		
6% notes due to 1982	480,000	600,000
6½% notes due to 1983........	759,000	884,000
Total convertible subordinated notes..........................	1,239,000	1,484,000
	19,984,191	23,295,759
Less current maturities.............	2,045,948	3,180,059
Totals	$17,938,243	$20,115,700

The terms of 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, 1975 and 1974, approximately $5,400,000 and $3,800,000, respectively, of consolidated retained earnings were 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, 1975 and 1974, $1,300,000 and $3,018,072 of the proceeds from the sale of the bonds were held by the trustee. On March 3, 1975, the final distribution of the funds was made to the company.

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.

MAREMONT CORPORATION (DEC)

	1975	1974
Lease rental obligations (Note 4)...	18,502,000	$18,038,000

Notes to Consolidated Financial Statements

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

Leased Facilities and Lease Rental Obligations—Certain long-term lease transactions relating to the financing of property, plant and equipment are accounted for as installment purchases of property. Accordingly, the properties are capitalized as leased facilities and depreciated on a straight-line basis over their estimated ecomomic lives. The corresponding lease rental obligations represent the present value of future rent payments, discounted at the interest rates implied in the leases.

Note 4 (in part): Long-term Debt and other Obligations—The Company has capitalized rental obligations under leases of property, plant and equipment at five manufacturing facilities. The obligations, which mature at various dates from 1983 to 1996, represent the total present value of future rental payments, discounted at the interest rates (4¼-8¼%) implicit in the leases. Payments under these leases totalled $2,162,000 in 1975 and $2,232,000 in 1974, and will average $2,100,000 per year over the next 13 years.

Covenants under 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. During 1975 and 1974, the Company was in compliance with all covenants. At December 31, 1975, approximately $12 million of retained earnings was available for cash dividends under the most restrictive covenant.

Leases Not Capitalized

CHEMETRON CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 7: Lease Commitments—The Company and its subsidiaries rent various manufacturing facilities, offices and equipment under lease arrangements which can be classified as either financing or operating. Financing leases are those for which the initial term of the lease substantially covers the useful economic life of the property or assures the lessor recovery of and a reasonable return on his investment. Operating leases represent all others.

Minimum rental commitments by type of property at December 31, 1975 under noncancellable leases, exclusive of leases capitalized in the balance sheet, are as follows (thousands of dollars):

Year Ended December 31	Land, Land Improvements and Buildings	Machinery and Equipment	Total Commitments	Portion of Total Applicable to Financing Leases
1976	$2,484	$2,256	$4,740	$1,953
1977	2,291	1,724	4,015	1,589
1978	2,210	1,413	3,623	1,377
1979	2,056	1,037	3,093	1,102
1980	1,954	736	2,690	872
1981-1985...	9,176	1,894	11,070	2,791
1986-1990...	7,355	—	7,355	954
1991-1995...	192	—	192	91
1996-2009...	66	—	66	55

The above minimum commitments for land, land improvements, and buildings have been reduced by the following sublease rentals (in thousands of dollars): 1976-$114; 1977-$102; 1978-$92; 1979-$81; 1980-$76; 1981 through 1985-$176.

The present value of lease commitments relating to financing leases is not significant. Also, capitalization of financing leases would not have significantly affected earnings in either year.

Rental expense for the two years ended December 31, 1975 is summarized as follows (thousands of dollars):

	1975	1974
Financing leases	$2,361	$2,427
Operating leases:		
Rentals incurred by the Company	5,698	4,864
Sublease rentals	(184)	(493)
	$5,514	$4,371
Total rental expense	$7,875	$6,798

ALBERTSON'S, INC. (JAN)

Notes to Consolidated Financial Statements

Leases and Commitments—The Company leases most of its real estate. The standard basic lease period is 20 to 25 years and most leases contain renewal options which give the Company the right to extend the lease for varying periods. Exercise of such options is dependent on the level of business conducted at the location. In addition, the Company leases certain equipment.

Rental expense was as follows:

	1975	1974
Minimum rental:		
Real estate financing leases*....	$13,153,391	$10,700,075
Equipment financing leases*	41,958	
Other leases.......................	1,577,630	1,025,143
	14,772,979	11,725,218
Contingent rentals:		
Real estate financing leases*....	2,441,872	2,278,332
Other leases**	1,138,632	1,285,350
	3,580,504	3,563,682
Less:		
Sublease rental received.........	(2,186,608)	(1,356,927)
	$16,166,875	$13,931,973

*Noncapitalized financing leases as defined by the Securities and Exchange Commission.
**Principally trucks and trailers.

The minimum rental commitments at January 31, 1976 of all noncancellable leases having an initial term of one year or more (exclusive of taxes and insurance payable directly by the Company) were as follows (in thousands):

	Minimum Rental Commitments				
	Noncapitalized Financing Leases				
	Real Estate	Equipment	Other Leases	Minimum Rentals from Subleases	Minimum Rental Commitments
1976	$ 16,122	$ 763	$ 627	$ 1,578	$ 15,934
1977	16,176	763	573	1,322	16,190
1978	16,118	754	424	1,165	16,131
1979	15,780	664	88	1,123	15,409
1980	15,201	651	47	1,007	14,892
1981-1985..............	72,258	1,778	210	3,818	70,428
1986-1990..............	62,803		99	2,494	60,408
1991-1995..............	48,840			1,067	47,773
Remainder	46,060			352	45,708
Total	$309,358	$5,373	$2,068	$13,926	$302,873

The present value of noncapitalized financing leases and corresponding subleases, discounted at the interest rates implicit in the leases, were as follows (in thousands):

	January 31, 1976	February 1, 1975
Present value of financing leases..	$142,121	$95,168
Less present value of financing subleases.........................	(7,050)	(5,716)
	$135,071	$89,452
Range of interest	3.4%-10.3%	3.4%-10.8%
Average interest rates	7.8%	7.0%

If all noncapitalized financing leases had been capitalized (and the related assets assumed to be purchased and amortized on the straight-line method, with interest expense accrued on the resulting liability) the amortization, interest and effect on net earnings would have been as follows (in thousands):

	1975	1974
Amortization	$5,900	$4,675
Interest	8,378	5,852
Effect on net earnings................	(1,136)	(724)

At January 31, 1976, the Company was committed under contracts and purchase orders for approximately $12,325,000 for property held for resale and for land, buildings and equipment.

CITY STORES COMPANY (JAN)

Notes to Financial Statements
Note L (in part): 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 $455,468 and $381,107, respectively)	$ 3,002,840	$ 2,843,281
Non-financing leases	10,092,230	9,794,099
	13,095,070	12,637,380
Other leases (including equipment rental of $290,849 and $228,808, respectively)	389,560	339,603
	13,484,630	12,976,983
Sublease income, principally applicable to financing leases.	(1,404,912)	(1,372,485)
Total rental expense	$12,079,718	$11,604,498

Total rental expense includes percentage rental payments, based on sales, on real property of $655,103 and $705,045, 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 non-cancellable leases as at January 31, 1976 are as follows:

(in thousands)

Year Ending	Net Total	Financing Real Property	Financing Personal Property	Non-financing (Real Property)	Sublease Income (Real Property)
1977	$11,188	$ 2,685	$ 778	$ 8,954	($1,229)
1978	10,857	2,685	768	8,422	(1,018)
1979	10,291	2,685	702	7,851	(947)
1980	10,062	2,685	650	7,604	(877)
1981	9,441	2,685	565	6,950	(759)
1982-86	38,715	13,109	910	28,063	(3,367)
1987-91	29,756	10,571	—	20,222	(1,037)
1992-96	17,419	5,534	—	11,885	—
After 1996	17,101	3,899	—	13,202	—
	$154,830	$46,538	$4,373	$113,153	($9,234)

The present values of the net minimum rental commitments for all financing leases are:

(in thousands)	This Year's and Last Year's Interest Rates Average	Range	This Year	Last Year
Real property (net of the present value of minimum sublease income of $4,448 and $4,602, respectively)	7.1%	4.5%-9.5%	$18,115	$16,168
Personal Property	7.6%	6.0%-9.0%	3,184	974
			$21,299	$17,142

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 for each year would have been increased by $129,000 and $123,000, respectively.

This computation includes:

(in thousands)	This Year	Last Year
Assumed amortization...............	$1,066	$ 976
Assumed interest....................	$1,323	$1,228

INTERNATIONAL MULTIFOODS CORPORATION (FEB)

Notes to Consolidated Financial Statements

Note 9: Leases and Rentals—At February 28, 1975, the Company was committed to the following minimum rentals under non-cancelable leases, primarily for the use of plant and office space, rail cars, equipment and franchising units principally sublet to franchises (in thousands):

	By type of property (net of sub-leases)			By type of lease (net of sub-leases)		Sub-leases by type of lease	
Fiscal year	Real property	Transportation equipment	Other	Financing*	Other	Financing*	All other
1976	$ 2,919	$622	$471	$1,895	$2,117	$2,037	$143
1977	3,166	553	245	1,970	1,994	2,025	113
1978	3,095	413	172	1,798	1,882	2,017	84
1979	3,001	352	32	1,639	1,746	1,992	73
1980	2,865	333	25	1,661	1,562	1,943	56
1981-1985	13,303	773	29	8,131	5,974	7,991	202
1986-1990	8,076	295	—	5,923	2,448	3,710	7
1991-1995	3,157	—	—	3,157	—	188	—
1996-2001	809	—	—	809	—	—	—

*A lease which during the non-cancelable lease period, either (i) covers 75 per cent or more of the economic life of the property or (ii) has terms which, in management's opinion, assures the lessor a full recovery of the fair market value of the property at the inception of the lease, plus a reasonable return on his investment.

Total rental expense net of sub-lease income for fiscal years 1975 and 1974 amounted to (in thousands):

	1975	1974
Financing leases:		
Minimum rentals	$3,852	$3,476
Sub-lease rentals	(2,010)	(1,927)
Other leases:		
Gross rentals	5,620	5,056
Sub-lease rentals	(185)	(199)
	$7,277	$6,406

If all non-capitalized "financing" leases were capitalized the impact upon consolidated net earnings would not have been significant.

The present value of minimum lease commitments, applicable to non-capitalized "financing" leases at February 28, 1975 and 1974, were as follows (dollars in thousands):

	Interest rates used in present value computation					
	Weighted average		Range		Present value	
	1975	1974	1975	1974	1975	1974
Asset category:						
Real property	9.8%	9.8%	4.8-12.9%	4.8-12.9%	$25,592	$23,938
Transportation equipment	6.7	7.0	4.5-12.5	4.5-12.5	925	847
Other	7.3	7.2	6.2-12.5	6.2-12.5	691	811
					27,208	25,596
Less present value of rentals to be received under sub-leases	12.5%	12.5%	5.0-12.5%	5.0-12.5%	11,518	11,866
Total present value					$15,690	$13,730

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 53% 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:

	1975	1974
Rental expense net of $3,266,000 and $3,393,000 rental income from subleases	$10,739,000	$8,183,000
Gross rental expense under noncancellable financing leases included above	4,069,000	3,630,000

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	Rental Commitments, Net of Rentals from Subleases Total	Real Estate	Rentals for All Operating and Financing Leases Equipment	Rentals from Subleases
		(Thousands of Dollars)			
First five years*					
1976	$ 951	$ 5,235	$ 1,369	$3,866	$2,986
1977	948	4,454	1,378	3,076	2,916
1978	1,045	4,019	1,472	2,547	2,727
1979	985	3,418	1,419	1,999	2,644
1980	1,317	3,079	1,817	1,262	2,059
Five year periods*					
1981-85	9,687	16,139	11,978	4,161	6,272
1986-90	12,691	14,604	14,073	531	2,322
1991-95	9,540	10,228	10,228	—	104
After 1995	10,781	11,944	11,944	—	—

Present value of noncapitalized financing leases at their weighted average interest rate of 7.9% and 6.3% as of December 31, 1975 and 1974, and before reduction for sublease rentals are as follows:

	1975	1974
Real estate	$32,547,000	$33,260,000
Equipment	1,715,000	1,625,000
Total	$34,262,000	$34,885,000
Present value of subleases, excluding renewals, determined on a net lease basis*	3,950,000	4,462,000

*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.

SAV-A-STOP INCORPORATED (AUG)

Notes to Consolidated Financial Statements

Note 10 (in part): Commitments and Contingent Liabilities—At August 30, 1975, 578 noncancellable leases were in effect on store locations, warehouses and offices, transportation and other equipment. A substantial number of the noncancellable leases will expire during the next five years.

For disclosure purposes, the Company has classified lease arrangements as either "finance" or "operating" leases. A "finance" lease is one which, during the noncancellable lease period, either (i) covers 75 percent or more of the economic life of the property or (ii) has terms which assure the lessor a full recovery of the fair market value of the property at the inception of the lease, plus a reasonable return on the use of the assets invested. Capitalized leases are excluded from this presentation (see note 6).

Rental payments under noncancellable leases including, where applicable, real estate taxes and other expenses for the periods presented are as follows:

	Category		Type of lease		
Fiscal year	Minimum rentals	Contingent rentals	Finance	Operating	Total expense
1975	$4,889,608	None	1,078,592	3,811,016	4,889,608
1974	5,108,018	None	1,339,733	3,768,285	5,108,018

Rental payments for premises leased from officers and directors amounted to $337,000 in 1975 and $340,000 in 1974. The aggregate lease commitment under these agreements was $2,160,000 at August 30, 1975.

At August 30, 1975 scheduled aggregate minimum rentals under noncancellable leases on stores, transportation and other equipment and warehouses and offices through dates of expiration are as follows:

	Type of property			Type of lease		
Fiscal year	Stores	Transportation and other equipment	Warehouses and offices	Finance	Operating	Total commitment
1976	$2,114,000	1,805,000	659,000	1,028,000	3,550,000	4,578,000
1977	1,348,000	1,560,000	502,000	940,000	2,470,000	3,410,000
1978	868,000	1,149,000	468,000	872,000	1,613,000	2,485,000
1979	629,000	587,000	441,000	555,000	1,102,000	1,657,000
1980	531,000	502,000	361,000	479,000	915,000	1,394,000
1981-1985	1,790,000	254,000	1,012,000	251,000	2,805,000	3,056,000
1986-1990	832,000	—	378,000	—	1,210,000	1,210,000
1991-1995	339,000	—	—	—	339,000	339,000
Thereafter	—	—	—	—	—	—
	$8,451,000	5,857,000	3,821,000	4,125,000	14,004,000	18,129,000

A summary of the present value of "finance" lease commitments (substantially all of which relate to transportation equipment) follows:

	Interest rate used in present value computation		Present value of lease commitments	
	Range	Weighted average	August 30, 1975	August 31, 1974
Transportation equipment	5.1-10%	9.7%	$3,269,354	3,286,438

If all of the above "finance" leases were capitalized, the lease rights amortized on a straight-line basis, and interest expense accrued on the basis of the outstanding lease liability, net loss for the periods presented in the consolidated statements of operations would have been affected by less than 3% of the average net earnings for the three most recent profitable years.

OTHER NONCURRENT LIABILITIES

In addition to long-term debt, many of the survey companies presented captions for deferred taxes, minority interests, liabilities to or for employees, estimated losses or expenses, and deferred credits. Table 2-28 summarizes the nature of such noncurrent liabilities and deferred credits.

TABLE 2-28: OTHER NONCURRENT LIABILITIES

	Number of Companies			
	1975	1974	1973	1972
Deferred income taxes......	479	481	488	479
Minority interest............	179	205	217	228
Employee Liabilities				
Deferred compensation, bonus, etc................	86	73	90	92
Pension or retirement plan .	69	62	72	71
Other — not described	27	28	29	28
Estimated losses or expenses				
Discontinued operations.....	29	29	29	35
Foreign operations...........	18	26	41	28
Insurance	14	22	31	34
General contingencies	6	6	6	5
Other — described..........	38	31	12	36
Deferred credits				
Payments received in advance, warranties, etc..	25	19	30	26
Deferred profit on sales.....	13	12	9	9
Production payments	15	13	7	13
Excess of acquired net assets over cost...........	7	6	8	10
Deferred translation gains ..	5	22	N/C	N/C
Other — described..........	13	19	25	22
"Miscellaneous" or "other"	240	247	236	178

N/C — Not Compiled.

Deferred Taxes

CHICAGO BRIDGE & IRON COMPANY (DEC)

	1975	1974
Deferred income taxes and investment tax credits (Note 5).......	$34,736,000	$22,778,000

Note 5: Income taxes—Statements of income—The provision for income taxes consisted of the following:

	1975	1974
Current U.S.	$23,399,000	$10,125,000
Deferred U.S. taxes................	4,177,000	3,215,000
Net investment tax credits..........	1,208,000	387,000
Foreign taxes	8,616,000	10,290,000
Total provision for income taxes	$37,400,000	$24,017,000

The sources of deferred U.S. taxes are as follows:

	1975	1974
Depreciation expense	$1,710,000	$1,000,000
Pension costs	433,000	1,000,000
Undistributed earnings of subsidiaries and affiliates...........	3,046,000	1,215,000
Other timing differences	(1,012,000)	
Total U.S. taxes deferred........	$4,177,000	$3,215,000

Balance sheets-Cumulative deferred income taxes and investment tax credits are as follows:

	1975	1974
Depreciation expense	$15,446,000	$13,579,000
Pension costs	2,137,000	1,500,000
Undistributed earnings of subsidiaries and affiliates...........	10,189,000	5,692,000
Other timing differences	3,751,000	—
Investment tax credits net of amortization.....................	3,213,000	2,007,000
Total deferred income taxes and investment tax credits	$34,736,000	$22,778,000

HOUDAILLE INDUSTRIES, INC. (DEC)

	1975	1974
Other Liabilities (current portion included in current liabilities):		
Long-term debt...................	$25,300,000	$26,500,000
Long-term lease obligation-net ..	217,479	239,020
Deferred compensation plans....	2,567,253	2,366,908
Taxes on income deferred to future periods (Notes A and M)	4,443,668	3,629,467
Total other liabilities	$32,528,400	$32,735,395

Note A (in part): Accounting Policies

Income Taxes—The Corporation provides for deferred income taxes on all significant timing differences which represent the tax effects of transactions reported for tax purposes in periods different than for book purposes. Investment tax credits are accounted for on the "flow-through" method as a reduction of the provision for income taxes in the year in which the related property is put into use.

Note M. Income Taxes—The estimated provisions for United States and Canadian taxes on income are as follows:

	Total	Federal	Canadian
	1975 (000's Omitted)		
	Total	Federal	Canadian
Currently payable	$13,768	$11,377	$2,391
Deferred	582	485	97
Total	$14,350	$11,862	$2,488
	1974 (000's Omitted)		
	Total	Federal	Canadian
Currently payable	$14,283	$13,635	$ 648
Deferred	117	(187)	304
Total	$14,400	$13,448	$ 952

The effect of providing for Canadian taxes related to the undistributed earnings of Canadian subsidiaries creates a higher effective Canadian tax rate than the Canadian statutory rate.

Deferred tax expense results from timing differences in the recognition of revenue and expense for tax and financial statement purposes, none of which were significant in 1975 and 1974.

Total tax provisions for 1975 and 1974 are less than amounts computed by applying the U.S. Federal income tax rate of 48% to income before tax in those years for the following reasons:

	1975		1974	
	Amount (000's Omitted)	% of Pre-tax Income	Amount (000's Omitted)	% of Pre-tax Income
Tax statutory U.S. Federal tax rate	$15,221	48.0%	$15,640	48.0%
Excess of tax depletion over book depletion	(83)	(.3)	(217)	(.7)
Investment tax credit	(649)	(2.0)	(622)	(1.9)
Other	(139)	(.4)	(401)	(1.2)
Actual tax provision	$14,350	45.3%	$14,400	44.2%

State income and franchise taxes amounted to $1,997,000 for 1975 and $2,023,000 for 1974 and are included in "Cost of Sales" and "Selling, Administrative, and General Expenses."

The Corporation's Federal income tax returns have been examined and settled through 1972.

MOBIL OIL CORPORATION (DEC)

	1975	1974
Deferred Credits		
Deferred income taxes	$470,957,000	$401,827,000
Advances against future production	402,868,000	—
Other	64,639,000	54,443,000
Total Deferred Credits	$938,464,000	$456,270,000

Major Accounting Policies

Deferred Taxes—Deferred taxes are provided for significant transactions which affect book and taxable income in different years. Such taxes are not provided for permanent differences between book and taxable income. Deferred taxes are not provided for the undistributed earnings of companies, either consolidated or accounted for on the equity method, which Mobil intends to reinvest indefinitely.

F.A.S.B. Statement No. 9 was issued as a result of the substantial elimination of percentage depletion included in the Tax Reduction Act of 1975. In accordance with Statement No. 9, Mobil provided retroactively for deferred taxes on the difference between book and taxable income relating to the deduction for intangible drilling and other costs in the United States.

THE PANTASOTE COMPANY (DEC)

	1975	1974
Other Liabilities and Deferred Credits:		
Deferred taxes on income (Note 4)	$1,934,048	$1,762,984
Deferred investment credits	897,540	887,589
Deferred compensation and termination indemnity pay	1,681,321	1,491,783
Allowance for loss from discontinued operations		87,358
Total other liabilities and deferred credits	$4,512,879	$4,229,714

Note 4: Income Taxes

a. Included in provision for income taxes are the following:

	1975	1974
Federal income—current	$2,138,568	$5,919,586
—deferred	170,739	(488,422)
Amortization of investment credits	(84,497)	(76,200)
Foreign income taxes	248,166	741,692
State and local taxes	377,762	629,693
Total	$2,850,738	$6,726,349

b. Taxes on income before extraordinary income exceed the amount of federal taxes at the statutory rate. A reconciliation between the effective and statutory rates follows:

	1975 (000's Omitted) Amount	Effective Rate	1974 (000's Omitted) Amount	Effective Rate
Tax expense if computed at the federal statutory tax rate	$2,438	48.0%	$6,420	48.0%
State and local taxes net of federal income tax benefit	197	3.9%	328	2.4%
Amortization of investment credits	(84)	(1.7%)	(76)	(.4%)
Difference between income tax rate on foreign income and federal statutory rate	(15)	(.3%)	31	.2%
Losses of foreign subsidiaries with no corresponding tax benefits	352	6.9%		
Miscellaneous	(38)	(.7%)	23	.1%
Total	$2,850	56.1%	$6,726	50.3%

The Company's consolidated federal income tax returns have been examined through 1970.

c. Deferred tax expense (credits) results from timing differences in the recognition of revenue and expenses for financial statement and tax purposes. The source of these differences and the tax effect of each follows:

	1975 (000's Omitted)	1974
Expenses currently deductible for tax purposes, previously charged against operations	$306	
Provision for expenses not currently deductible for tax purposes	(102)	$ (353)
Amortization of deferred charges previously deducted for tax purposes		(101)
Difference between tax and statement depreciation	(2)	(46)
Other timing differences	(31)	12
Total	$171	$ (488)

d. One of the Company's foreign subsidiaries has been granted a tax exemption through November 1976. Benefits for the years 1975 and 1974, resulting from these exemptions, amounted to $25,000 and $76,000, respectively.

Other foreign subsidiaries have potential reductions of future taxes based on carryforward losses of $994,000. These carryforward losses are available in decreasing amounts through 1980, subject to examination by the taxing authorities.

The tax returns for these subsidiaries have been examined through 1969.

Liabilities to or for Employees

AMERICAN CAN COMPANY (DEC)

	1975 ($000)	1974
Total current liabilities	$ 467,517	$ 545,931
Unfunded pension liability and other employee benefits for plants closed or to be closed (Notes 1 and 5)	136,924	141,050
Long-term debt	359,194	370,632
Deferred taxes on income	85,571	77,427
Minority interest	15,816	13,635
	$1,065,022	$1,148,675

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.

During the years 1975 and 1974, payments and losses of approximately $14-million and $16-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.

Note 5: Pension Plans—Pension plan costs for the years 1975 and 1974 were $63,000,000 and $62,000,000, 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.

After giving effect to pension accruals at December 31, 1975, of $133,843,000 related principally to the Plant Closing Program, the actuarially computed excess of vested benefits over fund assets was $214,030,000, and the unfunded past service cost (to be funded over a period not in excess of 40 years) was $358,800,000.

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.

BRIGGS & STRATTON CORPORATION (JUN)

	1975	1974
Deferred income taxes (benefit)....	$ 767,000	$ (800,000)
Accrued life insurance..............	3,460,000	2,911,000

Notes to Consolidated Financial Statements

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

Accrued Life Insurance: The Company's employee benefit program includes payment of a death benefit to beneficiaries of retired employees. The Company accrues for the estimated cost of these benefits over the estimated working life of the employee. Past service costs for all retired employees has been fully provided for and the Company is accruing for the past service costs associated with active employees over thirty years. Amounts accrued are included in noncurrent liabilities in the consolidated balance sheets.

CONSOLIDATED PACKAGING CORPORATION (DEC)

	1975	1974
Notes and contracts payable, less current portion..................	$4,040,000	$3,423,000
Deferred gain on sale and leaseback	1,074,000	1,228,000
Employee pension and life insurance benefits (Note 1)................	1,245,000	1,088,000

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

Employee Benefit Plans—The Company provides retirement benefits for the majority of its employees under a combination of contributory and non-contributory pension and profit sharing plans. It is generally the policy of the Company to fund pension costs accrued.

Life insurance coverage is provided by the Company to certain employees (to a maximum of $3,000 per employee) after their retirement. The cost of this benefit plan, which is not funded, is recorded annually based upon an actuarial determination.

CYCLOPS CORPORATION (DEC)

	1975	1974
	($000)	
Total current liabilities	$ 87,883	$115,324
Long-term debt......................	44,799	50,282
Deferred income taxes.............	12,322	17,118
Excess of vested pension benefits over pension fund assets (Note 8)	21,076	9,270
Total liabilities	$166,080	$191,994

Note 8: Pension Plans—Pension costs for all plans, exclusive of the effect of the discontinuance of certain operations, were $11,760,000 in 1975, and $9,690,000 in 1974. The actuarially estimated value of vested benefits for all plans as of the date of the last valuation exceeded the total pension funds and balance sheet accruals by approximately $79,200,000. Pension costs increased in 1975 due to additional pension benefits, negotiated in 1974, that became effective August, 1975.

As a result of the discontinuance of certain operations of the Empire-Detroit Steel Division (See Note 2), $12,082,000 was recorded as the additional liability for vested pensions of employees terminated.

The excess of vested benefits over pension fund assets was recorded, net of future income tax effects, as of the acquisition of Detroit Steel Corporation and at December 31, 1975, $9,168,000 of this liability remains to be funded, of which $3,907,000 relates to employees of operations that have been discontinued. The portion of the "excess of vested pension benefits" related to employees of discontinued operations, including the $3,907,000 which was recorded at the time of acquisition of Detroit Steel, is being funded over a period of 20 years. The remaining amount of vested pension benefits for employees of the remaining operations of Detroit Steel Corporation will continue to be funded over 40 years.

The Employee Retirement Income Security Act of 1974 has made it necessary for the Company to amend certain of its pension plans to meet the requirements of the Act principally relating to the vesting of pension benefits. The effect of these and other changes necessitated by the Act on future years income and vested benefits is not expected to be significant.

GRANGER ASSOCIATES (AUG)

	1975	1974
Long-term loans, less current portion shown above (Note 3)	$1,505,000	$1,125,000
Accrued severance pay (Note 7)...	48,861	25,000

Note 7: Severance Pay Plan—During 1974, the Company established a nonqualifying past service pension plan which was, during 1975, amended and converted to a severance pay plan. Amounts committed to the plan are not deductible for income tax purposes until paid to the participants. All employees who were employed on August 31, 1973 and had then completed at least two years of continuous service are covered under the plan. The annual commitment to the plan is determined by the Board of Directors on a discretionary basis. The Company committed $25,000 to the plan for each of the years 1975 and 1974.

A. C. NIELSEN COMPANY (AUG)

	1975	1974
	($000)	
Accrued Profit Sharing Payable After One Year (Note 7)........	$8,663	$6,291
Accrued Severance and Pension Obligations (Note 1)...............	4,191	2,982
Other Long-term Liabilities..........	3,524	2,673

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

Severance Obligations—Certain foreign branches and subsidiaries are required to pay a severance allowance to employees. Generally, such payments are required upon voluntary or involuntary separation, and are based upon length of service and level of compensation. Provision is made annually for the severance allowances that would be payable if all eligible employees terminated their employment at the end of the year.

Note 7: Employee Benefit Plans—There are pension plans, some contributory and others noncontributory, covering substantially all employees. Amounts provided under all plans totaled $3,670,000 in 1975 and $3,163,000 in 1974. Unfunded prior service costs of the plans were estimated to aggregate approximately $7,615,000 at August 31, 1975. The market value of the assets of the various funds exceeded the actuarially computed value of vested benefits at the most recent valuation dates of the plans.

The pension plan for U.S. employees was amended as of September 1, 1975. The amended plan provides increased retirement benefits and conforms to the provisions of the Employee Retirement Income Security Act of 1974. It is estimated that these amendments will increase pension expense by approximately $600,000 in the 1976 fiscal year.

The Company and certain subsidiaries have profit sharing plans which provide for payment of annual bonuses to key employees. Most of these plans provide for the allocation of the profit sharing provision into three segments: one payable currently, another payable over a specified period of time (generally four years) and the third retained in a bonus reserve which is payable on approval by the Boards of Directors of the participating companies. Amounts charged to income under all plans totaled $5,347,000 in 1975 and $2,900,000 in 1974.

OUTBOARD MARINE CORPORATION (SEP)

	1975	1974
Long-term debt (Note 8)	$77,884,000	$69,777,000
Deferred incentive compensation	2,318,000	2,457,000
Deferred income taxes (Note 16)	15,717,000	12,908,000
Deferred pension plan contribution	394,000	105,000

TEXAS INSTRUMENTS INCORPORATED (DEC)

	1975	1974
	($000)	
Deferred liabilities		
Long-term debt	$47,530	$72,755
Incentive compensation payable in future years	6,816	9,481
Total deferred liabilities	$54,346	$82,236

Notes to Financial Statements

Incentive Compensation Plan—All key employees of the company (except any director who may have, with the approval of the board of directors, made an election not to participate) are eligible to receive awards of cash and/or common stock under a stockholder-approved Incentive Compensation Plan, limited to the amount available from time to time in the incentive compensation reserve.

The board of directors determines the amount, if any which is credited each year to the incentive compensation reserve, which cannot be greater than 10% of the amount by which the company's net income (as defined) for the year exceeds 6% of net capital (as defined), and cannot be greater than the amount paid out as dividends on the common stock of the company during the year. Awards may be in a single amount or installments payable over not more than five years. The obligation to pay deferred installments terminates if the participant's employment terminates other than for retirement, disability or death or if he engages in any activity harmful or prejudicial to the interest of the company.

Net charges to expense with respect to the plan were $282,000 in 1975 and $3,910,000 in 1974.

Minority Interests

BURLINGTON INDUSTRIES, INC. (SEP)

	1975	1974
	($000)	
Long-term liabilities:		
Long-term debt	$405,941	$417,263
Deferred income taxes	6,953	—
Other	20,372	20,038
Total long-term liabilities	433,266	437,301
Minority shareholders' interests	1,370	1,718

W. R. GRACE & CO (DEC)

	1975	1974
	($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

ROCKWELL INTERNATIONAL CORPORATION (SEP)

	1975	1974
	(In millions)	
Other Liabilities:		
Deferred United States and foreign income taxes	$59.1	$48.3
Minority interests in subsidiaries	11.4	9.4
Total other liabilities	$70.5	$57.7

ESMARK, INC. (OCT)

	1975	1974
	(In thousands of dollars)	
Total assets less current liabilities	$1,042,045	$861,491
Less		
Long-term debt	298,790	208,013
Deferred income taxes	52,542	48,744
Other noncurrent amounts	52,556	52,277
Minority interests in subsidiaries	16,376	15,523
	420,264	324,557
Net assets applicable to stockholders' equity	$ 621,781	$536,934

Financial comments

Minority interests—Substantially all of the amounts shown for minority interests in subsidiaries relate to the publicly owned interest in TransOcean. During 1974, the Company's interest in TransOcean was increased to 87% by the purchase, for cash of $55.2 million, of an additional 36% of TransOcean's outstanding common stock, principally by a tender offer that expired November 1, 1974. Consolidated net earnings for 1974 would not have been significantly changed if the additional interest had been acquired at the beginning of the year.

Deferred Credits

ALCO STANDARD CORPORATION (SEP)

	1975	1974
Current Liabilities:		
Current portion long-term debt	$ 3,580,661	$ 2,603,865
Notes payable	945,705	4,342,617
Trade accounts payable	52,468,328	63,078,353
Accrued expenses	39,213,578	38,831,362
Accrued income taxes	18,202,312	13,042,073
Current portion of advance coal royalties (note 1)	1,700,000	
Total current liabilities	$116,110,584	$121,898,270
Deferred Credits and Other Liabilities		
Advance coal royalties (note 1)	$ 21,220,199	$ 8,731,645
Income taxes	709,574	
Workmen's compensation and other	$ 33,117,477	$ 17,979,860

Note 1 (in part): Summary of Accounting Policies

Advance Coal Royalties—In 1975 the Company sold two of its coal mines and received $16,000,000 in advance as partial payment against overriding royalties to be earned as coal is mined. Also in 1975, the Company paid $9,000,000 in advance royalties for mineral deposits which will be amortized as coal is mined. In 1974 the Company received $8,000,000 in a similar sale of another mine. In both cases the Company entered into management contracts to operate the mines.

DUN & BRADSTREET COMPANIES, INC. (DEC)

	1975	1974
Unearned subscription income (Note 1)	$71,154,000	$64,360,000

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

Unearned Subscription Income—Amounts billed for service, guide and magazine subscriptions are credited directly to Unearned Subscription Income and reflected in operating revenue over the subscription term, which is generally one year.

MELVILLE SHOE CORPORATION (DEC)

	1975	1974
Long-term debt	$30,212,576	$34,985,375
Deferred credit	50,450	180,450
Deferred credit on condemnation of property (note 2)	6,620,000	6,620,000
Deferred Federal income taxes (note 3)	2,591,407	2,880,647
Lease obligations for closed stores	1,366,910	546,281
Minority interests in subsidiaries (note 8)	17,286,290	11,332,246

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 1972, toward the final award. Relocation and related expenses incurred by the Company have been deferred and will be applied to the proceeds of the final award. In July 1975, the pending litigation against the Dormitory Authority of the State of New York was decided by the Supreme Court of the State of New York and the Company was awarded an additional $6,948,539. The Dormitory Authority appealed the decision to the Appellate Division of the Supreme Court. Upon final determination of the appeal and the receipt of the additional award, the Company will account for the gain from the condemnation as a prior period adjustment and accordingly will restate prior years' financial statements.

SAV-A-STOP INCORPORATED (AUG)

	1975	1974
Long-term debt, excluding current maturities:		
Notes payable	$16,153,250	$18,762,000
Capitalized lease commitments	3,600,537	3,016,857
Total long-term debt	19,753,787	21,778,857
Deferred Federal income taxes	1,070,740	1,261,740
Deferred service contract income	282,433	456,886

Notes to Consolidated Financial Statements

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

Deferred Service Contract Income—The Company recognizes income from the sale of appliance service contracts on a straight-line basis over the lives of the contracts after deducting certain direct costs attributable to the sale of such contracts.

NEPTUNE INTERNATIONAL CORPORATION (DEC)

	1975	1974
Long-term and deferred liabilities:		
Industrial Revenue Bonds—excluding current portion—1975, $325,000 (1974, $300,000)	$ 5,125,000	$ 5,450,000
9⅞% unsecured notes payable	3,250,000	—
8% subordinated promissory notes—excluding current portion, $448,000	1,344,000	1,792,000
Deferred income taxes	1,328,763	582,205
Deferred gain on sale (note 10)	903,037	939,157
Other	706,913	79,794
Total long-term and deferred liabilities	$12,657,713	$8,843,156

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 annual rentals of $205,800. This sale resulted in a gain of approximately $939,000 which was deferred and is being amortized over the life of the lease as an adjustment of rental expense.

TEXACO INC. (DEC)

	1975	1974
Deferred Income—Production Payment (Note 6)	$250,000,000	$ —

Note 6. Deferred Income: Production Payment—At December 31, 1975, the Company had deferred income in the amount of $250,000,000 representing proceeds from the sale in December, 1975, of future oil and gas production. The sale involved Texaco's interests in certain oil and gas fields located in Texas and offshore Louisiana. The deferred income and related producing costs and expenses will be reflected in Texaco's earnings as production occurs. The revenues to be paid to the purchaser of the production payment will amount to $250,000,000 plus the prime bank interest rate and a premium during the anticipated seven-year term of the production payment.

U. S. INDUSTRIES, INC. (DEC)

	1975	1974
	($000)	
Current Liabilities:		
Notes payable for borrowed money	$ 33,844	$107,371
Revolving credit agreement (expected to be refinanced)	67,000	68,000
Accounts payable	75,204	92,944
Accrued expenses	41,758	42,825
Other liabilities	24,762	32,380
Deferred membership revenues—Note A	26,886	25,392
Income taxes	6,267	7,663
Portion of long-term debt due within one year	8,388	14,735
Total current liabilities	$284,109	$391,310
Other liabilities and credits		
Deferred income taxes	$ 26,967	$ 23,464
Amounts due unconsolidated subsidiaries	16,799	7,753
Deferred membership revenues—Note A	15,591	16,360
Minority interest	7,540	6,157
	66,897	53,734

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

Change in Accounting for Membership Revenues—The Corporation has two subsidiaries, one of which is 80% owned, which operate health spas. These companies sell health club memberships that have specific terms, which presently range up to 30 months. In prior years, revenue from sale of memberships, less a deferred portion, was taken into income at the time of sale. The deferred portion was taken into revenue on a straight-line basis over the membership terms and was equivalent to the estimated future cost of providing facilities and services. These costs consisted of a pro-rata share of estimated future operating expenses. In December 1974, Touche Ross & Co., independent accountants for the Corporation's health spa subsidiaries, informed the Corporation that they had taken a position as a firm, which they suggested should be effective for fiscal years ended after December 31, 1974, to recognize membership fee revenue and associated costs over the period of membership.

The subsidiaries have concluded that, even though the change has not been required by an authoritative accounting body, there is sufficient authoritative support within similar industries and they have accepted the change suggested by their independent accountants.

UNION CARBIDE CORPORATION (DEC)

	1975	1974
	($ millions)	
Total current liabilities	$1,070.1	$1,113.5
Deferred Credits	473.5	204.0
Long-term debt	1,277.5	894.0
Minority Stockholders' Equity in Consolidated Subsidiaries	171.7	165.3
UCC Stockholders' Equity	2,748.0	2,502.4
	$5,740.8	$4,879.2

Notes to Financial Statements–1975 and 1974

Note 4 (in part): Supplementary Balance Sheet Detail

	Million of Dollars December 31,	
	1975	1974
Deferred Credits		
Income Taxes*	$234.7	$158.9
Investment Tax Credit	53.3	28.3
Mineral Production Payment**	160.0	—
Other	25.5***	16.8
	$473.5	$204.0

*Deferred income taxes related to current items are included in accrued income and other taxes in the amount of $36.4 million in 1975 ($24.9 million in 1974).

**In 1975, the Corporation sold a $160 million mineral production payment, representing the advance sale of tungsten, uranium, and vanadium minerals to be delivered over a seven-year period commencing in 1976.

***Includes a credit of $5.7 million representing the net amount of estimated insurance proceeds less costs to date relating to the explosion in February 1975 in the polyethylene section of the Antwerp, Belgium, plant. These items have been deferred pending final determination of insurance proceeds and costs.

Other Noncurrent Liabilities—Described

CAESARS WORLD, INC. (JUL)

	1975	1974
	($000)	
Long-term debt, less current portion	$95,198	$95,558
Other liabilities, including deferred income taxes in 1975 of $1,459 and $5,086 in 1974	9,464	7,626
Commitments and contingent liabilities		
Contingent obligation to repurchase common stock, less current portion (Note 10)	10,641	13,737

Note 10: Contingent obligation to repurchase common stock—At July 31, 1975, the Company had a contingent obligation to repurchase from the persons from whom the Company purchased Caesars Palace, and a limited group of transferees, a total of 950,638 shares (49,362 shares repurchased in the year ended July 31, 1975) of the Company's stock for $16 per share over five years. The maximum amounts the Company would be required to pay in the year ending July 31, 1976 through 1980 to repurchase shares are $3,015,000, $3,034,000, $2,919,000, $3,121,000, and $3,121,000, respectively. At July 31, 1975, the contingent obligation was carried at $13,637,000, representing the present value of the repurchase obligation, less the $95,064 par value of shares issued. Future earnings will be charged with imputed interest to provide the full repurchase price. The liability applicable to any shares the Company is not required to repurchase will be credited to capital in excess of par. Most of the real estate and furnishings of Caesars Palace are pledged as collateral for this obligation.

FIRST NATIONAL STORES INC. (MAR)

	1975	1974
Long-term debt	$ —	$6,791,000
Accrued costs related to store closings (Notes 2 and 5)	3,525,000	4,334,000
Other deferred credits	1,401,000	794,000

Note 2 (in part): Summary of Significant Accounting Policies

Store Closing Costs—Beginning in fiscal 1974, estimated future expenditures related to store closings, principally rents, real estate taxes and other occupancy costs net of estimated income from existing sublease arrangements, together with the unamortized value of leasehold improvements and store equipment, are charged to income when the decision is made to close the store. Gains on dispositions of store properties are recognized when realized. Prior to 1974, store fixed assets were expensed when the store was closed while occupancy costs were expensed when they became payable (see Note 5).

Note 5 (in part): Costs Related to Store Closings—At March 29, 1975 and March 30, 1974 accrued costs related to store closings were as follows (000 omitted):

	March 29, 1975		March 30, 1974	
	Current Liability	Long-term Liability	Current Liability	Long-term Liability
Estimated future costs related to store closings...	$1,945	$4,538	$2,099	$6,034
Less-imputed interest at weighted average rate of 12% in 1975 and 11% in 1974......	485	1,013	665	1,700
Accrued costs	$1,460	$3,525	$1,434	$4,334

At March 29, 1975 estimated payments of these costs, less imputed interest, during each of the next five fiscal years are as follows: 1976 $1,460,000; 1977 $927,000; 1978 $596,000; 1979 $449,000; and 1980 $293,000.

HOFFMAN ELECTRONICS CORPORATION (DEC)

Consolidated Balance Sheet

	1975	1974
Current Liabilities:		
Notes payable to bank	$ —	$10,500,000
Current portion of long-term debt	828,000	100,000
Accounts payable	3,791,000	3,505,000
Accrued liabilities.................	3,360,000	3,191,000
Current portion of advances received on contracts in excess of costs incurred (Note 5)	3,103,000	—
Income taxes.....................	2,209,000	—
Total current liabilities	$13,291,000	$17,296,000
Long-term Liabilities:		
Long-term debt, less current portion........................	$ 2,930,000	$ 300,000
Deferred income taxes...........	1,238,000	1,646,000
Deferred investment credit	237,000	151,000
Advances received on contracts in excess of costs incurred, less current portion (Note 5)	1,520,000	—
	$ 5,925,000	$ 2,097,000

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

Progress Payments and Advances on Contracts—Progress payments and advances received on contracts are deducted from related inventory costs and are subsequently recorded as revenue on the basis of delivery to the customer. To the extent advances exceed inventory costs, they are classified as liabilities in the balance sheet under the caption "Advances received on contracts in excess of costs incurred." Advances estimated to be recorded as revenue within one year are classified as current liabilities.

Note 5: International Business—Sales to customers outside the United States amounted to $20,531,000 during 1975 and $14,394,000 during 1974. Of these amounts, $8,544,000 and $9,461,000 were sold with the assistance of sales representatives and consultants; to whom fees and commissions of $957,000 and $548,000 applicable to such sales were charged to expense during 1975 and 1974, respectively.

As of December 31, 1975, the company had in process two contracts with the Imperial Government of Iran providing for sales totaling approximately $26,000,000 covering the manufacture and delivery of certain radio equipment, spare parts, and service. The company has agreed to pay commissions to sales representatives and fees to consultants for efforts expended to date and to be expended over the life of these contracts in the amount of $6,076,000. Equipment manufactured for one of these contracts with a sales value of approximately $2,000,000 was completed and shipped during January and February, 1976. Deliveries and services under the other contract will commence in late 1976 and will extend through 1986 with sales being reported as products are delivered and services provided.

Concurrently with the receipt of these contracts the company received advance payments of $6,473,000 of which $1,850,000 is deducted from inventory (to the extent inventory costs have been incurred) and the remainder is shown as a liability as of December 31, 1975. In accordance with the terms of the larger contract, an additional $5,984,000 was received in March, 1976. Reference is made to Note 6 for information relating to the stand-by letter of credit which serves as surety for $11,968,000 of these payments.

As of December 31, 1975, the company had prepaid and recorded as deferred fees and comissions a total of $2,179,000 in connection with the above contracts. These amounts will be charged to expense as products are shipped and services are performed.

FEDDERS CORPORATION (AUG)

	1975	1974
Long-term portion of accrued warranty..........................	$7,968,000	$8,370,000

Notes to Consolidated Financial Statements

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

Warranty costs—In accordance with Statements 5 and 11 of the Financial Accounting Standards Board, the Company changed to the accrual method of accounting for warranty costs in fiscal 1975 and operations of the prior year have been retroactively restated. The effect of this restatement on the fiscal 1974 net loss applicable to common stockholders was a reduction of $221,000 ($.02 per common share).

LORAL CORPORATION (MAR)

	1975	1974
Note and mortgages payable	$2,995,000	$3,048,000
Contingent federal taxes (Note 8)..	708,000	600,000
Payable on acquisition purchase agreement	549,000	
Deferred pension credits............	283,000	341,000
Subordinated convertible debentures	3,200,000	3,500,000

Note 8 (in part): Income Taxes—The Internal Revenue Service has proposed assessments of income taxes based upon its examination of the Company's Federal income tax returns for the nine years ended March 31, 1969. The proposed assessments, in the opinion of the Company and its outside Counsel, are excessive and are being contested.

At March 31, 1975, the Company's maximum exposure for additional income taxes and related interest charges is $2,100,000. This exposure could be reduced to $1,400,000 due to the expected future utilization of (a) carry-forward losses resulting from related disallowed deductions and (b) deductible assessed interest expense against taxable income in years subsequent to fiscal 1975.

The $708,000 provision for contingent Federal income tax liability is considered by the Company substantially adequate to cover the amount it deems to be a reasonable estimate of its exposure in the foregoing matter. This provision was increased by $108,000 during 1975 to cover any possible interest charges applicable to such year. The provision is classified as a long-term liability since resolution of the proposed assessments is not expected before April, 1976. Any ultimate assessment not already provided for would be charged to retained earnings.

MEREDITH CORPORATION (JUN)

	1975	1974
	($000)	
Long-term Film Rental Contracts (less current portion) (Note 4)..	$4,678	$3,909

Note 4: Film Rental Contracts Payable—Film rental contracts are non-interest-bearing, and the amounts due in the years after June 30, 1976 are $1,870,000 in 1977, $1,280,000 in 1978, $625,000 in 1979 and the balance of $903,000 after 1979.

THE WURLITZER COMPANY (MAR)

	1975	1974
Long-term Liabilities, Etc.:		
Long-term debt....................	$19,798,076	$21,048,155
Accrual for Costs to Be Incurred in Discontinuance of U. S. Phonograph Operations......	789,550	2,484,000
Accrued Continued Compensation	558,271	495,862
Deferred income taxes...........	571,000	
Total long-term Liabilities, Etc......	$21,716,897	$24,028,017

Financial Review

Discontinuance of U. S. Phonograph Operations—In March 1974, the Board of Directors decided to terminate the Company's business of manufacturing and selling coin-operated phonographs in the United States. The provision for loss on discontinuance of these operations was based upon then available information, not definitely ascertainable until the discontinuance is completed, and is summarized as follows:

Estimated losses on disposition of inventories and collection of receivables	$ 6,080,000
Estimated losses on disposition of tooling, machinery, etc.	813,000
Operating, administrative, and other costs estimated to be incurred in the phase-out period .	4,473,000
Total	$11,366,000

An evaluation of the accruals for losses and costs estimated as required at March 31, 1975 resulted in a decision to reverse as a credit to earnings approximately $545,000 of 1974 accruals no longer considered necessary.

The principal assets of the U. S. phonograph business are included in the balance sheet as of March 31, 1975 and 1974 at their estimated realizable values. A summary of changes during 1975 affecting such assets and the accruals for costs to be incurred in the phase-out period follows:

	Original Estimate March 31, 1974	1975 Recoveries (Expenses)	Credited to Earnings	Estimate March 31, 1975
		(In Thousands of Dollars)		
Trade Receivables......	$7,719	$4,429		$3,290
Inventories ..	2,990	2,642		348
Properties and Equipment	271	271		NIL
Accrued Phase-Out Costs......	4,473	(1,736)*	$545	2,192

*Net of certain finance charges collected, $89,000.

Sales of United States manufactured coin-operated phonographs and auxiliary equipment in 1974 were $9,391,000.

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 2-29 shows that a significant number of companies continue to use the term reserve in the asset or liability section of the balance sheet.

TABLE 2-29: USE OF TERM "RESERVE"

	Number of Companies			
	1975	1974	1973	1972
To describe deductions from assets for				
Uncollectible accounts	45	42	53	62
Accumulated depreciation	15	18	20	26
Decline in value of investments	11	11	10	12
Other	29	29	20	28
To describe accruals for				
Employee benefits or compensation	27	29	34	34
Estimated expenses relating to property abandonments or discontinued operations	19	17	15	22
Estimated losses or expenses relating to foreign operations	16	28	35	24
Insurance	10	15	25	29
Other — identified	19	21	42	46
Other — not identified	30	38	40	45

TITLE OF STOCKHOLDERS' EQUITY SECTION

Table 2-30 summarizes the titles used in the 1975 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 2-30: TITLE OF STOCKHOLDERS' EQUITY SECTION

	1975	1974	1973	1972
Stockholders' equity	298	289	301	304
Shareholders' equity	217	210	210	197
Shareholders' investment	25	29	27	29
Shareowners' equity	23	23	23	22
Stockholders' investment	13	13	15	15
Other or no title	24	36	24	33
Total Companies	**600**	**600**	**600**	**600**

TABLE 2-31: CAPITAL STRUCTURES

Common stock with:	**1975**	**1974**	**1973**	**1972**
No preferred stock	168	164	173	164
One class of preferred stock	329	333	323	327
Two classes of preferred stock	83	81	88	81
Three or more classes of preferred stock	20	22	16	28
Total Companies	**600**	**600**	**600**	**600**
Companies included above with two or more classes of common stock	18	20	17	19

CAPITAL STRUCTURES

Table 2-31 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.

Examples of complex capital structures follow.

AMAX, INC. (DEC)

	1975	1974
	($000)	
Shareholders' equity (Note 15)		
Preferred stock (preference in liquidation 1975, $156,830; 1974, $176,740)	$ 1,570	$ 1,770
Common stock	31,100	24,660
Paid-in capital	592,410	265,430
Retained earnings	740,090	662,890
Cost of treasury stock	(600)	(670)
Total shareholders' equity	$1,364,570	$954,080

Note 15: Shareholders' Equity—There are 50,000,000 shares of common stock, $1 par value, authorized. At December 31, 1975, 31,096,652 shares were issued while 3,816,415 shares were reserved for issuance upon conversion of Series A Convertible Preferred Stock, 737,778 shares were reserved for exercise of warrants and 693,884 shares were reserved for exercise of employee stock options which have been or may be granted. An additional 1,746,720 are reserved for issuance upon conversion of Series B Preferred Stock sold in February, 1976.

Each of the 7,000,000 authorized shares of Series A Convertible Preferred Stock outstanding has a par value of $1, is convertible into 2.43351 shares of common stock, and is entitled to a cumulative annual dividend of $5.25. The shares are redeemable at $105 commencing September 1, 1976; the redemption price will then be reduced by $1.25 biennially until September 1, 1984, at which date it will become and remain at $100. Upon voluntary liquidation, holders would be entitled to receive a liquidation preference of $105 per share until September 1, 1976 and thereafter an amount equal to the then current redemption price; upon involuntary liquidation, such holders would be entitled to receive $100 per share.

At December 31, 1975 and 1974 there were 737,778 and 741,216 warrants outstanding that expire October 1, 1977 and entitle the holders to purchase shares of common stock at the rate of one share per warrant at a purchase price of $47.50 per share, subject to adjustment as set forth in the warrant agreement. In connection with the RST litigation settlement, AMAX issued transferable warrant price adjustment certificates entitling the holder to exercise the warrants at $42.50, rather than the exercise price of $47.50 per share applicable in the absence of such a certificate.

Primary earnings per share are based on the average number of common shares outstanding and, when dilutive, assume the exercise of warrants and of stock options. Fully diluted earnings per share assume the conversion of all outstanding Convertible Preferred Stock as well as the exercise, when dilutive, of all warrants and stock options.

ATLANTIC RICHFIELD COMPANY (DEC)

	1975	1974
Shareholders' Equity		
Cumulative preferred stock 3.75% series B, par $100 (aggregate (aggregate value in voluntary liquidation $35,728,000); shares authorized and issued 35$,000 .... $	35,200,000 $	35,200,000
$3 cumulative convertible preference stock, par $1 (aggregate value in liquidation $88,655,000); shares authorized 1,192,398; shares issued 1,108,183	1,108,000	1,271,000
$2.80 cumulative convertible preference stock, par $1 (aggregate value in liquidation $845,557,000); shares authorized 15,233,432; shares issued 12,079,383	12,079,000	12,048,000
Common stock, par $5; shares authorized 75,000,000; shares issued 47,478,997	237,395,000	235,099,000
Capital in excess of par value of stock	746,581,000	733,538,000
Net income retained for use in the business	2,631,195,000	2,437,612,000
	$3,663,558,000	$3,454,768,000

Notes to Consolidated Financial Statements, 1975

Note 10: Shareholders' Equity—The 3.75% series B preferred stock is redeemable at the option of the Board of Directors, and is entitled to $101.50 per share upon redemption or voluntary liquidation.

The $3 cumulative convertible preference stock is convertible into 1.70 shares of common stock. The 4⅜% convertible debentures due 1986 are convertible into 1 share of $2.80 cumulative convertible preference stock and 0.6 share of common stock for each $80.00 of principal amount until December 1, 1976, and thereafter at increasing prices. The $2.80 cumulative convertible preference stock is convertible into 0.6 share of common stock.

The Company's articles of incorporation contain a provision restricting dividend payments; however, at December 31, 1975 net income retained for use in the business was substantially free from such restriction.

At December 31, 1975 shares of the Company's authorized and unissued capital stock were reserved as follows:

$3 Preference Stock:	
Conversion of 4⅝% debentures due 1983	7,813
$2.80 Preference Stock:	
Conversion of 4⅜% debentures due 1986	137,012
Common Stock:	
Conversions:	
$3 Preference Stock	1,897,193
$2.80 Preference Stock	7,412,044
Stock Option Plans	283,600
Warrants	718,360
Employee Thrift Plans	291,700
Incentive Compensation Plan	119
	10,603,016

The Warrants issued are exercisable at $127.50 per share and terminate December 31, 1976.

As of December 31, 1975 exercise of the warrants would not have had a dilutive effect on earnings per share.

Under the Company's incentive compensation plan awards of the Company's common stock may be made to directors, officers and key employees.

HEUBLEIN, INC. (JUN)

	1975	1974
Shareholders' Equity		
Preferred stock	$ 2,649,000	$ 6,534,000
Common stock	10,567,000	10,561,000
Additional paid-in capital	141,256,000	140,647,000
Retained earnings	170,486,000	131,701,000
	324,958,000	289,443,000
Less treasury stock, at cost	390,000	390,000
Total shareholders' equity	$324,568,000	$289,053,000

Notes to Consolidated Financial Statements

Capital Stock—There are 5,000,000 authorized shares of series preferred stock. Changes in outstanding preferred stock during 1974 and 1975 are summarized below:

	Series A convertible non-dividend stated value $10 per share		Series B convertible non-dividend stated value $10 per share	
	Shares	Amount	Shares	Amount
Balance at July 1, 1973	1,703,983	$7,422,000	217,004	$2,170,000
Conversions to common stock	(1,095)	(11,000)	(83,205)	(832,000)
Redemptions (including partial redemptions)	—	(2,199,000)	(1,560)	(16,000)
Balance at June 30, 1974	1,702,888	5,212,000	132,239	1,322,000
Conversions to common stock	(337)	(1,000)	(16,239)	(162,000)
Redemptions (including partial redemptions)	(1,336,617)	(3,042,000)	(68,020)	(680,000)
Balance at June 30, 1975	365,934	$2,169,000	47,980	$ 480,000

Each Series A preferred share is convertible into .10 share of common stock and is also partially redeemable at the option of the holder at the rate of 1/6 per year after November 1, 1969. These partial redemptions totaled $14,859,000 through June 30, 1975. Only the last series of partial redemptions, which through June 30, 1975, totaled 1,336,617 shares, reduces the number of shares outstanding. Series B preferred stock is convertible into .2974 share of common stock and is also redeemable in sub series at the rate of 1/5 per year after November 1, 1970, of which $759,000 has been redeemed through June 30, 1975. The Company has the option to redeem both classes in whole or in part for $10 per share beginning November 1, 1976, less any amounts theretofore paid in partial redemption.

Authorized capital stock also includes 500,000 shares of 5% preferred stock, par value $100 per share and 200,500 shares of 5% convertible preferred stock, par value $100 per share, none of which were outstanding during 1974 and 1975.

There are 30,000,000 authorized shares of common stock with a stated value of $.50 per share. The changes in the outstanding shares during 1975 and 1974 are summarized as follows:

	1975		1974	
	Outstanding	In treasury	Outstanding	In treasury
Shares at beginning of year	20,993,157	9,150	19,997,877	—
Shares issued for acquisitions	128,320		796,960	(19,957)
Shares issued upon exercise of stock options	8,588		140,199	
Conversions of preferred shares	4,725		24,163	
Purchase of shares including shares issued under restricted stock option plan				89,150
Shares issued on contingent payout provision of acquisition agreement			33,958	
Sale of treasury shares				(60,043)
Shares at end of year	21,134,790	9,150	20,993,157	9,150

At June 30, 1975 and 1974, shares of common stock were reserved as follows:

	1975	1974
Conversion of outstanding:		
4½% convertible subordinated debentures	1,438,800	1,438,800
Series A convertible preferred stock	21,690	52,123
Series B convertible preferred stock	14,269	39,328
Stock options	1,522,860	840,771
Contingent payout provisions of acquisition agreement	—	2,323
	2,997,619	2,373,345

THE STANDARD OIL COMPANY (An Ohio Corporation)

	1975	1974
	($000)	
Stockholders' Equity		
Capital stock—Note H		
Preferred—cumulative, $100 par value, shares authorized: 301,905 and 308,160		
Series A, 3¾%, issued: 111,474 and 116,966	$ 11,147	$ 11,697
Series B. 4% convertible, issued: 6,491 and 7,254	649	725
Special—stated value, 1,000 shares authorized and issued—no change	25,344	25,344
Common—stated value $2.50, shares authorized 80,000,000, issued: 29,812,820 and 27,613,250	74,532	69,033
	111,672	106,799
Additional paid-in capital	744,559	608,332
Retained earnings	614,498	538,406
Capital stock in treasury—at cost		
Preferred, Series A shares; 6,807 and 11,894	(425)	(752)
Common shares: 310,795 and 316,613	(9,025)	(9,191)
	$1,461,279	$1,243,594

Note H: Capital Stock and Stock Options—Each share of special stock, all of which is owned by a subsidiary of The British Petroleum Company Limited (BP), has rights equivalent to 8,932 shares of common stock. The number of shares of common stock to which each share of special stock will be equivalent is based on sustainable net production from the Prudhoe Bay properties, or in certain circumstances from other Alaskan properties, at any time prior to January 1, 1984, as follows:

Sustainable net production (barrels per day)	Shares of common stock to which each share of special stock is equivalent
200,000	13,806
250,000	15,740
300,000	17,866
350,000	20,218
400,000	22,830
450,000	27,894
500,000	29,034
550,000	30,222
600,000	31,460

The special stock restricts, among other things, changes in its terms, disposition of Prudhoe Bay or other properties, mergers, and issuance of senior shares. It also limits cash dividends (not to exceed net income in any year) and other capital transactions, and contains antidilution provisions.

During 1975 the Company received $136 million from the sale of 2,000,000 shares of common stock of which BP purchased 1,080,000 shares pursuant to the 1969 agreement between BP and the Company.

The special stock and common stock owned by BP represent approximately 26% of the voting rights of 38,434,000 shares of common stock outstanding and special stock equivalents at December 31, 1975. This interest will increase to a maximum of approximately 54% if sustainable net production reaches 600,000 barrels per day as described above.

Provisions of the preferred stock require annual retirement of 5,492 Series A shares and, starting in 1979, 6,250 Series B shares. The Company may redeem Series A at $100 per share and Series B at $101.50 per share, decreasing 50 cents annually to a minimum of $100. Series B is convertible into common stock at a conversion price of $33.54 per share, and 19,353 shares of common stock are reserved for conversion.

Stock option plans authorize issuance of common stock to executives and key employees at not less than market price on the dates options are granted. In accounting for options, no charge is made to income. Amounts received from options exercised are credited to common stock and additional paid-in capital. At the beginning and end of 1975, options were outstanding for 624,885 and 413,345 shares, including 235,745 and 140,865 shares exercisable, and 169,100 and 183,340 shares were reserved for future options. During 1975 no options were granted, options were exercised for 197,300 shares, and cancelled for 14,240 shares.

The increases in additional paid-in capital during 1975 and 1974 respectively were (1) common stock sold, including under option plans, $135,955,000 (2,197,300 shares) and $1,797,000 (70,835, shares), (2) preferred Series B converted to common stock $70,000 (763 to 2,270 shares) and $109,000 (1,178 to 3,504 shares), and (3) preferred Series A retired $202,000 (5,492 shares) and $193,000 (5,492 shares).

In 1975, 405 shares ($20,000) and in 1974, 7,851 shares ($489,000) of preferred Series A stock were purchased for the treasury, and 5,492 shares were retired in each year, amounting to $347,000 and $356,000. In 1975 5,818 shares ($166,000) and in 1974 3,135 shares ($87,000) of common stock held in the treasury were issued under a deferred incentive compensation plan.

WARNER COMMUNICATIONS INC. (DEC)

	1975	1974
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—$43,769,000 in 1975)	$ 6,113,000	$ 6,456,000
Common shares issued, par value $1 per share, 40,000,000 shares authorized	20,838,000	20,111,000
Paid-in Capital	154,519,000	155,316,000
Retained earnings	237,817,000	238,116,000
Net unrealized loss on noncurrent marketable equity securities	(33,803,000)	—
	385,484,000	419,999,000
Less Common shares in treasury, at cost	111,105,000	72,555,000
Total shareholders' equity	$274,379,000	$347,444,000

Notes to Consolidated Financial Statements

Note 6: Capital Shares—Transactions involving capital shares during the two years ended December 31, 1975 and authorized shares at December 31, 1975 were as follows:

	Common Shares $1 Par Value		Preferred Shares $1 Par Value		
	Issued	Treasury	Series B	Series C	Series D
Shares at December 31, 1973	19,846,099	(3,529,457)	318,296	4,811,749	1,444,561
Shares issued and purchased during year:					
Under stock purchase plan	15,000	27,500	—	—	—
Conversion of Preferred shares	249,808	—	(8,400)	—	(110,288)
Purchase of treasury stock	—	(1,364,556)	—	—	—
Return of shares previously issued for an acquired company	—	(94,626)	—	—	—
Other	—	(10,750)	—	—	—
Shares at December 31, 1974	20,110,907	(4,971,889)	309,896	4,811,749	1,334,273
Shares issued and purchased during year:					
Under stock option plan	2,500	—	—	—	—
Conversion of Preferred shares	724,416	—	(25,620)	(16)	(317,630)
Purchase of treasury stock	—	(2,681,100)	—	—	—
Shares at December 31, 1975	20,837,823	(7,652,989)	284,276	4,811,733	1,016,643
Shares authorized	40,000,000		700,000	10,000,000	6,500,000

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 $103.25 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.

On February 28, 1976 WCI made a cash tender offer to purchase up to 1,000,000 shares of its Series C Convertible Preferred stock at a price of $6.00 per share. The company reserved the right to purchase in excess of 1,000,000 shares, in full or on a prorata basis.

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 ($43,769,000 at December 31, 1975) does not, in the opinion of councel, constitute a restriction on the payment of dividends.

At December 31, 1975, Common shares reserved for future issuance for specified purposes were as follows:

Conversion of Preferred shares outstanding—		
Series B	989,280	
Series C	4,811,733	
Series D	2,033,286	7,834,299
Conversion of 6¾% Convertible Subordinated Debentures (due 1990) and other convertible obligations		471,091
Common Stock Option Plans		966,320
Conversion of Preferred shares to be issued under the Series C Stock Option Plans		850,000
		10,121,710

Certain of these securities were included in the computation of earnings per share.

COMMON STOCK

Table 2-32 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 2-31.

TABLE 2-32: COMMON STOCK

	1975	1974	1973	1972
Par value stock shown at par value	501	501	506	505
Par value stock shown at amount in excess of par share par value	38	35	42	44
Par value stock shown at assigned value per share	13	15	2	2
No par value stock shown at assigned value per share	15	14	17	20
No par value stock shown at assigned value — per share value not disclosed	51	55	50	48
Issues Outstanding	**618**	**620**	**617**	**619**

PREFERRED STOCK

Table 2-33 summarizes the valuation bases of preferred stock. As with common stock, the majority of the survey companies show preferred stock at par value.

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.

Examples of preferred stock presentation are shown below and in connection with Table 2-31.

Preferred Stock Extended at Par Value

BEMIS COMPANY, INC. (DEC)

	1975	1974
	($000)	
Stockholders' equity (Note 11):		
First preferred stock, 5%, cumulative, $100 par value:		
Authorized—10,000 shares, outstanding—1,190 shares	$ 119	$ 119
Convertible series preferred stock, $100 par value, liquidation preference $100 per share:		
Authorized—200,000 shares, outstanding—135,928 shares	13,593	13,593
Series preferred stock, $1 par value:		
Authorized—1,000,000 shares		
Issued—100,000 shares of series 1974 8½% at $100 stated value	10,000	10,000
Common stock, $10 par value:		
Authorized—7,000,000 shares, outstanding—4,620,188 and 4,400,675 shares	46,202	44,007
Capital in excess of par value	15,933	13,850
Retained income	76,312	77,826
Common stock held in treasury, 911 shares, at cost	(20)	(20)
Total stockholders' equity	$162,139	$159,375

Note 11: Stockholders' Equity—The series 1974 8½% preferred stock is 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 with a final retirement of 9,000 shares in 1994.

The 135,928 shares of outstanding series preferred stock are convertible into 481,423 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

TABLE 2-33: PREFERRED STOCK

Valuation Bases	1975	1974	1973	1972
Par value stock shown at par value	186	184	168	205
Par value stock shown at assigned value per share	9	9	12	11
Par value stock shown at liquidation or redemption value	4	4	5	5
No par value stock shown at assigned value per share	47	45	50	55
No par value stock shown at assigned value — per share value not disclosed	56	57	43	49
No par value stock shown at liquidating value	12	11	9	13
Other	8	8	10	—
Issues Outstanding	**322**	**318**	**297**	**338**
Number of Companies				
Showing preferred stock outstanding	242	238	236	253
Not showing preferred stock outstanding	358	362	364	347
Total	**600**	**600**	**600**	**600**

following years. All preferred stock, except the series 1974 preferred, has equal voting rights with common stock.

WHITTAKER CORPORATION (OCT)

	1975	1974
	(In thousands)	
Stockholders' equity		
Capital Stock (Note 6)		
Preferred stock, par value $1 per share, authorized 5,000,000 shares—		
$1.25 cumulative convertible preferred stock, outstanding 245,720 shares at October 31, 1975 and 247,720 shares at October 31, 1974	$ 246	$ 248
$5.00 cumulative convertible preferred stock (preference in involuntary liquidation of $6,747), outstanding 134,945 shares	135	135
Common stock, par value $1 per share, authorized 40,000,000 shares—		
Outstanding 20,249,614 shares at October 31, 1975 and 20,596,314 shares at October 31, 1974	21,347	21,347
Additional paid-in capital	89,162	89,092
Retained earnings (Note 5)	72,365	71,600
Total Stockholders' Equity	$183,255	$182,422

Notes to Consolidated Financial Statements

Note 6 (in part): Capital Stock—All shares of preferred stock outstanding are voting, cumulative and convertible into common stock. Each share of the $5.00 preferred stock is convertible into 1.854 shares of common stock, and each share of the $1.25 preferred stock is convertible into 2.06 shares of common stock. The $5.00 preferred stock is redeemable, at the option of Whittaker, at $100 per share and is entitled to preference of $100 per share upon voluntary liquidation and $50 per share upon involuntary liquidation (aggregate of $6,747,000 at October 31, 1975). There is no restriction on retained earnings resulting from the fact that upon involuntary liquidation the preference of the $5.00 preferred stock exceeds its par value. The $1.25 preferred stock is redeemable, at the option of Whittaker, at $35 per share and has no preference in liquidation. The Board of Directors is authorized to issue preferred stock in series and to fix dividend rates, conversion rights, voting rights, rights and terms of redemption and liquidation preferences and to increase or decrease the number of shares of any series.

SYBRON CORPORATION (DEC)

	1975	1974
Shareholders' equity:		
Preferred stock, $4.00 par value—authorized 1,835,754 shares, outstanding 1975—1,249,702 shares; 1974—1,249,708 shares (involuntary liquidation value 1975—$27,493,000; 1974—$27,494,000)	$ 4,999,000	$ 4,999,000
Common stock, $2.50 par value—authorized 20,000,000 shares, outstanding 1975—10,145,921 shares; 1974—10,145,044 shares	25,365,000	25,363,000
Additional paid-in capital	14,056,000	14,043,000
Retained earnings	169,562,000	155,090,000
Total Shareholders' Equity	$213,982,000	$199,495,000

Notes to Financial Statements

Capital Stock (in part)—Changes in the number of preferred and common shares outstanding during 1975 and 1974 are as follows:

	1975	1974
Preferred Stock:		
Balance at beginning of year	1,249,708	1,249,708
Shares issued for conversion to common stock	(6)	
Balance at end of year	1,249,702	1,249,708
Common Stock:		
Balance at beginning of year	10,145,044	10,141,517
Shares issued for:		
Conversion of debentures due 1980	868	3,527
Conversion of preferred stock	9	
Balance at end of year	10,145,921	10,145,044

The preferred stock provides for cumulative dividends at the annual rate of $2.40 per share payable quarterly on January 1, April 1, July 1 and October 1. Each share of preferred stock is convertible into 1.6 common shares and is redeemable at the option of the Corporation at $70.00 per share plus accrued dividends. In the case of voluntary liquidation of the Corporation, each holder of preferred stock is entitled to $70.00 per share, and in the case of involuntary liquidation, to $22.00 per share.

Preferred Stock Extended at Stated Value

CROWN ZELLERBACH (DEC)

	1975	1974
	($000)	
Share owners' Equity		
Cumulative preferred stock.........	$ 15,299	$ 15,299
Common stock.......................	123,222	122,753
Other capital.........................	65,760	62,962
Income retained in the business....	573,408	543,797
Total share owners' equity	$777,689	$744,811

Notes to Financial Statements

Capital Stock—Capital stock outstanding is (in thousands of dollars):

December 31,	1975	1974
Cumulative preferred stock, no par value, $100 liquidation and stated value, authorized 399,891 shares, issuable in series. Initial series $4.20 stock, issued and outstanding 152,994 shares	$ 15,299	$ 15,299
Common stock, $5 par value, authorized 40,000,000 shares, outstanding 24,644,415 shares in 1975 and 24,550,515 shares in 1974..........................	123,222	122,753
	$138,521	$138,052

The Articles of Incorporation require an annual retirement fund deposit of $530,000 in respect of the cumulative preferred stock or, in lieu thereof, the application of purchased shares against such requirements at a rate of $102.50 a share. Purchases of preferred stock have provided for this requirement through July 31, 1984.

GAF CORPORATION (DEC)

	1975	1974
Shareholders' Equity (Note 9)		
Preferred stock, $1 par value; authorized 6,000,000 shares; $1.20 convertible series issued—1975, 3,105,706 shares; 1974, 3,105,411 shares; at assigned value of $1.25 per share (liquidation value 1975, $83,306,000)....	$ 3,882,000	$ 3,882,000
Common stock, $1 par value; authorized 25,000,000 shares; issued—1975, 13,764,090 shares; 1974, 13,763,715 shares	13,764,000	13,764,000
Additional paid-in capital...........	53,151,000	52,791,000
Retained earnings....................	313,546,000	293,108,000
Total	384,343,000	363,545,000
Less stock held in treasury, at cost:		
Common—1975, 534,949 shares; 1974, 620,949 shares	4,380,000	5,025,000
Preferred—1975, 76,400 shares; 1974, 76,400 shares	932,000	932,000
Total Shareholders' Equity .	$379,031,000	$357,588,000

Note 9: Capital Stock—The $1.20 convertible preferred stock, dividends on which are cumulative, is convertible at any time into common stock at the rate of 1¼ shares of common stock for each share of preferred. The company may redeem the preferred stock at specified prices ranging from $28.50 per share through May 31, 1976 to $27.50 per share after May 31, 1977.

Transactions in common stock held in treasury were as follows:

	1975	1974
Balance, January 1.................	$5,025,000	$1,334,000
Purchase of 22,000 shares in 1975 and 535,800 in 1974..........	120,000	3,718,000
Issuance, from treasury, of 108,000 shares in 1975 and 5,000 in 1974 (primarily in connection with sales under the restricted stock purchase plan).	(765,000)	(27,000)
Balance, December 31.............	$4,380,000	$5,025,000

As a result of the above issuance of treasury shares during 1975 and 1974 additional paid-in capital has been decreased by $185,000 and $1,000, respectively. The excess of quoted market value at date of grant over the aggregate sales price for restricted shares sold is amortized by charges to income over the restriction period. As a result of these charges, additional paid-in capital has been increased by $532,000 and $725,000 in 1975 and 1974, respectively. The unamortized balance to be amortized through 1984 amounted to $1,150,000 and $1,316,000 at December 31, 1975 and 1974, respectively.

The shares of common stock reserved for issuance at December 31, 1975 and 1974 were as follows:

Reserved for:	1975	1974
Conversion of $1.20 convertible preferred stock	3,787,784	3,788,159
Conversion of convertible subordinated notes	409,602	416,566
Exercise under stock option and purchase plans	1,423,700	906,950
Total	5,621,086	5,111,675

During 1974, 76,400 shares of preferred stock were purchased for $932,000 and remained in treasury at December 31, 1975. There were no purchases of preferred stock during 1975.

INTERCO INCORPORATED

	1975	1974
	($000)	
Stockholders' equity:		
Preferred stock, at stated and liquidating value:		
First preferred	$ 148	$ 453
Second preferred	15,836	15,836
	$15,984	$16,289

Notes to Consolidated Financial Statements

Note 4: Preferred Stock—The company's preferred stock is issuable in series. Authorized preferred stock consists of 577,060 shares of first preferred and 1,000,000 shares of second preferred without par value. Such stock is summarized as follows:

First Preferred Series B—$2.10 cumulative, with stated and involuntary liquidating value of $40 per share; issued 3,697 shares at February 28, 1975, and 11,334 shares at February 28, 1974. Subsequent to February 28, 1975, 1,082 shares were converted into 2,164 shares of common stock and 2,615 shares were redeemed for $42.10 per share plus accrued dividends.

Second Preferred Series C—$5.25 cumulative, with stated and voluntary liquidating value of $100 per share; issued 158,359 shares at February 28, 1975 and 1974; callable beginning in 1975 at $105.25, decreasing to $100.00 in 1985; convertible into 3.0534 shares of common stock.

WHITE MOTOR CORPORATION (DEC)

	1975	1974
Shareholders' Equity—Note H		
Capital Stock:		
Preferred Stock—without par value:		
Authorized—2,000,000 shares Series A, $6,75 cumulative convertible		
Issued and outstanding—157,673 shares in 1974 and 126,138 shares in 1975	$ 15,767	$ 12,614
Less required redemption within one year included in current liabilities	3,153	3,153
	12,614	9,461
Common Stock—par value $1 per share:		
Authorized—17,000,000 shares		
Issued—8,255,466 shares in 1974 and 1975	8,255	8,255
Capital in excess of par value	124,474	124,431
Retained income	100,748	30,074
Less cost of Common Stock in treasury (4,558 shares in 1974)	47	—
	$246,044	$172,220

Note H (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 $100 per share. In each of the years 1975 through 1979, the Corporation is required to redeem twenty percent of the shares initially issued. At December 31, 1974 and December 31, 1975, $3,153,000 has been shown as a reduction in shareholders' equity, representing amounts to be redeemed in the following year and such amounts are classified as accrued expenses and other liabilities. As described in Note C, the Corporation is presently precluded from redeeming any Series A Preferred Stock without obtaining appropriate waivers. At December 31, 1975, 300,328 shares of Common Stock were reserved for conversion of the Series A Preferred Stock.

ADDITIONAL CAPITAL

Table 2-34, 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.

AMERICAN BAKERIES COMPANY (DEC)

	1975	1974
	($000)	
Stockholders' Equity:		
Cumulative prior preferred stock—authorized 200,000 shares—		
$1.80 series, stated at liquidating value of $35 per share; outstanding 65,116 shares in 1975 and 69,817 shares in 1974	$ 2,279	$ 2,444
$1.80 convertible series, stated at par value of $25 per share; outstanding 90,000 shares in 1975 and 95,000 shares in 1974	2,250	2,375
5% cumulative convertible preferred stock, $100 par value; authorized 140,000 shares; outstanding 35,476 shares in 1975 and 37,609 shares in 1974	3,548	3,761
Common stock, no par value; authorized 5,000,000 shares; issued 2,087,464 shares in 1975 and 1974	9,087	9,087
Paid-in capital	940	1,147
Retained earnings	27,208	22,680
	$45,312	$41,494
Less—Common stock held in treasury, at cost; 424,718 shares in 1975 and 484,238 shares in 1974	1,614	2,334
	$43,698	$39,160

TABLE 2-34: ADDITIONAL CAPITAL — CAPTION TITLE

	1975	1974	1973	1972
Additional paid-in capital	163	152	154	144
Capital in excess of par or stated value	151	147	149	153
Capital surplus	86	87	99	111
Additional capital, or *other capital*	56	53	43	42
Paid-in capital, or *other paid-in capital*	35	29	30	31
Paid-in surplus	18	19	22	22
Other captions	19	36	29	23
	528	523	526	526
No additional capital account	72	77	74	74
Total Companies	**600**	**600**	**600**	**600**

AMPCO-PITTSBURGH CORPORATION (DEC)

	1975	1974
Shareholders' Equity (Notes 4 and 7):		
Cumulative preference stock—no par value; aurthorized 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	45,416,717	40,639,063
	54,841,842	50,064,188
Less—Cost of 573,366 shares of stock in treasury	4,603,722	4,603,722
Total shareholders' equity	$50,238,120	$45,460,466

LA BARGE, INC. (DEC)

	1975	1974
Stockholders' equity		
Preferred stock, $1 par value		
Authorized but unissued—2,000,000 shares	—	—
Common stock, $.25 par value		
Authorized—15,000,000 shares		
Issued and outstanding—7,105,243 shares in 1975 and 6,893,733 shares in 1974	$ 1,776,311	$ 1,723,433
Capital in excess of par value	1,922,014	1,635,040
Retained earnings	16,981,867	12,041,092
Total stockholders' equity	$20,680,192	$15,399,565

BLISS & LAUGHLIN INDUSTRIES INCORPORATED (DEC)

	1975	1974
Shareholders' Equity:		
Capital stock—		
Preferred stock, no par value; authorized 1,000,000 shares; no shares issued	$ —	$ —
Common stock, $2.50 par value; authorized 5,000,000 shares; issued 3,858,000 and 3,208,000 shares respectively	9,645,000	8,021,000
Additional capital	17,288,000	11,971,000
Retained earnings	44,089,000	44,787,000
Treasury stock, at cost, 227,000 shares and 163,000 shares respectively	(3,321,000)	(2,993,000)
	$67,701,000	$61,786,000

CARNATION COMPANY (DEC)

	1975	1974
Investment of Stockholders, represented by:		
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 96,139 and 100,000 shares in treasury in 1975 and 1974 respectively), 18,603,645 shares in 1975 and 17,717,882 shares in 1974	$ 37,207,290	$ 35,435,764
Other capital, per accompanying statement	82,656,534	39,689,736
Retained earnings—		
Unappropriated, per accompanying statement	446,964,936	383,351,839
Appropriated for 5% stock dividend (to be allocated in 1975)		44,719,929

TABLE 2-35: RETAINED EARNINGS — CAPTION TITLE

	1975	1974	1973	1972
Retained Earnings	439	440	435	429
Retained earnings with additional words	40	20	23	33
Earnings with additional words	56	80	77	68
Income with additional words	35	28	32	34
Earned Surplus	11	10	16	21
Companies with deficits	19	22	17	15
Total Companies	**600**	**600**	**600**	**600**

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 2-35 indicates a continuing decline in the use of the term *earned surplus* and an increase in the use of the term *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.

AKZONA INCORPORATED (DEC)

	1975	1974
	($000)	
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	62,653	62,672
Accumulated income reinvested in the business	241,503	248,559
	319,911	326,986
Treasury stock, at average cost: 1975—168,052 shares; 1974—168,285 shares	4,468	4,464
Total shareholders' equity	$315,443	$322,522

ASG INDUSTRIES, INC.

	1975	1974
Shareowners' Equity		
Common Stock, par value—$1 per share; authorized 10,000,000 shares; issued and outstanding 3,006,052 in 1975 and 1974.	$ 3,006,052	$ 3,006,052
Paid-in capital	16,335,195	16,335,195
Deficit from January 1, 1971	(9,816,620)	(3,488,500)
	$ 9,524,627	$15,852,747

ASARCO INCORPORATED (DEC)

	1975	1974
Stockholders' Equity		
Preferred Stock:		
Authorized—10,000,000 shares without par value (none issued)		
Common Stock:		
Authorized—40,000,000 shares without par value Issued—27,678,223 shares	$339,239	$339,239
Additional Capital	6,700	7,207
Retained Earnings	537,377	540,087
	883,316	886,533
Less: Treasury stock, at cost—934,396 shares 1974—971,831 shares	22,238	23,344
Total Stockholders' Equity	$861,078	$863,189

DRESSER INDUSTRIES, INC. (OCT)

	1975	1974
	($ Millions)	
Shareholders' Investment		
Convertible preferred shares, without par value, stated at $1.00 a share:		
$2.20 Series A	$ —	$ 3.3
$2.00 Series B	—	1.5
Common shares, $0.25 par value	4.4	3.2
Capital in excess of par or stated value	207.7	208.1
Reserve for foreign business risks (created out of retained earnings)	5.0	5.0
Retained earnings	429.2	332.4
Total Shareholders' Investment	$646.3	$553.5

DENNISON MANUFACTURING COMPANY (DEC)

	1975	1974
Shareholders' Equity		
Debenture Stock, $8 Cumulative, par value $100 per share:		
Authorized and issued 18,806 shares, including 4,074 and 321 shares held in treasury in 1975 and 1974, respectively; liquidation value $2,357,000 in 1975	$ 1,881,000	$ 1,881,000
$1 Cumulative Preferred Stock, par value $10 per share:		
Authorized 1,000,000 shares; issued 606,559 shares, less 142,065 shares in treasury; liquidation value $10,219,000	4,645,000	4,645,000
Common Stock, par value $5 per share:		
Authorized 6,000,000 shares; issued 3,597,491 shares in 1975, after giving retroactive effect to a 4-for-3 stock split on February 6, 1976 (2,698,118 shares in 1974), including 243,659 and 188,324 shares held in treasury in 1975 and 1974, respectively	17,987,000	13,491,000
Capital in excess of par value	4,611,000	9,046,000
Earnings reinvested	71,176,000	64,688,000
	100,300,000	93,751,000
Less cost of Common Stock and Debenture Stock held in treasury.	2,547,000	2,097,000
	$ 97,753,000	$91,654,000

THE HOOVER COMPANY (DEC)

	1975	1974
Stockholders' Equity		
Common Stock—par value $2.50 a share:		
Authorized 15,000,000 shares Issued 13,592,930 shares (including shares held in treasury)	$ 33,982,325	$ 33,982,325
Other Capital	12,615,265	12,219,564
Income Employed in the Business	162,298,939	160,253,503
	208,896,529	206,455,392
Less 403,613 shares of Common Stock held in treasury—at cost	9,825,413	9,825,413
Total stockholders equity	$199,071,116	$196,629,979

OSCAR MAYER & CO. INC. (OCT)

	1975	1974
Stockholders' Equity:		
Preferred stock, $5 par value—Authorized 500,000 shares; none issued		
Common stock, $5 par value—Authorized 11,000,000 shares; Outstanding 9,528,100 and 9,499,180 shares, respectively	$ 47,641	$ 47,496
Additional paid-in capital	3,506	3,194
Accumulated earnings—see accompanying statement	140,983	122,978
Total stockholders' equity	$192,130	$173,668

PHOENIX STEEL CORPORATION (DEC)

	1975	1974
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	(14,726,000)	(11,361,000)
	$18,770,000	$22,135,000

THE QUAKER OATS COMPANY (DEC)

	1975	1974
	Thousands of Dollars	
Shareholders' Equity:		
Preferred, $50 par value, $3 cumulative convertible authorized 147,836 shares; issued 142,104 shares	$ 7,105	$ 7,105
Preference, without par value, $100 stated value, $9.56 cumulative, authorized 1,500,000 shares; issued 500,000 shares	50,000	—
Common, $5 par value, authorized 35,000,000 shares; issued 20,948,922 shares	104,745	104,745
Additional paid-in capital	22,814	23,882
Reinvested earnings	221,710	208,336
	406,374	344,068
Less treasury common stock, at cost	5,627	5,627
Shareholders' equity	$400,747	$338,441

J. P. STEVENS & CO., INC. (OCT)

	1975	1974
	Amounts in thousands	
Shareowners' Equity:		
Capital stock—par value $7.50 a share:		
Shares		
Authorized 20,000,000		
Issued 12,513,218	$ 93,849	$ 93,849
Capital in excess of par value	73,377	73,379
Accumulated earnings	260,059	250,632
	427,285	417,860
Less: Cost of capital stock held in treasury, 877,622 shares in 1975 and 878,622 shares in 1974	14,160	14,177
Total shareowners' equity	$413,125	$403,683

RESTRICTIONS ON RETAINED EARNINGS

Table 2-36 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 2-25.

TABLE 2-36: RESTRICTIONS ON RETAINED EARNINGS

Source of Restrictions	**1975**	**1974**	**1973**	**1972**
Bond or note indentures, credit agreements	405	413	416	407
Preferred stock or certificate of incorporation	15	15	15	18
Total Disclosures	**420**	**428**	**431**	**425**
Nature of Restrictions				
Limitation on retained earnings only	133	135	164	168
Limitation on retained earnings and working capital	79	80	81	88
Limitation on retained earnings, working capital and other restrictions	128	133	125	112
Limitation on retained earnings and other restrictions	44	43	39	36
Other restrictions	36	37	22	21
Total Disclosures	**420**	**428**	**431**	**425**
Number of Companies				
Referring to restrictions	420	428	431	425
Not referring to restrictions	180	172	169	175
Total	**600**	**600**	**600**	**600**

Restrictions Imposed by Indebtedness

PENNWALT CORPORATION (DEC)

Notes to Consolidated Financial Statements

Long-Term Debt and Dividend Restriction—The following summary reflects long-term debt at December 31, 1975 and 1974:

	1975	1974
	(Thousands of Dollars)	
Notes, 9%, due 1985; not redeemable prior to April 15, 1982...	$ 50,000	$ —
Debentures, 9 1/8%, due 1995; (less $1,550,000 held in Treasury for annual sinking fund requirements of $2,000,000 beginning August 1, 1976)........	38,450	40,000
Sinking fund notes payable, 7⅞%, due 1993; annual sinking fund payments of $1,667,000 begin May 15, 1979............................	25,000	25,000
Sinking fund notes payable, 5%, $800,000 due annually to 1991	16,000	16,800
Eurodollar debentures, 8%, due 1987; (less $1,300,000 held in Treasury for annual sinking fund requirements of $1,100,000 beginning May 1, 1976)........	13,700	15,000
Debentures, 3.45%, due 1981; (less $1,836,000 and $2,311,000 in 1975 and 1974 held in Treasury for annual sinking fund requirements of $475,000)	6,514	6,514
Other	2,122	2,666
	151,786	105,980
Less—Current maturities	1,556	1,002
	$150,230	$104,978

Long-term debt maturities, net of amounts held in Treasury, during the four years 1977 through 1980 amount to $4,008,000, $4,210,000, $5,938,000 and $6,216,000, respectively.

Terms of the long-term debt and preference stock agreements contain provisions as to the issuance of additional long-term debt, maintenance of net working capital and payment of dividends. In addition, under Pennsylvania law no dividend may be paid which would reduce the Company's net assets below the liquidation value of its outstanding preference stock. Under the most restrictive of these limitations, at December 31, 1975, approximately $49,000,000 of earnings retained for use in the business was not restricted as to the payment of dividends.

CELANESE CORPORATION (DEC)

Consolidated Financial Statements Notes (millions, except shares and per share amounts)

Note O (in part): Long-term Debt and Related Restrictions—The Corporation's debt instruments include various covenants that require maintenance of working capital and limit creation of funded debt and payment of dividends, the most restrictive of which are as follows. Consolidated working capital of at least $160 million must be maintained. Additional funded debt may not be created unless immediately thereafter consolidated net tangible assets are at least twice consolidated funded debt as those terms are defined in the debt instruments. Dividends or other restricted payments with respect to common stock, other than dividends in the stock of the Corporation, may not be made except out of consolidated retained income as defined and unless immediately thereafter consolidated working capital as defined is not less than $100 million.

The following table compares the amounts prescribed by certain of the above covenants with the Corporation's actual financial position at December 31, 1975:

	Prescribed	Actual
Maintenance of consolidated working capital	$160	$305
Dividend restriction:		
Retained income as defined......	—	$248
Working capital as defined	$100	$271

PORTEC, INC. (DEC)

Notes to Consolidated Statements

Note 5: Long-term Debt—Long-term debt at December 31, 1975 and 1974 consisted of the following:

	1975	1974
	(in 000's)	
Revolving and term credit note and loans............................	$5,000	$8,000
Industrial Development Revenue Bonds due in installments to July 1, 1985 with interest rates ranging from 5½% to 7⅛%...	1,200	—
6¾% convertible subordinated notes due 1981 through 1985, convertible into common stock at $21.59 per share	2,000	—
Other indebtedness..................	940	1,062
	$9,140	$9,062

The revolving credit loans outstanding at December 31, 1974 and the term note outstanding at December 31, 1975 were obtained from a group of banks under an agreement which provides for maximum revolving credit loans and term note of $8,000,000 at ¼% over the prime rate. Such revolving credit loans at December 31, 1974 were converted to a term note on June 30, 1975, as permitted by the agreement. The term note was payable in four equal annual installments of

$1,000,000 for the first four years commencing June 30, 1976 and the balance payable in the fifth year. In December 1975, the company prepaid $3,000,000 of the outstanding term note of which $1,000,000 was applied to the June 30, 1976 installment and $2,000,000 was applied to the final installment.

Under the most restrictive provisions of the revolving credit and industrial development revenue bond lease and guarantee agreements, no cash dividends may be paid if after giving effect thereto, consolidated net worth would be less than $17,500,000. Further, the sum of liabilities and total rentals payable under long-term leases ($19,751,000 at December 31, 1975) cannot exceed 100% of stockholders' equity ($34,851,000 at December 31, 1975).

In December 1975, pursuant to a loan agreement, the company issued 6¾% convertible subordinated notes in the aggregate principal amount of $2,000,000 to a corporation which is a stockholder and whose chairman is a director of the company. The loan agreement provides, among other things, that (a) consolidated current indebtedness, as defined, shall not exceed $10,000,000, (b) funded indebtedness, as defined, shall not exceed 45% of consolidated net tangible assets, (c) stock payments, as defined and which include payment of cash dividends, shall not exceed, on a cumulative basis, $1,500,000 plus 50% of annual consolidated net income after December 31, 1974 and (d) the ratio of consolidated current assets to consolidated current liabilities shall be at least 2:1. In addition, the loan agreement provides for annual principal payments of $400,000 commencing December 29, 1981 with optional prepayments at any time after such date. Portec, Inc. has the right of first refusal to purchase these notes before they can be sold. The loan agreement also provides for adjustments to the interest rate and the conversion price when certain specified events, as defined, occur.

Principal payment requirements at December 31, 1975 on the noncurrent portion of all long-term debt will aggregate $1,142,000 in 1977, $1,147,000 in 1978, $1,562,000 in 1979, $2,163,000 in 1980 and $3,126,000 thereafter.

THE SINGER COMPANY (DEC)

Notes to Financial Statements

Long-term Debt—Long-term debt, less amounts due within one year, is summarized by type of borrowings as follows:

	Interest Rates	Due Dates	December 31, 1975	1974
			(Amounts in Millions)	
Promissory notes	8.37%	5/31/78	$154.0	$ —
Debentures	8¼	4/15/76	100.0	100.0
Sinking fund debentures.	8	1/15/99	100.0	100.0
Guaranteed notes	11	8/15/77	50.0	50.0
Notes payable to institutional lenders	5⅝-8⅜	1975-1986	—	49.0
Bank loans:				
Eurodollar—Eurocurrency	5.63	7/15/78	5.0	23.7
Foreign currency	7-9.35	1976-1980	17.4	16.3
Revolving credit	10-10¼	8/1/77	—	40.0
Miscellaneous	Various	Various	23.7	26.0
			$450.1	$405.0

The promissory notes were issued under a three-year Revolving Credit Agreement with a group of 29 banks. The agreement, as modified, provides credit facilities to the Company of up to $495.5 million, of which a maximum of $75 million is also available to its wholly-owned subsidiary, Singer Credit Corporation. At December 31, 1975, borrowings under the agreement by Singer Corporation were $45 million. The agreement provides for interest at a floating rate equal to the sum of ¼ percent per annum plus 112 percent of the minimum commercial lending rate charged from time to time by the agent for the banks under the agreement and requires a fee of ¼ percent per annum of the credit facility, and a commitment fee of ½ percent per annum of the unused portion of the commitment. The maximum credit available to the Company is to be reduced by $20 million on May 3, 1976, with further reductions being related to net proceeds received in connection with certain dispositions. Pursuant to informal arrangements with each of the participating banks, the Company maintains compensating balances of approximately 10 percent of the credit facility.

The terms of the agreement enable the Company to borrow and repay at any time. Since August 1975, when the Company first borrowed under the agreement, borrowings by the Company and Singer Credit Corporation averaged $194.1 million and $141.8 million, respectively, and the maximum borrowings were $234 million and $152 million, respectively. The interest rate on borrowings for such period averaged 8.9 percent.

Under the terms of the agreement, as modified, cash dividends on common stock are prohibited in 1976, and preferred dividends generally are limited to 20 percent of net income from continuing operations subsequent to December 31, 1975. Beginning in 1977, cash dividends on common stock generally may not, in the aggregate, exceed 20 percent of net income from continuing operations from January 1, 1976, less the sum of $125 million and all dividends declared after December 29, 1975 on preferred stock. In addition, the agreement contains certain defined restrictive covenants including those summarized as follows:

	Effective through December 30, 1976	1977	To 5/31/78
	(Dollar Amounts in Millions)		
Minimum working capital	$170	$225	$275
Minimum current ratio	115%	125%	135%
Minimum net worth	$300 through 6/29/76 $320 through 12/30/76	$340 through 6/29/77 $360 through 12/30/77	$420
Maximum percentage of total indebtedness to net worth	250%	215%	160%
Maximum total indebtedness (including Singer Credit Corporation)	$900	$820	$780

The aggregate maturities of long-term debt during the five years subsequent to December 31, 1975 are as follows:

Years	1976	1977	1978	1979	1980
Amounts (in millions)................	$1.8	$51.6	$293.6	$1.0	$6.0

The amounts due within one year, $1.8 million at December 31, 1975 and $24.2 million at December 31, 1974, are included in notes and loans payable.

The $100 million of 8¼ percent Debentures due April 15, 1976 is included in long-term debt since the Company intends to refinance these obligations with borrowings under the Revolving Credit Agreement. Accordingly, the maturity of such debt is included in the above schedule of maturities in 1978.

Beginning January 15, 1980, the Sinking Fund Debentures require annual sinking fund payments of not less than $5 million of the principal amount.

WHITE MOTOR CORPORATION (DEC)

Notes to Financial Statements

Note C (in part): Long-term Debt—Certain covenants of the indentures and loan agreements with insurance companies include, among other things: requirements as to 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; maintenance of a stated working capital amount and working capital percentage (current assets as a percentage of current liabilities) and being 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 October 1974 and at various times in 1975 and 1976, the Corporation obtained waivers of compliance with certain maintenance requirements, including those related to working capital, permitting it to maintain short-term borrowings, to be past due on certain indebtedness and to make certain restricted payments and investments. The most recent waivers, effective for stated periods subsequent to December 31, 1975, permit lower maintenance requirements for working capital and generally impose additional conditions and restrictions on the Corporation than those specified in the loan agreements and previous waivers applicable to the year ended December 31, 1974 and thereafter. Under the most restrictive covenants of the loan agreements and the conditions of the waivers in effect at February 27, 1976, the Corporation has agreed that it will:

—maintain minimum working capital and working capital percentage, as defined, of $50,000,000 and 112% through January 15, 1977, and $150,000,000 and 150% thereafter, all respectively (at December 31, 1975 working capital and working capital percentage were $73,100,000 and 118%, respectively);
—maintain minimum consolidated net worth of $170,000,000 through January 15, 1977 (at December 31, 1975, consolidated net worth was $172,220,000);
—not later than March 31, 1976, enter into a revolving credit agreement, for not less than 364 days, with commercial banks or trust companies entitling the Corporation to borrow at least $145,500,000; and
—not later than March 31, 1976, have executed agreements whereby the holders of 8¾% notes and the 9¼% notes will be issued warrants for the purchase of Common Stock of the Corporation;

and the Corporation has agreed that, prior to January 16, 1977, or such earlier date as is indicated, it will not:

—reduce its aggregate outstanding short-term debt borrowed from banks and trust companies below $145,500,000 ($100,000,000 net of any deposits with such creditors), the above-described requirement to be free from short-term domestic bank borrowings having been waived through March 31, 1977;
—exceed specified limitations on the age and amounts for certain liabilities through March 31, 1977;
—enter into certain transactions relating to disposals of assets, guarantees of indebtedness of others, acquisitions of assets, and sale and lease-back of properties, except as may be permitted under terms of the waivers and except as provided under the Operating Agreement with The White Motor Credit Corporation;
—make any additional restricted investments or payments, including redemption of Preferred Stock (see Note H), other than a specified amount of past due trade accounts receivable;
—make payments in excess of $20,000,000 or payments and commitments in excess of $25,000,000 for capital expenditures during 1976;
—incur any additional funded debt; or
—become liable under any new long-term lease.

The Corporation is working with banks to restructure its short-term financing (see Note D) in order to reduce its reliance on demand loans; however, it is expected that it will be necessary from time to time to obtain additional waivers of compliance from the insurance lenders, debentures holders or others to avoid defaults under either the original or the amended terms of the indentures or loan agreements.

Restrictions Imposed By Preferred Stock Or Certificate of Incorporation

ETHYL CORPORATION (DEC)

Notes to Financial Statements

Note 10: Retained Earnings Restriction—The Company's articles of incorporation and note agreements contain restrictions, among others, against the payment of cash dividends. At December 31, 1975, $46,763,000 of retained earnings is free of such restriction under the agreement presently most restrictive.

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, 1975, the amount of retained earnings available under the most restrictive of the above covenants was $495.1 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.

STOCK OPTION PLANS

AMAX INC. (DEC)

Notes to Financial Statements

Note 17: Stock Option Plan—The Company is authorized at December 31, 1975 to grant 123,000 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 1975 and 1974 are exercisable immediately and expire at various dates to 1985, 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.

TABLE 2-37: STOCK OPTION PLANS

	1975	1974	1973	1972
Relation of Opinion Price to Market Value at Date of Grant of Option				
Not less than market	405	407	399	383
Not less than 95% of market value	8	9	9	27
90% or less	9	8	8	8
Not disclosed	133	128	134	156
Total Plans	**555**	**552**	**550**	**574**
Number of Companies				
Referring to stock option plans	534	535	532	536
Not referring to stock option Plans	66	65	78	64
Total	**600**	**600**	**600**	**600**
Number of companies with stock purchase plans	82	78	80	69

AMAX may, at its discretion, if so requested by an optionee, pay him an amount equal to the difference between the fair market value and option price of a specified number of shares in lieu of his exercising his option for those shares.

Stock options are summarized in the following table:

	Price Range Per Share		Shares Unexercised	Shares Available for Future Grants
January 1, 1974	$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(A)	28.06	39.69	(63,250)	8,100
December 31, 1974.	28.06	39.69	442,600	345,950
Options: granted	44.88		228,900	(228,900)
exercised	28.06	39.69	(49,166)	—
terminated(B)	28.06	39.69	(51,450)	5,950
December 31, 1975.	28.06	44.88	570,884(C)	123,000

(A) 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.

(B) Options for 45,500 shares were canceled in connection with a severance agreement entered into with an officer who resigned in 1975.

(C) Includes qualified options for 20,000 shares for which related non-qualified options were granted in 1971 and 1972, qualified options for 69,700 shares granted in 1974 and 1975, and non-qualified options for 481,184 shares granted in 1971 through 1975. With respect to options for the 20,000 shares the non-qualified options become exercisable 30 days after expiration of the related qualified options.

FORD MOTOR COMPANY (DEC)

Notes to Financial Statements

Note 14: Stock Options—In May 1975, the 1975 Stock Option Plan was approved by the stockholders. Under the Plan, options to purchase up to 3,000,000 shares of Common Stock may be granted at any time prior to June 1, 1980. Stock appreciation rights also may be granted to optionees who have been granted options under the Plan. During 1975, options for 946,750 shares with stock appreciation rights were granted under the Plan at an option price of $36.38 a share.

Stock appreciation rights, in general, permit an optionee to surrender all or a portion of an option and exercise the related appreciation right. The optionee would receive at that time, without payment to the Company, shares of Common Stock with a total market value equal to the excess of the fair market value on the date of exercise over the option price of the shares subject to the related option or portion thereof. Shares covered by such surrendered stock option or portion thereof are not available for the grant of further stock options. The availability of stock appreciation rights requires a charge to income with respect to the rights that have been granted, based upon the amount, if any, by which the fair market value of the Common Stock exceeds the option price. During 1975, $7 million was charged to income before income taxes with respect to such rights.

At December 31, 1975, options were outstanding to purchase 2,341,575 shares of Common Stock of the Company under the 1970 and 1975 employee Stock Option Plans of the Company (of which options on 1,116,425 shares were exercisable at that date) at prices ranging from $36.38 to $71.94 a share. Options granted under the 1970 Plan and options and related stock appreciation rights granted under the 1975 Plan may be exercised, in general, as to 50% of the shares after one year from the date of grant and in full after two years, and to the extent not exercised expire ten years from the date of grant. Each option outstanding was granted at an option price equal to the fair market value of the stock on the date of grant. No further options may be granted under the 1970 Plan.

Changes during 1975 in options outstanding under the Stock Option Plans of the Company were as follows:

	Shares Subject to Option	Option Price Range Per Share
January 1, 1975............	1,560,775	$38.44-$71.94
Granted	946,750	36.38
Exercised	(187)	38.44
Terminated and expired..	(165,763)	36.38- 71.94
December 31, 1975.........	2,341,575	$36.38-$71.94

LA MAUR INC. (DEC)

Notes to Consolidated Financial Statements

Note E: Stock Options—Under qualified stock option plans adopted in 1968 and 1974, options may be granted to salaried employees to purchase a maximum of 100,000 shares (50,000 shares under each plan) of the authorized but unissued stock of the Company, the option price to be at least equal to the fair market value per share at the time the option is granted. The plans provide further that the options are exercisable cumulatively, to the extent not previously exercised, at the rate of 20% annually by each optionee during a period of five years commencing immediately upon the issuance of the option. Employees may not exercise any part of their option until they have been employed at least two years and have no previously granted option outstanding.

Information as of December 31, 1975 and for the year 1975 with respect to options under these plans is as follows:

	Granted	Available For Grant	Option Price Per Share
Balance at beginning of year	76,200	22,680	$2.75-$15.375
Year ended December 31, 1975:			
Options granted...........	6,800	(6,800)	$3.25-$ 4.25
Options forfeited..........	(8,750)	8,750	$2.75-$15.375
Option exercised..........	(100)		$2.75
Balance at end of year......	74,150	24,630	$2.75-$15.125
Options exercisable at December 31, 1975........	17,470		$2.75-$15.125

RCA CORPORATION (DEC)

Notes to Financial Statements

Note 9: Stock Options—Under the stock option plan approved by RCA shareholders in 1957 and most recently amended in 1968, authorizing restricted or qualified stock options as provided in the Internal Revenue Code, and under the stock option plan approved by shareholders in 1971 for stock options not qualifying under the Internal Revenue Code options may be granted to key employees selected by a committee of the Board of Directors for the purchase within a maximum period of 10 years (five years with respect to qualified options), at a price not less than fair market value at the date of the grant, of shares of common stock from RCA's treasury or from authorized but unissued shares. Options that have been granted are exercisable in cumulative annual installments of 20 percent, beginning with 20 percent at date of grant.

At December 31, 1975, options were outstanding for the purchase of 984,610 shares of RCA common stock at prices ranging from $11.00 to $41.63 (average $26.10) per share; options on 586,110 shares were then exercisable at prices ranging from $11.00 to $41.63 (average $28.84) per share; and 354,583 shares were available for future grants. During 1975, options to purchase 66,000 shares were granted at prices ranging from $13.88 to $17.75 (average $15.10) per share; options on 65,000 shares expired or were canceled; and options on 3,120 shares were exercised at prices ranging from $11.75 to $16.75 (average $14.89) per share.

At December 31, 1974, options were outstanding for the purchase of 986,730 shares of RCA common stock at prices ranging from $11.00 to $41.63 (average $26.97) per share; options on 432,840 shares were then exercisable; and 355,583 shares were available for future grants. During 1974, options to purchase 312,200 shares were granted, and options on 257,200 shares expired or were canceled.

ROCKWELL INTERNATIONAL CORPORATION (SEP)

Notes to Financial Statements

Note 11: Employee Stock Option Plans—Options to purchase common stock of the Company have been granted under various plans to officers and other key employees at prices equal to the fair market value of such stock on the dates the options were granted. Certain information for 1974 and 1975 relative to common stock options is summarized as follows (in millions, except for number of shares):

	Number of Shares	Aggregate Option Price	Corresponding Market Value	
Stock options, October 1, 1973:				
Oustanding	986,642	$24.6	$24.6	(a)
Exercisable	336,419	9.1		
Available for future grant	722,000			
Changes in stock options during 1974:				
Options assumed through acquisitions	151,745	3.1	3.1	(a)
Granted	239,950	6.4	6.4	(a)
Became exercisable	635,068	14.9	16.9	(b)
Exercised	66,368	1.3	1.8	(c)
Expired	52,432	1.5		
Stock options, September 30, 1974:				
Outstanding	1,259,537	31.5	31.5	(a)
Exercisable	914,023	22.5		
Available for future grant	500,400			
Changes in stock options during 1975:				
Granted:				
Options	281,850	6.3	6.3	(a)
Alternative options	417,250	8.8	8.8	(a)
Became exercisable	239,135	6.1	5.0	(b)
Exercised	241,933	4.3	5.5	(c)
Expired	161,243	4.0		
Stock options, September 30, 1975:				
Outstanding	1,138,211 (d)	27.0 (e)	27.0	(a)(e)
Exercisable	769,986	20.7		
Available for future grant	265,300			

(a) As of dates granted.

(b) As of dates became exercisable.

(c) As of dates exercised.

(d) The number of shares includes the alternative options and excludes the previously granted matched options (see following paragraph).

(e) Based on alternative options, where applicable (see following paragraph).

Certain stock options granted during 1975 were in the form of alternative options to options previously granted and outstanding (matched options) under the Company's most recent option plan. Each such alternative option granted for which the number of shares that may be purchased is equal to the outstanding number of shares that may be purchased under a matched option, may not be exercised while the matched option remains outstanding, and the number of shares available for exercise under the alternative option is automatically reduced to the extent the matched option is exercised. Thus, an optionee has the alternative of either exercising all or part of the matched option or allowing the matched option or the unexercised part thereof to expire and thereby being entitled to exercise the alternative option or the remaining portion thereof. Such alternative options do not change the number of shares that may be purchased under outstanding options or available for future grant. Assuming future exercise of matched options in lieu of alternative options, the number of shares related to stock options outstanding at September 30, 1975 would not change and would have an aggregate option price of $29.3 million, which amount is equal to the market value as of dates granted.

Common stock options outstanding at September 30, 1975 have option prices ranging from $15.61 to $35.25 a share and expire at various dates from October 23, 1975 to July 14, 1985. Options available for future grant may not be granted after November 30, 1982.

In connection with the 1974 acquisitions of Collins Radio Company and Admiral Corporation, options outstanding at the dates of acquisitions to purchase the common stock of those companies were converted into options to purchase 151,745 shares of the Company's common stock at option prices ranging from $15.61 to $32.00 a share.

STEWART-WARNER CORPORATION (DEC)

Notes to the Consolidated Financial Statements

Note 3: Capital Stock: Capital stock includes 1,000,000 shares of preferred stock, $1 par value, authorized in 1968—none of these shares has been issued.

Under a 1965 qualified stock option plan, the Corporation granted options to officers and other key employees at market price at date of grant, exercisable over a five-year period. The 1965 plan expired in 1975 and no additional options may be granted.

In 1975, a new stock option plan was approved whereby options for 250,000 shares of common stock may be granted to officers and key employees. Both qualified and nonqualified options may be granted under the plan and become exercisable in part one year after grant. Qualified options are granted at fair market value at date of grant and expire no later than five years from date of grant. Nonqualified options may be granted at a price not less than par value of the common stock and expire no later than ten years from date of grant. The exercisable portion of nonqualified options may be exchanged by the Corporation for shares having an aggregate market value equal to the excess of market value over option price. At December 31, 1975, the Corporation had 148,050 shares of its common stock available for grants.

An amount equal to the option price is credited to the capital accounts as options are exercised under both plans.

The following represents a summary of stock option activity for the 1965 and 1975 plans (expressed in numbers of shares). The 1975 options are nonqualified options granted at market prices.

	1975 Plan		1965 Plan
	1975	1975	1974
Outstanding, beginning of year	—	80,400	81,600
Granted and accepted	102,150	—	1,800
Exercised	—	—	—
Expired and terminated	(200)	(2,650)	(3,000)
Outstanding, end of year	101,950	77,750	80,400
Exercisable	—	77,750	80,400
Price range of options outstanding	$22.125 to $22.75	$24.38 to $30.69	$24.38 to $30.69

In addition, the Corporation has a stock purchase plan which permits officers and key employees to purchase shares of the Corporation's treasury stock at the market price prevailing at the time of purchase. Current forms of contracts provide for minimum initial payments of 10% of the purchase price, and for payments of not less than 10% of the remaining balances annually, with interest at 1% per annum. All shares sold under this plan are either held in escrow or subject to repurchase agreements. During 1975, 4500 shares of treasury stock were sold under the plan to employees at prices averaging $23.43 per share, having an aggregate market value of $105,000 (1000 shares in 1974 at prices averaging $24.99 per share; market value $25,000). During 1975, 759 shares (230 in 1974) were repurchased. Proceeds in excess of par value from the above treasury stock transactions were $74,000 in 1975 and $15,000 in 1974. At December 31, 1975, $892,000 ($976,000 in 1974) was due from officers and key employees under the plan.

SUNDSTRAND CORPORATION (DEC)

Financial Summary

Stock Option and Restricted Stock Plans—At December 31, 1975 and 1974. 229,270 and 233,950 shares, respectively, (including 350 shares for options under a non-qualified plan at December 31, 1974) of Common Stock were reserved for issuance to eligible employees under stock option plans. During 1975, 4,600 shares were granted and 2,750 shares were forfeited. During 1974, 182,400 shares were granted, of which 170,650 shares were granted to individuals who exchanged for cancellation outstanding options for the same number of shares, and 13,200 shares were forfeited. At December 31, 1975 and 1974. 24,100 and 25,950 shares, respectively, were available for future grant. All options were at 100% of the quoted market value on the date of the grant and are exercisable not less than one year nor more than five years after date of grant.

At December 31, 1975, options granted under stock option plans were outstanding as follows:

Period granted	Options outstanding
Prior to 1974	25,500
1974	175,070
1975	4,600
	205,170

Options outstanding at December 31, 1975 and 1974 which became exercisable and which were exercised during the two years then ended are summarized as follows:

		(Total amounts in thousands)			
		Option price		Market value (a)	
Options	Shares	Per share	Total	Per share	Total
Granted and outstanding					
At December 31, 1975.	205,170	$11-26	$2,853	$11-26	$2,853
At December 31, 1974.	208,000	$11-26	$2,878	$11-26	$2,878
Exercisable during 1975	102,250	$11-25	$1,323	$16-25	$1,689
1974	27,050	$16-26	$ 538	$11-25	$ 448
Exercised during 1975	4,680	$13-20	$ 73	$15-25	$ 90
1974	1,150	$16-19	$ 21	$27-36	$ 24

(a) At the date options were granted, became exercisable or were exercised.

Upon the exercise of options, the proceeds are credited to the Common Stock account to the extent of the par value or to Treasury Stock to the extent of cost of the shares issued, and the proceeds in excess of the par value or cost are credited to the additional contributed capital account. No values are assigned in the accounts to the options and accordingly no charges are reflected in the consolidated statement of earnings.

At December 31, 1975 and 1974, 4,456 and 4,756 shares, respectively, of the $3.50 Cumulative Convertible Preferred Stock and 3,038 and 3,243 shares, respectively, of Common Stock were reserved for issuance in partial satisfaction of a deferred compensation liability.

During 1975 and 1974, in accordance with the terms of the Sunstrand restricted stock plans, which were approved by the stockholders, 1,200 shares and 84,050 shares, respectively, of Common Stock have been sold to key managerial employees at a price substantially below market price. This Common Stock may not be resold, except to Sundstrand, until the restrictions placed on these shares expire. The amount of compensation represented by the effect of the sale of restricted stock is being amortized over the vesting period. At December 31, 1975, 207,050 shares were reserved for future issuance under restricted stock plans.

EMPLOYEE STOCK OWNERSHIP PLANS

HI-SHEAR CORPORATION (FEB 1976)

Notes to Consolidated Financial Statements

Note 8: Employee Stock Ownership Plan—During fiscal 1975, the Company established an employee stock ownership plan and a related trust for the benefit of its employees, and contributed 30,000 shares of Company stock as its initial contribution. These shares were valued at $286,900, which amount has been charged against 1975 operations. Subsequent to establishment of the plan and trust, the trust borrowed $479,200 from a bank and purchased for cash 50,000 shares of the Company's stock. The amount borrowed has been guaranteed by the Company, at February 29, 1976, the borrowed funds guaranteed by the Company aggregated $245,600. The Company is making cash contributions to the Trust in an amount sufficient for the Trust to repay the principal amount of the bank loan together with related interest charges. Since the Company has unconditionally guaranteed the repayment of the bank loan, the loan balance at year end has been reflected in the accompanying financial statements as guaranteed bank indebtedness. A deferred employee compensation balance of a like amount (deducted from Stockholders' Equity in the accompanying balance sheet) has also been recorded. The deferred compensation balance is being amortized against income over a two-year period beginning March 1, 1975.

ROBLIN INDUSTRIES, INC. (DEC)

Consolidated Balance Sheets

	1975	1974
Assets		
Other Assets and Deferred Charges		
Deferred employee benefits	$ 410,334	$ —
Liabilities and Stockholders' Equity		
Deferred		
Federal and state taxes on income	$ 535,025	$ 384,316
Gain on sale and leaseback of assets	728,236	906,338
Employee benefit plan	410,334	—
Deferred compensation plan and other	209,704	158,752
	$1,883,299	$1,449,406

Notes to Financial Statements

Note E: Employee Benefits—In 1975 Roblin created an employee stock ownership plan. The primary purpose of the plan is to enable all salaried employees to acquire stock ownership in Roblin at no cost to them. The approved Plan required establishment of an employee stock ownership trust, which borrowed funds from banks to purchase Roblin stock for the employees, and Roblin guaranteed the trust's repayment of the loan. Roblin thereby effectively obligated itself to contribute to the employees' trust in amounts sufficient to repay the loan in installments through 1982. The obligation for future contributions is reflected in the balance sheet with an equal amount shown as a deferred employee benefit. Such contributions to the trust are tax deductible upon qualification under the Internal Revenue Code and are accounted for by Roblin in the same manner as all of its other employee fringe benefit expenses, which are included as overhead costs in establishing prices and not funded directly out of profits. Management therefore believes that contributions to the trust will not cause a future adverse effect on Roblin's income. Contributions to the trust for the year ended December 31, 1975 were approximately $120,000.

STOCK PURCHASE PLANS

BOWNE & CO., INC. (OCT)

Notes to Consolidated Financial Statements

Note 1: Stockholders' equity

Convertible preferred stock, Series A

In January 1975, the Company redeemed 40,700 shares of its convertible preferred stock, Series A, par value $1.00, representing all of the then outstanding shares of the class, at the redemption price of $21.74 per share, or an aggregate amount of $884,818. Such shares, with 3,300 shares of the same issue which had been redeemed in 1973 and held as treasury stock, were retired in January 1975.

Common stock

During 1975, the Company issued 750 shares of common stock upon the exercise of a qualified stock option and retired the 104,056 common shares held as treasury stock having a cost of $754,235.

During 1974, the Company purchased 77,700 shares of its common stock for $376,503 ($4.85 per share).

Qualified stock option plan

The Company's qualified stock option plan provides for the granting of options to key employees to June 1978 for the purchase of up to a maximum of 80,000 shares (number of shares increased by 40,000 in 1974) of the Company's common stock at a price not less than the fair market value on the date an option is granted. Options granted under the plan are exercisable at the rate of 25% per year, commencing one year after the date of grant, and options expire five years after the date of grant. Changes in options are summarized as follows:

	1975	1974
Shares under option at beginning of year	45,000	31,750
Options granted—$6.25 per share	—	19,500
Options exercised—$6.25 per share	(750)	—
Options cancelled and expired......	(1,000)	(6,250)
Shares under option at end of year—$6.25 to $23.00 per share	43,250	45,000
Options exercisable at end of year	20,875	11,125
Shares available for option at end of year	35,750	34,750

The Company's 94.2%-owned subsidiary had reserved 75,000 shares of its common stock under a qualified stock option plan and 4,800 shares under a non-qualified plan for issuance to its officers and key employees. At October 31, 1975, options to purchase 12,800 shares were outstanding and options to purchase 12,244 shares had been exercised. The Company's ownership of this subsidiary would be reduced to 91% if all shares granted under the option plans were exercised.

Employees' stock purchase plan

Under the Company's employees' stock purchase plan, which became effective in June 1973, participating subsidiaries contribute 50% of amounts contributed by employees; all contributions are made to a trust for investment in the common stock of the Company. The stock purchase plan acquired 26,900 shares (1975) and 36,800 shares (1974) of the Company's common stock on the open market. At October 31, 1975, the stock purchase plan held 64,468 shares of the Company's common stock. Charges to income, representing the companies' contributions amounted to $65,000 (1975) and $68,000 (1974). Contributions made by the companies vest with the employees two years after the date of such contributions.

Additional paid-in capital

During 1975, additional paid-in capital was credited with the excess ($3,938) of the proceeds over the par value of 750 common shares issued upon the exercise of a stock option and was charged with the amount ($30,106) attributable to the redeemed and retired convertible preferred stock. There was no change in additional paid-in capital during 1974.

CHICAGO BRIDGE & IRON COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 6: Employee Stock Purchase Plan—Under the plan, which expires in 1977, employees may be granted rights to purchase, at 95% of the fair market value at date of grant, an aggregate of 2,400,000 shares of common stock of which not more than 1,600,000 shares may be newly issued. Generally, these rights may be exercised between March 1 and May 31 of the second calendar year following the calendar year during which the rights are granted.

Of the 2,400,000 shares available for purchase under the plan, 395,000 shares have been issued. All shares issued have been reacquired shares. Eligible employees have been granted in 1975 rights to purchase 150,000 shares at $56.76 per share and in 1974 rights to purchase 150,000 shares at $64.84 per share.

None of the rights granted in 1973 to purchase shares at $112.34 per share were exercised in 1975. In 1974, 72,000 shares were purchased by employees at $67.21 per share under rights granted in 1972. The average fair market value per share during the exercise period of the shares available for purchase in 1975 was $78.00. The average fair market value per share at exercise date of shares purchased in 1974 was $82.00.

GAF CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 8: Stock Option and Stock Purchase Plans—The 1975 stock option plan authorizes the grant of qualified and nonqualified stock options for 800,000 shares to key employees during a ten-year period ending February 11, 1985. The prices at which options may be granted may not be less than 100% of the fair market value of the shares on the dates the options are granted. No options have been granted under the 1975 stock option plan.

Subsequent to approval of the plan by approximately 80% of the voting shareholders (approximately 48.5% of the holders of outstanding shares of voting stock), the Internal Revenue Service issued a ruling with retroactive application requiring approval by more than 50% of the voting shares outstanding for the plan to be qualified. Accordingly, the plan is being resubmitted to shareholders at the Annual Meeting for the purpose of approving the plan is accordance with the requirements of the Internal Revenue Service, and to approve the plan as a nonqualified stock option plan.

The company's 1965 qualified stock option plan expired on March 31, 1975. Under the provisions of the plan, options to purchase shares of common stock were granted to key employees during a ten-year period. No further options may be granted under that plan. The prices at which options were granted were not less than 100% of the fair market value of the shares on the dates the options were granted. The options are exercisable after a one-year waiting period and terminate five years from date of grant. A summary of the transactions affecting options under the 1965 plan is as follows:

	Number of Shares		Average Option Price	
For the Year	1975	1974	1975	1974
Outstanding January 1	178,050	175,400	$13.52	$16.38
Granted	163,000	68,000	9.69	9.50
Exercised	—	—	—	—
Terminated	(28,550)	(65,350)	12.00	17.02
Outstanding December 31	312,500	178,050	11.66	13.52
Exercisable December 31	152,000	124,050	13.74	15.27
Available for Grant December 31	—	331,700		

Under the provisions of the company's 1969 restricted and unrèstricted stock purchase plan, 650,000 shares of common stock may be sold to key employees. The plan currently provides that restricted and unrestricted shares may be sold at prices which are not less than 50% and 80%, respectively, of the closing market price preceding the date on which an employee is designated as one to whom shares may be offered. Under certain conditions, the company has the right to repurchase restricted shares of common stock at the original selling price.

TREASURY STOCK

Chapter 1B of *ARB No. 43*, as revised by *APB Opinion No. 6*, deals with accounting for treasury stock. Table 2-38 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.

BIRD & SON, INC. (DEC)

	1975	1974
Stockholders' Equity—Note 5:		
5% cumulative preferred stock, par value $100 per share, callable at $110 per share:		
Authorized and issued—15,000 shares..........	$ 1,500,000	$ 1,500,000
$2.75 convertible preference stock without par value, stated at $65 per share:		
Authorized and issued—150,000 shares	9,750,000	9,750,000
Common stock, without par value, stated at $1²/₃ per share:		
Authorized and 1,800,000 shares.......	3,000,000	3,000,000
Other capital.....................	1,451,000	1,458,000
Retained earnings................	78,886,000	64,674,000
	94,587,000	80,382,000
Less—Treasury stock, at cost:		
5% preferred—1,975 shares in 1975 (1,823 in 1974)	(140,000)	(131,000)
$2.75 convertible preference—147,013 shares in 1975 (146,182 in 1974)....................	(9,556,000)	(9,502,000)
Common—259,489 shares in 1975 (262,814 in 1974)	(4,775,000)	(4,836,000)
	$80,116,000	$65,913,000

Note 5: Stockholders' Equity—The $2.75 convertible preference stock is subordinate only to the 5 percent cumulative preferred stock and each share is entitled to one vote and is convertible into four shares of Bird & Son, inc. common stock. Dividends are cumulative and are subject to certain limitations. The stock has a liquidation value of $75 per share and is callable at that price on or after December 31, 1976. $2.75 convertible preference stock totaling 831 and 5,025 shares were converted into 3,325 and 20,100 shares of common stock during 1975 and 1974, respectively.

The $2.75 convertible preference shares held in the Treasury may not be reissued without approval of the stockholders.

TABLE 2-38: TREASURY STOCK — BALANCE SHEET PRESENTATION

	1975	1974	1973	1972
Common Stock				
Cost of treasury stock deducted from total of capital stock, additional capital (if any), and retained earnings	357	355	357	336
Par or stated value of treasury stock deducted from issued stock of the same class	70	67	51	63
Cost of treasury stock deducted from stock of the same class	7	7	8	13
Shown as a noncurrent asset	8	9	11	15
Other	13	12	25	17
Total Presentations.............	**455**	**450**	**452**	**444**
Preferred Stock				
Cost of treasury stock deducted from total of capi tal stock, additional capital (if any), and retained earnings	45	44	42	43
Par or stated value of treasury stock deducted from issue stock of the same class	24	23	25	32
Other	3	3	11	6
Total Presentations.............	**72**	**70**	**78**	**81**
Number of Companies				
Disclosing treasury stock ...	443	449	453	440
Not disclosing treasury stock	157	151	147	160
Total	**600**	**600**	**600**	**600**

At December 31, 1975, 11,948 shares of common held in the Treasury are reserved for conversion of the $2.75 convertible preference stock.

Changes in other capital of $7,000 in 1975 and $25,000 in 1974 represent the difference between the amount of the stated value of $2.75 convertible preference stock converted into common stock over the average cost of common stock issued from the Treasury.

On February 9, 1976, the Board of Directors voted to recommend to the stockholders at the 1976 Annual Meeting that the Company's common stock be split on a two-for-one basis. If the split is approved by the stockholders, the conversion ratio of $2.75 convertible preference stock into Bird & Son, inc. common stock and the number of common shares reserved for the conversion will be adjusted accordingly.

THE BRISTOL BRASS CORPORATION (DEC)

	1975	1974
Stockholders' Equity—Note E		
Common stock, par value $10 a share:		
Authorized—1,000,000 shares		
Issued—501,602 shares, including 2,820 shares in treasury	$ 5,016,020	$ 5,016,020
Additional paid-in capital	82,593	82,593
Retained earnings	5,393,169	5,740,624
Common stock in treasury, at cost (deduction)	(24,413)	(24,413)
Total Stockholders' Equity	$10,467,369	$10,814,824

Note E: Common Stock in Treasury—During 1974, the Company reacquired 2,820 shares of its Common Stock for the treasury at a cost of $24,413.

THE CLEVELAND-CLIFFS IRON COMPANY (DEC)

	1975	1974
Shareholders' Equity		
Preferred shares—$4.50 cumulative, par value $100 a share		
Outstanding—1974—80,247 shares	$ —0—	$ 8,025,000
Common shares—par value $1 a share		
Authorized—7,000,000 shares		
Issued—6,403,660 shares	6,404,000	3,202,000
Capital in excess of par value of shares	12,005,000	15,287,000
Retained income	204,426,000	182,875,000
Cost of 300,730 Common Shares in treasury (1974—301,038 shares)	(6,644,000)	(6,603,000)
	$216,191,000	$202,786,000

CPC INTERNATIONAL INC. (DEC)

	1975	1974
	($ Millions)	
Shareholders' equity		
Preferred stock, par value $1.00; authorized 3,500,000 shares, none issued		
Common stock, par value $.50; authorized 30,000,000 shares issued 1975 and 1974—23,923,124 shares	$ 12.0	$ 12.0
Capital in excess of par value of stock	148.1	148.1
Retained earnings	502.4	443.1
	662.5	603.2
Less common stock in treasury, at cost, 160,342 shares in 1975 and 221,109 shares in 1974	5.5	7.6
Total shareholders' equity	$657.0	$595.6

RAYTHEON COMPANY (DEC)

	1975	1974
Stockholders' equity		
Common stock, par value, $2.50 per share		
Authorized 30,000,000 shares		
Outstanding: 1975—15,201,543 shares; 1974—15,014,705 shares (after deducting shares in treasury 1975—1,999,664 shares; 1974—2,186,502 shares) (note J)	$ 38,003,858	$ 37,536,762
Capital in excess of par value	69,921,878	65,218,625
Earnings reinvested in the business	356,267,127	300,450,166
Total stockholders' equity	$464,192,863	$403,205,553

Note J: Capital Stock—Changes in common stock during the two years ended December 31, 1975, were:

	Shares	Par Value
Balance at December 31, 1973	14,971,613	$37,429,033
Issued upon exercise of stock options	43,092	107,729
Balance at December 31, 1974	15,014,705	37,536,762
Issued upon exercise of stock options	186,838	467,096
Balance at December 31, 1975	15,201,543	$38,003,858

At December 31, 1975, the following shares of common stock (including shares held in treasury) were reserved:

For Stock options (note K)	585,166
For issuance of shares related to an acquisition	5,211
	590,377

There were 3,000,000 shares of serial preferred stock without par value authorized and unissued at December 31, 1975.

STANLEY HOME PRODUCTS, INC. (DEC)

	1975	1974
Stockholders' Equity (Note 5):		
Common stock (voting), par value $1—		
Authorized 1,058,310 shares		
Issued 529,155 shares	$ 529,155	$ 529,155
Common stock non-voting, par value $1—		
Authorized 6,000,000 shares		
Issued 2,624,375 shares.....	2,624,375	2,624,375
Capital in excess of par value...	1,726,961	1,726,914
Retained earnings................	58,581,134	55,264,399
	$63,461,625	$60,144,843
Less—Shares held in treasury, at cost—		
Common stock (voting), 66,760 in 1975 and 66,767 shares in 1974.	$ 733,314	$ 733,332
Common stock non-voting, 241,431 shares	2,446,217	2,446,217
	$ 3,179,531	$ 3,179,549
Total stockholders' equity..	$60,282,094	$56,965,294

Notes to Consolidated Financial Statements

Note 5: Stockholders' Equity—In 1973, the stockholders adopted the 1973 Qualified Stock Option Plan under which up to 130,000 shares of non-voting stock may be issued. The plan provides for the granting to selected employees of options to acquire shares of such stock at their fair market value at the date of grant. The options are to be exercisable in installments over periods expiring not more than five years from the date of grant and are noncumulative. As of December 31, 1975, options granted during 1974 for 80,880 shares at $19.00 per share ($1,536,720 in total) were outstanding. Options for 24,885 shares were cancelled during the year due to terminations of options. Options for 20,590 shares at $19.00 per share ($391,210 in total) with a fair market value of $200,752 ($9.75 per share) became exercisable during the current year. No options were exercised in 1975. There were 49,120 and 24,235 unoptioned shares at December 31, 1975 and 1974, respectively.

The increase in capital in excess of par value and the decrease in treasury stock in 1975 and 1974 resulted from the sale of 7 qualifying shares of common stock (voting) to newly elected directors.

DEDUCTIONS FROM STOCKHOLDERS' EQUITY OTHER THAN TREASURY STOCK

CAVITRON CORPORATION (SEP)

	1975	1974
Shareholders' equity		
Preferred stock, par value $1.00 per share, authorized 1,000,000 shares, none issued	$ —	$ —
Common stock, par value $.10 per share, authorized 2,000,000 shares; for 1975, 1,091,699 outstanding and 10,000 issuable; and for 1974, 1,060,647 outstanding and 20,000 issuable..........................	110,170	108,065
Additional paid-in capital...........	3,360,912	3,226,549
Retained earnings...................	2,977,399	1,719,061
	6,448,481	5,053,675
Less: Deferred stock royalty, less accumulated amortization of $217,123 in 1975 and $182,470 in 1974 (note 3)....	441,817	476,470
Patent settlement, less accumulated amortization of $74,870 in 1975 and $45,866 in 1974 (note 4)	98,904	127,908
Total shareholders' equity	$5,907,760	$4,449,297

Note 3: Deferred stock royalty—In connection with the development and sale of one of the Company's medical products, the Company has entered into an agreement with a third party which provides for cash royalties ranging from 3% to 10% of annual sales of the product, as defined, in excess of certain specified minimums. In addition, in 1972, 1973 and 1974, a total of 57,500 shares of the Company's common stock were issued in accordance with the terms of the agreement covering a specified number of units sold. The aforementioned common shares represented compensation in lieu of cash royalties and compensation relating to the development of the product. When a sale of the product was recorded, the fair market value of the common shares applicable to that sale was recorded as deferred stock royalty with appropriate credits to common stock (at par value) and paid-in capital. In 1974, approximately $32,000 of deferred stock royalties was charged to income as compensation in lieu of cash royalties. The balance of deferred stock royalties, which relates to the development of the product, is being charged to income (approximately $35,000 in 1975 and $31,000 in 1974) on a straight-line basis over the term of the agreement which expires in 1988.

Note 4: Patent settlement—In February, 1973, the Company settled a lawsuit commenced by certain individuals which alleged that the Company defaulted on royalty payments under a royalty agreement and sought performance, compensatory damages, and return of several patents previously assigned to the Company. Under the terms of the settlement agreement, the claimants acknowledged the Company's title to the patents in dispute and waived all claims to future royalties or other payments. The Company agreed to pay $200,000 in noninterest bearing notes (payable in quarterly installments through 1978) and 40,000 shares of restricted common stock (issuable in four equal annual installments through 1976). The company valued the 40,000 shares of common stock at $207,500, representing the fair value of such shares after considering the restrictions on transferability. At September 30, 1975, 30,000 shares of the Company's common stock have been issued and 10,000 shares are issuable in future periods.

As of the date of the settlement, the Company had previously accrued $205,300 for royalty payments payable under the disputed royalty agreement, which has been charged against the total settlement and the balance of $173,760 has been capitalized as patent cost to be amortized to income over the patents' remaining life. In 1975 and 1974, approximately $29,000 of patent cost was amortized to income each year. The noninterest bearing notes were discounted for accounting purposes, using an imputed interest rate of 7½%. Imputed interest of $28,440 is being amortized to income over the term of the related notes.

ARMADA CORPORATION (DEC)

	1975	1974
Common stock, $1 par:		
Authorized: 4,000,000 shares		
Outstanding: 1,611,502 shares in 1975 1,628,386 shares in 1974	$ 1,612,000	$ 1,628,000
Additional paid-in capital	11,628,000	11,679,000
Earnings retained for use in the business	9,488,000	8,076,000
Notes receivable under restricted stock purchase agreement	(210,000)	(280,000)
	$22,518,000	$21,103,000

Notes to Consolidated Financial Statements

Note 9: Stock Options and Warrants—Under terms of the 1969 qualified stock option plan, 100,000 shares of the Company's common stock are reserved for issuance to management personnel. During 1975, no options were granted or exercised. At December 31, 1975, an option to purchase 25,000 shares at $6.94 per share was outstanding, all of which shares were exercisable. The option expires December 27, 1977.

Warrants to purchase 30,000 shares of common stock at $13 per share are held by the holders of now retired debt. The warrants expire October 1, 1977.

The notes receivable shown as deduction from shareholders' equity arose from the sale in 1973 of 70,000 shares to two directors pursuant to a Restricted Stock Purchase Agreement approved by the shareholders on May 25, 1973. The notes are due in equal annual installments of $70,000 to 1978 and bear interest on the unpaid principal at 5 percent per annum.

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

LYKES-YOUNGSTOWN CORPORATION

Consolidated Statement of Income

RAYTHEON COMPANY

Statements of Income and Earnings Reinvested in the Business

Earnings

AVON PRODUCTS, INC.

Consolidated Statement of Earnings and Retained Earnings

CHEMETRON CORPORATION

Consolidated Statements of Earnings and Retained Earnings

EX-CELL-O CORPORATION

Consolidated Statements of Earnings

JEWEL COMPANIES, INC.

Statement of Earnings

THE MEAD CORPORATION

Statement of Earnings

TABLE 3-1: INCOME STATEMENT TITLE

	1975	1974	1973	1972
Income	376	386	378	376
Earnings	163	170	180	178
Operations	60	43	39	41
Other	1	1	3	5
Total Companies	**600**	**600**	**600**	**600**

Operations

AMERICAN MOTORS CORPORATION

Consolidated Statement of Operations

THE DUPLAN CORPORATION

Consolidated Statements of Operations and (Deficit) Retained Earnings

EVANS PRODUCTS COMPANY

Statement of Results of Operations

NCR CORPORATION

Consolidated Results of Operations

TABLE 3-2: INCOME STATEMENT FORM

	1975	1974	1973	1972
Single-step form				
Federal income tax shown as separate last item	308	301	306	289
Federal income tax listed among operating items	59	86	96	126
Multiple-step form				
Costs and expenses deducted from sales to show operating income	133	109	101	83
Costs deducted from sales to show gross margin	100	104	97	102
Total Companies	**600**	**600**	**600**	**600**

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 3-3: SALES — CAPTION TITLE

	1975	1974	1973	1972
Net Sales				
Net sales	375	364	365	366
Net sales and operating revenue	22	27	26	23
Net sales combined with other terms..............	15	17	17	18
Subtotal	**412**	**408**	**408**	**407**
Sales				
Sales	98	94	93	94
Sales and operating revenue	40	45	45	42
Sales combined with other terms	10	12	11	11
Subtotal	**148**	**151**	**149**	**147**
Other Captions				
Revenue or gross operating income	28	24	25	24
Gross sales, income, billings, shipments, etc. ..	12	17	18	22
Subtotal	**40**	**41**	**43**	**46**
Total Companies	**600**	**600**	**600**	**600**

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 these 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 3-16) or shown as extraordinary gains (see Table 3-17). Examples of revenue items, other than foreign currency translation gains, follow. Such gains are presented on pages 248-251.

TABLE 3-4: OTHER REVENUE

	Number of Companies			
	1975	1974	1973	1972
Interest	169	197	174	172
Equity in earnings of investees	82	104	104	103
Dividends	60	71	69	70
Gains on dispositions of assets	49	45	53	30
Royalties	48	58	55	61
Translation adjustments	17	10	16	15

CAESARS WORLD, INC.

Revenue:	(000)	
Casino	$ 74,622	$ 61,395
Rooms	19,973	13,308
Food and beverage	34,458	29,115
	129,053	103,818
Less promotional allowances	14,141	10,504
	114,912	93,314
Real estate operations	1,640	1,808
Other income	4,431	4,320
	$120,983	$ 99,442

Notes to Consolidated Financial Statements

(Note 1 (in part): Summary of significant accounting policies:

Promotional allowances: The retail value of accommodations, food and beverages furnished without charge to customers of Caesars Palace are included in gross revenues and then deducted as promotional allowances. Other promotional items are treated as casino expenses.

LEE ENTERPRISES, INCORPORATED (SEP)

	1975	1974
Operating revenue:		
Newspaper advertising	$30,958,000	$27,548,000
Newspaper circulation	10,960,000	9,585,000
Broadcasting	9,436,000	8,304,000
Associated companies:		
Editorial service and management fees	3,015,000	2,409,000
Equity in net income	2,051,000	1,324,000
Other	1,654,000	563,000
	$58,074,000	$49,733,000

LYKES-YOUNGSTOWN CORPORATION (DEC)

	1975	1974
Sales and Other Revenues		
Net sales of products	$1,288,615,000	$1,561,126,000
Vessel revenues	229,224,000	232,039,000
Interest, dividends and other income	28,765,000	29,013,000
Equity in earnings of affiliated companies	3,667,000	3,928,000
	$1,550,271,000	$1,826,106,000

MOUNT VERNON MILLS, INC. (DEC)

	1975	1974
Gross sales	$57,978,473	$90,288,013
Less-cash discounts and freight outward	704,176	1,079,499
Net sales	$57,274,297	$89,208,514

A. C. NIELSEN COMPANY (AUG)

	1975	1974
	$(000)	
Sales of services	$201,717	$167,487

PITNEY-BOWES, INC. (DEC)

	1975	1974
Revenues from		
Sales	$277,939,000	$238,364,000
Rentals	118,039,000	108,570,000
Service	64,922,000	54,810,000
Total revenues	$460,900,000	$446,644,000

Interest Income

AIRCO, INC. (DEC)

	1975	1974
Net Sales	$765,656,000	$760,178,000
Other Income—Net	3,653,000	2,525,000
Total	$769,309,000	$762,703,000

Notes to Financial Statements

Other Income—Net—For the two years ended December 31, 1975, Other Income—Net consisted of the following:

	1975	1974
Other Income:		
Interest	$1,938,000	$1,747,000
Royalties	926,000	1,216,000
Gains on purchase of convertible subordinated debentures	741,000	—
Miscellaneous	3,052,000	2,033,000
Total Other Income	6,657,000	4,996,000
Less Income Charges:		
Amortization of goodwill	223,000	269,000
Misellaneous	2,781,000	2,202,000
Total Income Charges	3,004,000	2,471,000
Other Income—Net	$3,653,000	$2,525,000

In addition to the amortization indicated above, goodwill was reduced by $51,000 in 1974 by the tax benefit of the loss carry-forwards of subsidiaries arising prior to acquisition.

THE QUAKER OATS COMPANY (JUN)

	1975	1974
	($000)	
Revenues:		
Net sales	$1,389,013	$1,227,345
Other income (expense)—net	(7,377)	2,412
	$1,381,636	$1,229,757

Notes to Consolidated Financial Statements

Other income (expense)–net

	1975	1974
	Thousands of Dollars	
Other income (expense) consisted of:		
Interest income	$1,713	$1,900
Commitment fees for credit facilities	(408)	(95)
Net exchange and translation gain or (loss)	(2,008)	613
Toy division charges	(6,052)	—
Other—net	(622)	(6)
Total	($7,377)	$2,412

The toy division charges are related to the elimination of certain toy lines and the consolidation of facilities to improve operations. After related income tax benefits of $2,019,000, net income was reduced $4,033,000, equivalent to $.19 per common share.

BIRD & SON, INC. (DEC)

	1975	1974
Other income (charges):		
Interest expense	$ (92,000)	$ (96,000)
Interest income	467,000	405,000
Royalties	691,000	486,000
	$ 1,066,000	$ 795,000

Royalty Income

CONGOLEUM CORPORATION (DEC)

	1975	1974
	(In Thousands)	
Revenues—Net Sales	$395,860	$377,116
Royalties	7,123	5,651
Total Revenues	$402,983	$382,767

COOK PAINT AND VARNISH COMPANY (NOV)

	1975	1974
Other income:		
Royalties	$ 532,304	$ 348,805
Dividends	120,198	120,211
Gain on disposal of fixed assets	177,798	34,887
Miscellaneous	292,938	188,785
	$1,697,374	$2,381,368

DAY MINES, INC. (DEC)

	1975	1974
Operating Revenues:		
Sale of concentrates	$4,622,482	$5,964,946
Sale of oil	3,879	—
Royalties from lease operations	397,939	664,269
Profit on sale of timber	43,360	36,336
Dividends, interest and miscellaneous	367,051	610,951
Profit on sale of securities	173,804	186,097
	$5,608,515	$7,462,599

THE STANDARD OIL COMPANY (An Ohio Corporation)

	1975	1974
	($000)	
Gross sales and operating revenue	$2,696,741	$2,378,838
Less excise taxes on petroleum products and merchandise ..	212,580	212,661
	2,484,161	2,166,177
Costs and expenses		
Crude oil, products, merchandise and material costs, and operating expenses..........	1,959,847	1,706,615
Selling, general, and administrative expenses...............	271,924	252,598
Depreciation and depletion.......	82,492	68,434
	2,314,263	2,027,647
	169,898	138,530
Royalty income from licenses on patented processes..............	22,975	41,012
Equity in earnings of joint-venture companies and affiliate and other income.....................	6,078	5,098
Gain on asset sales.................	7,876	8,318
Income before interest, income taxes, and extraordinary items	$ 206,827	$ 192,958

Notes to Financial Statements

Note A (in part): Accounting and Financial Reporting Policies

Royalty Income—Royalty income from licenses on patented technology, primarily on a fixed sum basis, is recognized on the date that the contractual liability is incurred by the licensee. Installment payments are in United States currency.

THE SUPERIOR OIL COMPANY (DEC)

	1975	1974
Other income (expense)		
Dividends and miscellaneous income........................	$10,475,000	$14,284,000
Gain on sale of 2,710,000 shares of Texaco stock (Note 1)............................	24,251,000	—
Equity in earnings of affiliated companies (Note 1)..........	3,798,000	3,432,000
Interest expense..................	(11,588,000)	(14,242,000)
	$26,936,000	$ 3,474,000

Note 1 (in part):

Marketable Securities—A summary of the Company's marketable securities is set forth below (in thousands of dollars).

	December 31, 1975		December 31, 1974	
	Market	Cost	Market	Cost
Texaco Inc. (949,072 shares in 1975 and 3,659,072 shares in 1974).................	22,185	16,155	76,400	60,927
Other	22,205	27,641	17,300	25,107
	44,390	43,796	93,700	86,034

At December 31, 1975, the gross unrealized gains of all marketable securities were $9,014,000 and the gross unrealized losses were $8,420,000. The net realized gains included in the consolidated statements of income were $24,482,000 in 1975 and $261,000 in 1974. The cost of securities sold were determined on a specific share basis.

Gain From Sale of Assets

THE SHERWIN-WILLIAMS COMPANY (AUG)

	1975	1974
	($000)	
Net sales	$866,853	$802,266
Gain on sale of Ashtabula operations........................	12,728	-0-
Other income — net	3,272	1,993
	$882,853	$804,259

Notes to Consolidated Financial Statements

Note I: Sale of Ashtabula Operations—During the year, the Company sold its titanium dioxide pigment operations located at Ashtabula, Ohio. The after-tax gain on the sale of the Ashtabula operations amounts to $9,317,000 or $1.73 per common share.

Fees

HEUBLEIN, INC. (JUN)

	1975	1974
Revenues:		
Net sales	$1,466,095,000	$1,292,937,000
Franchise and license fees	31,690,000	27,808,000
	$1,497,785,000	$1,320,745,000

Summary of Accounting Policies

Franchise and License Fees—Initial franchise fees are recorded as income on the date the store is opened by the franchisee. Monthly fees from francishees and licensees are accrued as earned based on their sales.

Commodity Contract Gains

GREAT WESTERN UNITED CORPORATION (MAY)

	1975	1974
Net sales and operating revenues..	$508,445,000	$234,655,000
Cost and expenses:		
Cost of sales and other operating expenses	354,694,000	176,570,000
Selling, general and administrative expenses	35,414,000	28,142,000
Estimated provision for litigation (Note 10)	7,000,000	—
	397,108,000	204,712,000
Operating income from continuing operations....	111,337,000	29,943,000
Other income (deductions):		
Gains on commodity futures trading, net	17,024,000	—
Interest	(5,441,000)	(7,217,000)
Other, net	(217,000)	192,000
	11,366,000	(7,025,000)
Earnings from continuing operations before income taxes	$122,703,000	$ 22,918,000

Notes to Consolidated Financial Statements

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

Commodity Futures Trading—Certain subsidiaries of the Company engage in futures transactions, which are generally considered speculative, in various commodities. Gains or losses on open futures contracts are calculated on a commodity by commodity basis. Unrealized losses on net open positions are provided for at the balance sheet date whereas gains are recognized only when contracts are closed.

THE KIRK CORPORATION (JUL)

	1975	1974
Net sales	$ 11,477,837	$15,847,945
Cost of goods sold	8,514,976	11,815,039
Gross profit	2,962,861	4,032,906
Selling, administrative and general expense	3,255,196	3,479,349
	(292,335)	553,557
Realized gains on silver commodity contracts, net (Notes 1 and 10)	251,557	—
Other income, net, principally leased equipment	159,673	190,222
Interest expense	(366,285)	(445,858)
Provision for loss on lease commitment (Note 11)	(95,200)	—
Income (loss) before income taxes	$ (342,590)	$ 297,921

Note 1 (in part): Significant Accounting Policies:

Commodity Contracts—Gains and losses on commodities transactions are recorded at the time such amounts are realized by closing out or disposing of the contracts.

Note 10: Commodity Contracts—At July 31, 1975, the Company had opened futures contracts for the delivery of fine silver. The net unrealized gain on these contracts was not significant at July 31, 1975. In September 1975, a gain of approximately $130,000 was realized from transactions in futures contracts which were open at July 31, 1975.

At July 31, 1974, the Company had open futures contracts for the purchase and delivery of fine silver. The net unrealized gain on these contracts was approximately $279,000.

Note 11: Provision for Loss On Lease Commitment—At July 31, 1975, leased property for storage facilities was substantially vacant due to the relocation of operations of one of the Company's subsidiaries. The Company intends to sublease this property; however, due to its reduced marketability, the Company at July 31, 1975, has provided for an estimated loss (at discounted present value) of $95,200 on the lease commitment. Minimum rental commitments under this lease are included in the amounts shown in Note 7.

Excess Insurance Proceeds

POTLATCH CORPORATION (DEC)

	1975	1974
Earnings from operations	$55,604,900	$68,859,498
Interest expense	(8,087,588)	(8,167,876)
Interest income	667,572	5,138,868
Other income (Note 10)	3,646,097	909,096
Earnings before taxes on income...	$51,830,981	$66,739,586

Note 10: Other Income—The following is a summary of items included in other income (expense):

	1975	1974
Equity in losses of unconsolidated subsidiaries	$(1,773,987)	$(1,699,332)
Gain on condemnation of Arkansas timberlands	—	3,286,275
Gain from insurance proceeds for tornado damage	2,146,064	—
Gain on sale of Arkansas farmlands	3,160,754	—
Net gain from disposal of other fixed assets	1,445,471	614,672
Other, net	(1,332,205)	(1,292,519)
	$ 3,646,097	$ 909,096

On March 28, 1975, a tornado extensively damaged a portion of the company's wood products manufacturing facilities located in Warren, Arkansas. Insurance proceeds received for damage to plant and equipment exceeded the net book value of the property destroyed by $2,146,064.

Approximately 31,000 acres of Arkansas timberlands owned in fee by the company were taken through condemnation in 1974 by the U.S. Army Corps of Engineers as part of a major navigation project. The payment received, after deducting cost of timberlands condemned and expenses relating to the proceeding amounted to $3,286,275. The company considers the amount of compensation to be substantially below the fair market value of the property taken and has protested the government's valuation.

CHAMPION INTERNATIONAL CORPORATION (DEC)

	1975	1974
Costs and Expenses:		
Cost of products sold	$1,959,603	$2,008,855
Selling, general and administrative expenses	300,484	315,074
Interest and debt expense	55,677	51,851
Other (income) expense—net (Note 8)	(1,090)	2,597
	$2,314,674	$2,378,377

Notes to Financial Statements

Other (income) expense includes the following:

(Years Ended December 31) (in thousands of dollars)	1975	1974
Interest income	$(4,071)	$(6,391)
Unrealized translation losses	2,608	2,764
Provision for discontinuance of certain operations	2,327	1,334
Minority interest in income of subsidiaries	2,100	8,307
Equity in net losses from real estate and 50% or less owned affiliates	2,028	1,382
Insurance proceeds in excess of net book value of property destroyed in fire	(1,984)	—
Royalty, rental and commission income	(1,861)	(1,320)
Net income of certain foreign subsidiaries to reflect the change in their fiscal year for reporting purposes from September 30, to November 30	—	(2,870)
Miscellaneous—net	(2,237)	(609)
	$(1,090)	$ 2,597

Gain From Exchange Of Nonexclusive License

BOLT BERANEK AND NEWMAN INC. (JUN)

	1975	1974
Sales	$28,688,200	$22,079,900
Costs and expenses:		
Operating costs and expenses, exclusive of depreciation and amortization	21,888,400	16,566,400
Depreciation and amortization	182,100	548,600
Administration and selling expense	3,643,300	3,015,200
Interest expense	26,300	25,200
Interest income	(185,300)	(290,400)
Other (income) deductions—net.	(97,100)	(152,700)
	26,087,700	19,712,300
Income from sales	2,600,500	2,367,600
Gain from exchange of nonexclusive license	606,800	
Development and start-up costs of Telenet Communications Corporation	(639,200)	
Income before provision for income taxes	$ 2,568,100	$ 2,367,600

Financial Review

Gain from Exchange of Nonexclusive License: In December 1973 the Company signed a licensing agreement with a computer manufacturer by which the Company was to receive the use of specified computer equipment in exchange for the Company granting to the manufacturer nonexclusive manufacturing rights to computer hardware proprietary to the Company and nonexclusive use of certain computer software developed by the Company, together with the canceling of an earlier license agreement between the Company and the manufacturer. In addition to the right to use the specified computer equipment, the Company has the right under the licensing agreement to assume full ownership of such equipment, or similar equipment to be made available by the manufacturer at a later date, at no additional cost to the Company.

In September 1974 the specified computer equipment had been received and accepted by the Company and the Company considered the transaction consummated. Accordingly, the Company included the computer equipment in its "Property" account and recorded income before federal income taxes of $606,800, or $308,300 ($.25 per share) after income taxes, as "Gain from exchange of nonexclusive license." The amount included by the Company in its "Property" account is based on the fair value of the equipment received in the exchange transaction.

Down Payment Forfeiture

LEHIGH PORTLAND CEMENT COMPANY (DEC)

	1975	1974
Other income (Note 5):		
Gain on sales of real estate, net of related costs and expenses	$1,287,000	$2,829,000
Interest income	669,000	1,009,000
Other income, net	1,732,000	467,000
	$3,688,000	$4,305,000

Notes to Consolidated Financial Statements

Note 5 (in part): Other Income and Deductions

Gain on sales of real estate. In December, 1974 the company sold certain real estate situated adjacent to its stone quarry operation at the Medley, Florida plant and discontinued production operations at the plant. The 1974 pre-tax gain on the real estate sale ($3,846,000) was reduced by a provision for the estimated loss ($1,067,000) on the disposition of the machinery and equipment involved in the production operation. Actual proceeds in 1975 on the sale of this machinery and equipment exceeded the estimated proceeds reflected in the 1974 provision for loss on disposition by $886,000, which amount had been included in other income in 1975. The unpaid balance of the real estate sales price at December 31, 1974 ($3,218,000) was classified in current receivables and was paid during 1975.

Other income, net. The components of Other income, net—for the years ended December 31, 1975 and 1974 are summarized as follows:

	1975	1974
	(Thousands of Dollars)	
Down payment forfeiture (a)	$ 875	$ —
Rental and royalty income	167	272
Gain on sinking fund debentures acquired	228	20
Equity in Iron Run joint venture income	299	144
Other, net	163	31
	$1,732	$467

(a) During 1973, the company entered into an agreement for the sale of a parcel of nonoperating real estate to an independent real estate development company. Nonrefundable down payments of $875,00 had been received at December 31, 1974 and were classified in deposits and other noncurrent items in the consolidated balance sheet at December 31, 1974. In May, 1975 the purchaser defaulted under the purchase contract and the company credited the down payments to other income.

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 expenses or loss items other than cost of goods sold. Excluded from Tables 3-6 and 3-7 are income taxes (see Table 3-11), expense items shown after the caption for income taxes (see Table 3-16), and extraordinary losses (see Table 3-17). Examples of expense items, other than foreign currency translation losses, follow. Such losses are presented on pages 248-251.

TABLE 3-5: COST OF GOODS SOLD

	1975	1974	1973	1972
Single Amount				
Cost of goods sold	179	216	213	214
Cost of sales	243	207	198	192
Cost of products sold	124	120	121	118
Elements of cost	14	15	15	18
Other captions	27	24	31	30
	587	**582**	**578**	**572**
More Than One Amount	**13**	**18**	**22**	**28**
Total Companies	**600**	**600**	**600**	**600**

Costs of Goods Sold

AMSTED INDUSTRIES INCORPORATED (SEP)

	1975	1974
Cost of goods sold	$384,262,000	$382,807,000
Selling, administrative and general expenses	29,985,000	26,465,000
Depreciation	10,099,000	8,924,000
Interest expense	106,000	573,000
Other income—net	(1,127,000)	(1,066,000)
Provision for taxes on income	37,182,000	16,449,000
Total costs allocated to year	$460,507,000	$434,152,000

BLISS & LAUGHLIN INDUSTRIES INCORPORATED (DEC)

	1975	1974
Costs and Expenses:		
Cost of sales	$101,430,000	$132,982,000
Cost of rentals	5,339,000	5,321,000
Selling, general and administrative expenses	19,765,000	20,438,000
Interest expense	2,048,000	2,751,000
Other, net	(1,830,000)	3,103,000
Total costs and expenses	$126,752,000	$164,595,000

EVANS PRODUCTS COMPANY (DEC)

	1975	1974
	($000)	
Costs and expenses		
Costs of operations	$687,963	$1,040,156
Selling and administrative	53,305	79,403
Depreciation and amortization	14,773	16,798
Interest	29,867	41,411
Estimated losses of discontinued facilities	2,950	35,038
	$788,858	$1,212,806

GAF CORPORATION (DEC)

	1975	1974
Cost and expenses		
Cost of products sold (Note 3)	$691,104,000	$672,930,000
Distribution and selling	134,255,000	129,686,000
Advertising	18,409,000	19,378,000
Research and development	15,272,000	15,011,000
Administrative and general	45,623,000	44,216,000
Interest	16,555,000	16,792,000
Total Costs and Expenses	$921,218,000	$898,013,000

Note 3: Inventories—Effective with the year ended December 31, 1974, the company changed its method of accounting for dyestuffs and pigments inventories from the average cost method to the last-in, first-out (LIFO) method. The change to the LIFO method was made because management believes that the LIFO method more realistically matches current costs with current revenues. The effect of the change was to reduce the inventory at December 31, 1974 by $3,852,000 and net income for the year then ended by $1,786,000 ($.13 per share—primary; $.10 per share—fully diluted). Ther is no effect from the change on periods prior to 1974 since the December 31, 1973 inventory as previously reported was the opening inventory under the LIFO method. The current cost for these inventories exceeded their LIFO valuation by $4,712,000 and $3,852,000 at December 31, 1975 and 1974, respectively.

TABLE 3-6: EXPENSES INCURRED TO PRODUCE REVENUE

	Number of Companies	
	1975	1974
Selling, general and administrative	332	329
Selling and administrative or general	178	183
General and/or administrative	54	55
Selling	30	31
Operating	76	73
Interest	535	539
Research, development, engineering, etc.	123	115
Employee benefit plans	52	55
Delivery, distribution, etc	47	55
Advertising	34	33
Rent	24	28
Exploration, dry holes, abandonments	25	20
Bad debts	9	9
Maintenance and repairs	12	10

TABLE 3-7: OTHER EXPENSES

	Number of Companies			
	1975	1974	1973	1972
Taxes other than income taxes	52	53	56	53
Minority interest	51	51	52	55
Translation losses	24	15	4	18
Equity in losses of investees	18	15	11	20

S. S. KRESGE COMPANY (JAN)

	1975	1974
Cost of merchandise sold (including buying and occupancy costs)	$5,053,136,000	$4,248,311,000
Advertising	156,764,000	137,092,000
Selling, general and administrative expenses	1,255,205,000	1,013,377,000
Interest expense	18,840,000	24,009,000
	$6,483,945,000	$5,422,798,000

OWENS-ILLINOIS, INC. (DEC)

	1975	1974
	$(000)	
Costs and expenses:		
Manufacturing, shipping and delivery	$1,895,898	$1,741,287
Research and engineering	51,994	52,361
Selling and administrative	193,374	180,223
Interest	43,683	38,018
Other	3,132	5,759
	$2,188,081	$2,017,648

REPUBLIC STEEL CORPORATION (DEC)

	1975	1974
	($000)	
Costs and expenses:		
Manufacturing cost of products sold	$1,930,042	$2,169,036
Pension expense	66,562	55,015
Administrative and selling expenses	85,623	78,609
Depreciation and depletion	84,530	81,358
Interest and other debt expense	23,404	20,374
Sundry other deductions	4,015	830
Taxes (including income taxes: 1975—$19,200; 1974—$127,900)	94,185	204,997
Total	$2,288,361	$2,610,219

TECUMSEH PRODUCTS COMPANY (DEC)

	1975	1974
Cost of sales and administrative expenses:		
Productive materials, supplies and other expenses	$267,230,206	$398,712,410
Payrolls	82,084,731	111,243,798
Depreciation	6,807,774	6,196,848
Engineering, sales, research and development expenses	8,310,346	8,453,011
Total cost of operations	$364,433,057	$524,606,067

Interest Expense

THE BENDIX CORPORATION (SEP)

	1975	1974
	(in millions)	
Deductions From Income		
Cost of sales	$2,053.3	$1,952.3
Selling, general, and administrative expenses	315.6	291.2
Provision for depreciation, depletion, and amortization	49.3	51.6
Interest expense	42.8	45.0
Unusual items	16.0	
Minority interests in earnings of subsidiaries	6.5	6.3
Provision for U.S. and foreign taxes on income	48.3	65.6
Total	$2,531.8	$2,412.0

Summary of Significant Accounting Policies

Details to Consolidated Statement of Income (in part)

	(in millions)	
	1975	1974
Interest Expense		
On debentures (including amortization of debt discount and expense)	$ 7.4	$ 8.4
On other long-term debt	15.3	9.9
Other	20.1	26.7
Total	$42.8	$45.0

Unusual Items—Income before provision for taxes on income and minority interests for fiscal 1975 have been reduced by $16.0 million as the result of a gain of $3.7 million resulting from the sale of an equity investment in a foreign affiliate, a loss of $14.1 million from the termination of operations of a German affiliate, a loss of $7.1 million from the termination of operations of three other minor foreign affiliates, and a gain of $1.5 million from a domestic real estate transaction. After tax benefits of $16.6 million (arising, in part, from tax benefits which become available upon liquidation of the foreign affiliates) and a charge of $1.0 million for minority interests related to these events, net income was decreased by $.4 million, or $.02 per share.

Included in the Corporation's Consolidated Balance Sheet at September 30,1975 are assets of the terminated operations at their estimated net realizable values as set forth below:

	(in millions)
Trade receivables	$2.9
Inventories	4.1
Land, buildings, and equipment—Net	9.9

CADENCE INDUSTRIES CORPORATION (DEC)

	1975	1974
Costs and Expenses:		
Cost of sales and other direct operating expenses	$48,384,000	$45,959,000
Selling, general and administrative expenses	33,794,000	36,947,000
Interest and debt expenses—net of interest income of $539,000 in 1975 and $1,091,000 in 1974	3,386,000	4,159,000
Write-down of asset	—	1,500,000
	$85,564,000	$88,565,000

DIAMOND SHAMROCK CORPORATION (DEC)

	1975	1974
	(In thousands)	
Cost and Expenses		
Cost of products sold	$827,481	$725,863
Selling and administrative	94,878	76,576
Research and development	19,555	14,268
Interest	25,384	19,255
	$967,298	$835,962

HONEYWELL, INC. (DEC)

	1975	1974
	($000)	
Interest		
Interest charges	$71,475	$70,877
Fees paid to nonconsolidated financial subsidiaries (net of such subsidiaries' income before income taxes)	13,121	25,496
Interest income	(30,767)	(37,101)
Total	$53,829	$58,272

TELEDYNE, INC. (DEC)

	1975	1974
Consolidated Costs and Expenses:		
Cost of sales	$1,323,703,000	$1,371,194,000
Selling and administrative expenses	211,485,000	201,969,000
Interest expense (Note 12)	22,254,000	22,561,000
Interest income	(10,389,000)	(10,450,000)
Provision for currency translation (Note 12)	—	5,110,000
Gain on sale of assets	—	(17,423,000)
Provision for income taxes (Note 10)	85,300,000	64,200,000
	$1,632,353,000	$1,637,161,000

Notes to Consolidated Financial Statements

Note 12 (in part): Investments in Unconsolidated Subsidiaries—Equity in net income (loss) of unconsolidated subsidiaries, after allocated expenses and income tax credits, was as follows:

	1975	1974
Equity in net income (loss) of—		
Unicoa Corporation	$11,050,000	$ 20,876,000
Argonaut Insurance Company	(4,073,000)	(105,575,000)
Other	(117,000)	331,000
	6,860,000	(84,368,000)
Allocated expenses—		
Interest expense	(12,726,000)	(15,224,000)
Provision for currency translation	—	(6,740,000)
Income tax credits	24,953,000	75,011,000
	$19,087,000	$ (31,321,000)

The income tax credits consist of amounts ($6,500,000 in 1975 and $11,167,000 in 1974) related to allocated expenses and amounts ($18,453,000 in 1975 and $63,844,000 in 1974) related to losses of unconsolidated subsidiaries which are recoverable in Teledyne's consolidated tax return but which are not available to the unconsolidated subsidiaries on a separate return basis. The effective tax rate used in computing the income tax credits related to losses of unconsolidated subsidiaries differs from the statutory U.S. Federal income tax rate of 48% principally because of tax exempt investment income and capital gains tax rates.

Interest expense was allocated to unconsolidated subsidiaries based on the ratio of Teledyne's average investment in unconsolidated subsidiaries to average total capital. Prior to 1975 a different formula was used to determine the classification of interest. The financial statements of 1974 have been reclassified to be comparable with 1975, resulting in a decrease of $3,064,000 in income of consolidated companies and a decrease of the same amount in equity in net loss of unconsolidated subsidiaries. There was no effect on net income.

Minority Interest

THE PITTSTON COMPANY (DEC)

	1975	1974
Costs and Expenses:		
Cost of sales	$1,011,090,000	$801,587,000
Operating expenses	106,956,000	100,853,000
Selling, administrative and general expenses	64,938,000	48,843,000
Interest expense	6,890,000	8,717,000
Minority interest in earnings of a subsidiary	1,444,000	1,323,000
Total Costs and Expenses	$1,191,318,000	$961,323,000

Estimated Liquidation Loss

SPRAGUE ELECTRIC COMPANY (DEC)

	1975	1974
Other Income (Deductions)		
Interest expense	$(5,145,024)	$(6,024,397)
Provision for loss upon liquidation of foreign subsidiary (Note H)	(2,000,000)	—
Gain on sale of stock (Note B)	—	2,188,573
Sundry—net	527,028	650,856
	$(6,617,996)	$(3,184,968)

Notes to Consolidated Financial Statements

Note H: Foreign Subsidiary—A provision for loss upon liquidation of a foreign subsidiary, Sprague—CREAS S.p.A., in the amount of $2,000,000 has been recorded in the fourth quarter of 1975.

Estimated Losses On Disposal Of Assets

UNIROYAL, INC. (DEC)

	1975	1974
	($000)	
Cost of goods sold	$1,729,271	$1,790,762
Selling, administrative and general expenses	358,825	374,813
Interest expense	48,875	55,624
Foreign exchange	5,049	7,459
Provision for loss on closed facilities	7,361	—0—
Provision for loss on investments	4,947	—0—
Other charges	574	4,100
Total Costs and Expenses	$2,154,902	$2,232,758

Notes to Financial Statements

Provision for Loss on Closed Facilities—In December 1975, the Company established a provision of $7,361,000 to cover estimated loss and shutdown expense applicable to the disposition of facilities which have been or are in the process of being closed. These facilities are located in Baton Rouge, La.; Hogansville, Ga.; Painesville, Oh.; Passaic, N.J.; Providence, R.I.; Pawtucket, R.I.; Philadelphia, Pa.; Naugatuck, Ct.; and Ville d'Anjou, Quebec, Canada.

Provision for Loss on Investments—The Company, in December 1975, also established a provision of $4,947,000 to cover possible loss of certain of its non-consolidated investments. Most of this provision applies to the Company's equity investment in PASA, an Argentine affiliate, and was made in view of the financial uncertainties in that country. The Company has also guaranteed $5,367,000 of PASA's debt payable over the next six years on which no loss is presently anticipated.

WHITE MOTOR CORPORATION (DEC)

	1974	1975
	($000)	
Cost and expenses:		
Cost of sales	$1,184,307	$1,072,229
Selling and administrative	139,651	153,082
Finance charges by finance subsidiaries—net	12,981	19,145
Interest expense	23,757	29,476
Losses on planned disposal of certain product lines and facilities (6)	—	36,275
	$1,360,696	$1,310,207

(6) In 1975, the losses on the planned disposal of certain product lines and facilities described in Note N were as follows:

	Estimated Losses From Future Operations	Disposal	Total
	(In thousands)		
Harvest combine plant—Italy.	$2,695	$10,805	$13,500
Certain products and operations—Industrial and Construction Group	3,600	15,318	18,918
Certain products—Farm Group	—	900	900
Uncompleted foundry equipment	—	2,957	2,957
	$6,295	$29,980	$36,275

Note N: Losses on Planned Disposal of Certain Product Lines and Facilities—In 1975, the Corporation provided for estimated losses on the planned disposal of a harvest combine plant in Italy, and certain product lines, operations and facilities of the industrial and construction equipment and farm equipment groups.

The provision of $13,500,000 for the disposal of the harvest combine plant in Italy assumes discontinuation of all manufacturing and marketing operations in December 1975, sale or liquidation of assets and incurrence of significant employee termination liabilities. The Corporation is negotiating the sale of the inventories and plant and assumption of certain liabilities with interested parties; however, it may be unable to relieve itself of obligations to the employee work force which operated the facility at the date of discontinuance.

Should the Corporation be successful in its negotiations for a sale and elimination of the employee claims, the loss could be reduced by $4,500,000; however, if it is unsuccessful in its efforts, the loss is currently estimated to be $3,000,000 greater than amounts provided. The exchange rate of the Italian Lira decreased in relation to the U.S. dollar during January and February. Had the February 27, 1976 exchange rate been in effect at December 31, 1975, the loss would have been $1,800,000 less.

The provision for estimated losses on the disposal of certain product lines, operations and facilities of the industrial and construction equipment and farm equipment groups assumes the discontinuance in 1976 of certain operations and abandonment of uncompleted foundry equipment; however, programs to find buyers for various operations or segments thereof have been delayed pending the outcome of the proposed merger with White Consolidated Industries, Inc. (see Note P). Depending upon the resolution of the aforementioned delay in carrying out the planned dispositions, material adjustments of the provisions for estimated losses could arise.

None of the above operations qualify as a segment of a business as described in Accounting Principles Board Opinion No. 30; however, the losses are material and are shown as a separate component of results from continuing operations in the statements of operations (see Note 6). At September 30, 1975, the measurement date, the assets of the phased-out operations consisted principally of receivables, inventories, and plant and equipment amounting to approximately $21,700,000 after deducting the provision for estimated losses on disposal. The liabilities were $22,500,000 including estimated operating losses to estimated disposal dates where applicable. Approximately $5,122,000 was charged to the reserves during the fourth quarter of 1975 representing expenses relating to disposals and results of operations during that period.

As more fully discussed in Note C, the Corporation will be required to obtain waivers from lenders prior to the disposal of the assets described above.

Excise Taxes

CHOCK FULL O'NUTS CORPORATION (JUL)

	1975	1974
Cost of sales	$109,271,363	$69,624,120
Federal excise taxes	17,261,109	7,628,952
	$126,532,472	$77,253,072

Adjustment of Asset Values

LIGGETT & MYERS INCORPORATED (DEC)

	1975	1974
	(Dollars in thousands)	
Costs and expenses		
Cost of goods sold	$538,265	$513,767
Write-down of wine inventory to market value (Page 19)	1,800	5,200
Selling, administrative, and general expenses	183,302	156,064
	$723,367	$675,031

Financial Review (Page 19)

Inventories—Inventories at December 31 were:

	1975	1974
	(Dollars in thousands)	
Leaf tobacco	$217,342	$201,217
Bulk whiskeys and wines	29,859	33,390
Finished goods and in process	40,659	44,586
Raw materials and supplies	28,236	28,992
	$316,096	$308,185

The increase in leaf tobacco inventories is due to higher leaf costs for all types of tobacco and higher inventory levels of the types required for the increased chewing tobacco business.

As a result of a continuing decline in selling prices, the chateau wine inventory was reduced by a write-down of $1.8 million in 1975, representing the excess of cost over estimated market value. A similar write-down of $5.2 million was made in 1974.

THE MACKE COMPANY (SEP)

	1975	1974
	(Thousands of dollars)	
Income from operations	$ 6,235	$5,882
Interest expense	2,650	3,042
Charge for write-off of goodwill (Note 2)	3,755	—
Income (loss) before income taxes.	$ (170)	$2,840

Notes to Consolidated Financial Statements

Note 2: Charge for Write-off of Goodwill—On August 26, 1975, the Company's Board of Directors determined to write off $4,456,000 of goodwill during the fourth quarter ended September 30, 1975. The decision to write off this amount was made in order to adjust the Company's goodwill to reflect an apparent diminution in the values of the businesses with which this goodwill was associated—two waste disposal companies, a building maintenance company, an instrumentation contracting company and two segments of the food and refreshment group. This amount related to the two waste disposal companies ($701,000) has been classified with the loss from discontinued operations in the accompanying statement of consolidated income (loss). The acquisitions which give rise to this goodwill occurred during the period 1967-1970 and were made mainly with the Company's Common and Preference Stock.

MORSE ELECTRO PRODUCTS CORP. (MAR)

	1975	1974
Cost of goods sold	$110,617,056	$127,687,337
Selling and administrative expenses	27,384,528	28,749,219
Inventory write-downs and warehouse termination losses	15,600,475	—
Interest expense	9,229,523	6,122,431
Provision for doubtful accounts	1,478,570	1,440,036
Other deductions net of (other income)	(81,780)	44,977
	$164,228,372	$164,044,000

Notes to Financial Statements

Note 8: Inventory Write-Downs and Plant and Warehouse Termination Losses—This item includes inventory write-downs and identifiable losses arising from the closing of plants and warehouses and the moving and close-out of inventories. To meet competition, the Company was forced to lower selling prices. The Company made certain technological changes in production which resulted in lower manufacturing costs for finished goods. The value of finished goods on hand after September 30, 1974 produced before that date were written down to reflect the new costs of such merchandise. During the fiscal quarter ended December 31, 1974, and subsequently, costs of raw materials decline substantially from those prevalent prior to September 30, 1974. Prices used in inventory compilation at March 31, 1975 were reduced to reflect the lower costs of raw materials and production.

Employee Costs

AMERICAN CYANAMID COMPANY (DEC)

	1975	1974
	(Thousands of dollars)	
Expenses:		
Manufacturing cost of sales less depreciation and depletion	$1,050,757	$ 972,483
Selling and advertising expenses	328,409	303,837
Administrative and general expenses	101,520	82,788
Depreciation and depletion	77,642	71,961
Research and process development expenses	67,181	58,807
Employees' benefits (Note 8)	66,786	59,399
	$1,692,295	$1,549,275

Notes to Consolidated Financial Statements

Note 8: Employees' Benefits include the cost of pension, group insurance and social security programs. The company and its consolidated subsidiaries have various pension plans covering substantially all their employees including certain employees in foreign countries. The company's policy generally is to accrue and fund pension costs over the service lives of the covered employees. The total pension expense was $19,423 for 1975 and $14,403 for 1974. The Employee Retirement Income Security Act of 1974 is not expected to have any material effect on the company's funding and pension expense.

HALLIBURTON COMPANY (DEC)

	1975	1974
Costs and expenses:		
Cost of sales and service operations	$3,532,359,766	$2,636,968,951
Depreciation	116,437,300	86,574,260
General and administrative expenses	96,196,077	73,155,979
Contributions to employees' benefit funds (Note 7)	44,151,907	28,115,098
Total costs and expenses	$3,789,145,050	$2,824,814,288

Notes to Financial Statements

Note 7: Retirement Plans—The Company has various retirement plans which cover a significant number of its employees. Contributions to the major plans are based upon current year's net income with such contributions being paid annually into the employee benefit trust funds. Other plans include pension plans which are being funded to operate on an actuarially sound basis and the related fund assets and balance sheet accruals at December 31, 1975 approximated the aggregate value of actuarially computed vested benefits and past service benefits not vested. The Employee Retirement Income Security Act of 1974 is not expected to materially increase annual profit sharing or pension costs or the Company's funding obligations under existing employee welfare plans.

SIGNODE CORPORATION (DEC)

	1975	1974
	$(000)	
Expenses and Profit Sharing		
Merchandising	$43,296	$42,298
General and administrative	17,331	17,316
Profit sharing (Note 5)	5,202	6,951
Interest expense	2,792	2,841
Interest income	(459)	(1,422)
Other income, net	(1,792)	(1,525)
	$66,370	$66,459

Notes to Consolidated Financial Statements

Note 5: Profit Sharing and Bonus Plan—The parent company has a deferred profit sharing plan for employees upon retirement or for other purposes under which it contributes a portion of its earnings annually. The parent company's annual contribution under the plan is equal to 30% of its net after-tax earnings, as defined, provided that the minimum annual contribution from current or accumulated earnings shall be at least 5% of the wages or salaries, as defined, paid during the year to participating employees. In order to receive a full share of the parent Company's contribution, participants were required to contribute 4% of their earnings annually.

In order to provide participating employees with protection against declines in the market value of securities in the profit sharing fund, the parent company amended the plan in 1975. Under the 1975 amendments, the parent company is obligated to make supplemental contributions to the extent that a participants' account is not at specified minimum balances upon the participant's retirement or other termination. Such minimum balance must not be less than a participant's January 1, 1975 vested amount, plus employee and company contributions, less any partial withdrawals, since January 1, 1975. (Participants vest on the basis of 50% in the fiscal year and 5% of each full year of service over 5 years). In addition, those participants with at least tens years of continuous employment are guaranteed a rate of growth in their net aggregate accounts at least equal to the prevailing regular passbook interest of a specified bank compounded annually. The parent company was not required to accrue or make any supplemental contributions in 1975.

The Company's contribution was $3,912,000 for 1975 and $5,193,000 for 1974. Certain domestic and international subsidiaries also have profit sharing plans and their contributions under these plans were $1,290,000 for 1975 and $1,758,000 for 1974.

The Employee Retirement Income Security Act of 1974 requires the Company to amend its profit sharing plan to conform with certain provisions of the Act, which will become effective in 1976. The Company believes that the effect on annual costs for 1976 and subsequent years resulting from this amendment will not be significant.

The Company also has an incentive bonus plan for officers and certain key employees. The annual bonus is computed using a form which considers the participant's annual salary and consolidated net earnings. The incentive bonus provision was $917,000 for 1975 and $1,283,000 for 1974.

Cost of Lawsuit Settlement

EMHART CORPORATION (DEC)

	1975	1974
	($000)	
Operating income of continuing operations	$36,186	$24,987
Interest and dividend income	1,898	1,957
Interest on long-term debt	(1,906)	(1,003)
Interest on other obligations	(2,405)	(2,104)
Settlement of antitrust suits (c)	(7,500)	
Other income (expense)—net	(85)	5,822
Earnings before income taxes of continuing operations	$26,188	$29,659

(c) In June 1975, counsel for the plaintiffs in 16 antitrust suits, pending against the Company and three other manufacturers of builders' hardware, and the Company's counsel entered into a settlement agreement to dismiss Emhart as a defendant in each of the suits upon the payment of $7,500. The settlement agreement is subject to acceptance by class members and to approval by the United States District Court after notice and hearing; in the opinion of management, the likelihood that the settlement agreement will not be consummated is remote. During 1975, $7,500 was placed in escrow pending such acceptance and approval. The payment has been charged to 1975 operations although the suits relate to business conducted prior to 1970.

Published accounting pronouncements and the prevalent practice for the past nine years appear to support the charging of such settlement payment to the years to which the settlement relates, in this particular case, the years 1966 through 1969. However, such payment has been treated as a current period charge at the insistence of the staff of the Securities and Exchange Commission. The Financial Accounting Standards Board presently has under study an interpretation of the criteria for prior period adjustments contained in Accounting Principles Board Opinion No. 9, issued December 1966

A. H. ROBINS COMPANY, INCORPORATED (DEC)

	1975	1974
Costs and expenses		
Cost of sales	$89,304,000	$71,233,000
Research and development	10,690,000	9,568,000
Marketing, administrative and general	87,362,000	79,015,000
Interest	1,189,000	1,134,000
Litigation settlements and related expenses	5,065,000	
Total Costs and Expenses	$193,610,000	$160,950,000

Notes to Financial Statements

Accounting For Litigation Settlements and Related Expenses—During the year 1975, the Company incurred a charge of $5,065,000 ($2,729,000 after income tax benefit) resulting from settlement of litigation, legal fees, recall of customers' inventories and other expenses related to the Kalkon Shield. The Company believes it would have been preferable under generally accepted accounting principles to accord prior period adjustment treatment to this charge which would have increased 1975 net earnings and decreased 1974 net earnings by $2,739,000 ($.10 per share). However, at the insistence of the staff of the Securities and Exchange Commission, the charge was included in earnings for the year 1975.

Relocation Costs

MILTON ROY COMPANY (DEC)

	1975	1974
Costs and expenses:		
Cost of sales	$27,527,184	$24,961,409
Marketing and administrative	14,120,496	12,167,260
Research and development	1,241,381	1,055,548
Plant relocation	356,970	—
Interest	315,961	478,281
Provision for income taxes	1,486,076	$,830,740
Total costs and expenses	$45,048,068	$40,493,238

Notes to Consolidated Financial Statements

Note 9: Plant relocation expense—At December 31, 1975 the Company was in process of moving two of its major manufacturing facilities. The total anticipated costs of these moves ($356,970) have been charged to 1975 earnings.

PEOPLES DRUG STORES, INCORPORATED (DEC)

	1975	1974
Costs and expenses		
Cost of goods sold	$172,591,000	$168,783,000
Buying, selling, occupancy and administration	72,262,000	72,381,000
Depreciation and amortization	2,305,000	2,551,000
Relocation expenses and write-down of property and equipment (Note 2)	959,000	814,000
Interest	874,000	833,000
	$248,991,000	$245,362,000

Notes to Consolidated Financial Statements

Note 2: Relocation Expenses and Write-Down of Property and Equipment—The Company began moving its corporate offices and wharehouses to new locations in 1974. In 1975, the Company incurred expenses of $674,000 in connection with the completion of these moves, including a write-down of $470,000 to reduce the former office and warehouse complex to the current net realizable value of $800,000 based on a contract of sale. Also, write-downs of $285,000 were incurred on fixtures and equipment in connection with continued fountain operations and closed stores during 1975.

In 1974, expenses of $584,000 were incurred in connection with the moving of the corporate offices and warehouses, including a write-down of $458,000 to reduce these properties to their estimated net realizable value based upon the best market information available at that time. Also in 1974, write-downs of $230,000 were incurred on fixtures and equipment in connection with discontinued fountain operations and closed stores.

SUN CHEMICAL CORPORATION (DEC)

	1975	1974
Other charges (credits)		
Interest expense	$ 8,376,000	$10,253,000
Cost of restructuring instrument operations (Note 3)	3,342,000	5,382,000
Loss on product line discontinuances	1,657,000	96,000
Disposition (1975) and writedown (1974) of investment in Walter Kidde & Company, Inc.	(798,000)	1,086,000
Equity in net earnings of affiliated companies	(100,000)	(727,000)
Other—net	(1,944,000)	(77,000)
	$10,533,000	$16,013,000

Notes to Consolidated Financial Statements

Note 3: Instrument restructuring program—In 1974, the company began a program of restructuring its aircraft instrument operations in order to improve product line profitability. Provisions were made in 1974 principally for estimated costs to relocate its domestic activities to a newly constructed facility in Merrimack, New Hampshire and to liquidate its British instrument subsidiary. In 1975, the company provided $1,197,000 to complete the aforementioned program, which amount relates primarily to a reduction in the estimated realized value of the Syosset, New York facility and increased employee termination and relocation costs.

Recognizing the decline in the demand for aircraft instrument products in Germany, the company decided to convert its German subsidiary to a repair and overhaul operation and provided $2,145,000 in 1975 for the writedown of assets to net realizable value and for employee termination costs.

The following table summarizes the activity of the instrument restructuring program:

	1975	1974
Balance of accrual, beginning of year	$2,954,000	$ —
Provisions charged to expense	3,342,000	5,382,000
Costs incurred and charged to accrual	(4,285,000)	(2,428,000)
Balance of accrual, end of year	$2,011,000	$2,954,000

Management believes that the balance of the accrual at December 31, 1975 is adequate to meet the remaining costs of this program which will be completed in 1976.

TOBIN PACKING CO., INC. (OCT)

	1975	1974
Cost of products, supplies and services	$ 92,436,000	$ 97,517,000
Selling, delivery, general and administrative expenses	10,202,000	9,491,000
Depreciation and amortization	858,000	1,033,000
Taxes other than income taxes	1,833,000	1,778,000
Employee pension plans	1,001,000	988,000
Interest expense	48,000	76,000
Provision for plant relocation and closing costs (Note 7)	3,900,000	—
	$110,278,000	$110,883,000

Notes to Financial Statements

Note 7: Idle Plant Facilities and Provision for Plant Relocation and Closing Costs—During 1975, as a result of studies to improve its operating results, the Company adopted a plan for the consolidation of its manufacturing facilities by the discontinuance of most of the processing performed by its Rochester, New York plant, and the relocating of such manufacturing operations to its Albany and Buffalo, New York plants. Provision has been made in 1975 for the costs incurred and expected to be incurred in connection with this plan in the estimated amount of $3,900,000 (representing $4.41 per share).

The provision included $2,567,000 for the writedown of plant and equipment to its estimated realizable value, $427,000 for expenses incurred during 1975 relating to this plan, and an accrual of $906,000 at November 1, 1975 for pension and other estimated costs relating directly to this realignment program.

Idle plant facilities at November 1, 1975 was comprised of the following:

Land and land improvements	$ 329,000
Buildings, machinery and equipment	8,475,000
Furniture and fixtures	179,000
Automotive equipment	58,000
	9,041,000
Less	
Accumulated depreciation	6,125,000
Estimated loss on disposition	2,567,000
	8,692,000
Estimated realizable value	$ 349,000

Commission Expense

RAYTHEON COMPANY (DEC)

	1975	1974
Net sales *(note A)*	$2,245,455,056	$1,928,854,809
Cost of sales	1,899,465,699	1,616,441,307
Administrative and selling expenses	185,359,882	165,470,472
Research and development expenses *(note A)*	42,346,261	41,594,625
Interest expense, less interest income: 1975—$9,202,287; 1974—$10,299,271	2,008,903	3,700,148
Other (income) expense—net	(5,641,612)	(2,231,758)
Total costs and expenses	$2,123,539,133	$1,824,974,794

Note A (in part): Accounting Policies

Commissions—The company pays commissions to sales representatives, distributors, and agents under various arrangements in return for services rendered in connection with obtaining orders. Such commissions are charged to income as related sales are recorded and, for income statement purposes, are applied as a reduction of sales, in some cases, payment of such commissions is made upon the company's receipt of advance payments under the related contracts, and such amounts are applied as a reduction of advance payments received. Sales have been reduced by $19,305,000 and $3,856,000 in 1975 and 1974, respectively, for commission expense.

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 of net income of this accounting policy as compared to a policy of charging interest to expense as accrued."

Forty-seven of the survey companies capitalized interest. Examples of disclosures made by these companies follow.

CASTLE & COOKE, INC. (DEC)

	1975	1974
	($000)	
Costs and expenses		
Cost of products and merchandise sold (except depreciation)	$600,174	$524,161
Selling, service, general and administrative expenses	140,043	133,047
Depreciation	16,714	15,471
Interest (net of interest capitalized: 1975—$351; 1974—$964)	17,373	16,430
Total	$774,304	$689,109

Notes to Consolidated Financial Statements

Capitalized Interest—The Company has capitalized interest on borrowed funds in connection with certain real estate and agricultural projects. The effect on net income for both 1975 and 1974 would have been immaterial had the Company charged all interest to expense as incurred.

GEORGIA-PACIFIC CORPORATION (DEC)

	1975	1974
	($000)	
Costs and expenses:		
Cost of sales	$1,798,870	$1,846,870
Selling, general and administrative expenses	144,660	136,130
Depreciation and depletion	133,760	123,500
Interest expense (less interest capitalized on construction projects of $18,760 in 1975 and $18,750 in 1974) (Note 4)	49,800	61,500
Provision for income taxes	83,500	100,000
	$2,210,590	$2,268,000

Note 4 (in part): Depreciation and Capitalization Policies—The Corporation capitalizes interest during construction periods based upon the interest cost on the additional debt incurred to finance constructions 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 $6,730 in 1975, and $7,350 in 1974 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. The amount deferred was $4,760 in 1975. New project start-up costs were not significant in 1974.

HUMANA INC. (AUG)

	1975	1974
	($000)	
Operating expenses	$155,139	$106,291
Depreciation (Note 1)	9,380	4,949
Interest (net of capitalized interest of $4,514—1975 and $4,367—1974) (Note 1).......	13,671	8,738
Provision for uncollectible accounts	6,547	4,453
	$184,737	$124,431

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

Property and Equipment—Property and equipment is stated at cost. The Company capitalizes (i) interest incurred on borrowed funds during construction and (ii) salaries and related costs for site selection, design and construction supervision. The Company considers these costs as a part of the cost of constructed assets and believes that their capitalization results in an appropriate matching of such construction costs against future revenues. Had interest on borrowed funds during construction been expensed when incurred, net income would have been reduced by approximately $1,300,000 ($.27 per share) for 1975 and $1,300,000 ($.26 per share) for 1974.

INTERNATIONAL TELEPHONE AND TELEGRAPH CORPORATION (DEC)

	1975	1974
	($000)	
Income from operations	$1,032,222	$1,045,473
Dividends, interest and other income	58,843	149,271
Interest expense (excluding capitalized interest of $20,579 and $28,342).....	(342,704)	(367,565)
	$ 748,361	$ 827,179

Notes to Financial Statements

Accounting Policies (in part)

Plant, Property and Equipment: The Corporation records plant, property and equipment at cost, which includes costs of freight, taxes, customs duties, construction or installation (including labor and related overhead) and major rearrangements or improvements of existing facilities. To properly reflect cost, interest is capitalized on borrowed funds associated with major project expenditures covering acquisition of land for development, activation of telecommunications systems, construction of buildings and installation of major production facilities. If interest for other than telecommunications operating companies are not capitalized, net income for 1975 and 1974 would have been reduced by approximately $9,000,000 and $13,000,000, respectively.

Periodic physical counts of plant, property and equipment are made to verify the existence of the assets and the accuracy of the related accounting records.

TABLE 3-8: PENSION AND RETIREMENT PLANS

	1975	1974	1973	1972
Current Year Provision				
Normal cost and amortization of prior service cost	453	446	429	419
Normal cost and interest on unfunded prior service cost	41	43	48	48
Normal cost only............	63	74	82	70
No reference to prior service cost	73	77	79	80
Number of pension plans.....	**630**	**640**	**638**	**617**

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 $......

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, *Financial Accounting Standards Board 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.

ALTEC CORPORATION (SEP)

Notes to Financial Statements

Note H: Pension Plans—The Company has pension plans covering substantially all employees. The cost charged to operations include current year service costs and the amortization of prior years service costs over 30 years for certain hourly employee plans and 40 years for all other plans. In 1975, the amortization period on certain plans were changed from 30 years to 40 years. This change had no material impact on net income. The Company's policy is to fund pension costs accrued. Costs of providing pension benefits amounted to $324,000 in 1975 and $483,000 in 1974. In 1975 the Company changed the year end of the pension plans to coincide with the Company's fiscal year end. This change reduced pension expense in 1975 by $150,000 and increased income before extraordinary item by $72,000 ($.01 per share) and increased net income by $.03 per share. The pension plans' assets, at cost, and the balance sheet accruals are in excess of the actuarially computed value of vested benefits at September 28, 1975. Unfunded past years service costs amounts to $1,439,000 at September 28, 1975.

BORDEN, INC. (DEC)

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 $10,400,000 in 1975 and $8,300,000 in 1974. Higher costs in 1975 are primarily the result of improved benefits under the Company's retirement plans which were effective July 1, 1974. The actuarially computed value of vested benefits under these plans as of January 1, 1975 exceeded the total pension fund and balance sheet accruals by approximately $40,300,000. The effect of bringing these plans into compliance with the Employee Retirement Income Security Act, as of January 1, 1976, was not material.

Operations were charged approximately $4,800,000 in 1975 and $5,000,000 in 1974 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.

CAPITOL FOOD INDUSTRIES, INC. (MAY)

Notes to Consolidated Financial Statements

Note A (in part): Summary of Principal Accounting Policies

Pension Plan—Effective January 1, 1975, the Company adopted a pension plan which covers substantially all salaried employees. Prior service costs are being amortized over thirty years. The Company's policy is to fund the amounts accrued.

Note H: Pension Plan—Pension costs for the period from January 1, 1975 (date of plan), through May 31, 1975 amounted to $27,000. Unfunded vested benefits as of May 31, 1975 amounted to $91,587. The Company believes that the Employee Retirement Income Security Act of 1974 will not have a material effect on future pension costs, funding requirements, or unfunded vested benefits.

DANA CORPORATION (AUG)

Financial Review

Pension and Deferred Compensation Plans—Dana provides retirement benefits for employees under several pension plans. Annual costs under the Company's pension plans were determined by outside actuaries. Dana's policy is to fund pension costs accrued, including amortization of prior service costs generally over 30 years, through group annuity contracts and deposits with trustees. Pension expense approximated $27,500,000 and $22,200,000 in the years ended August 31, 1975 and 1974, respectively, and the actuarially computed value of vested benefits for certain plans exceeded, as of the most recent valuation dates, the total market value of the assets in the related pension funds and balance sheet accruals by approximately $79,900,000. The Pension Reform Act of 1974 will not have a material effect on pension expense since Dana's plans are substantially in conformity with the requirements of the Act.

Certain officers and other key employees participate in Dana's additional compensation plans. Under the terms of these plans, annual awards may be granted in aggregate amounts determined by formula. These plans generally provide that, at the option of the compensation committee comprised of outside directors of the board, awards may be paid out in cash or in shares of the Company's common stock. Deferred awards, expressed in "units" of the Company's common stock, are credited with amounts equivalent to dividends on common stock. In 1975 Dana awarded $1,563,000 in such compensation and in 1974 awards aggregated $1,247,000; 2,352 and 1,892 shares of Dana Corporation's common stock held in treasury were issued and amounts equivalent to dividends of $160,000 and $149,000 were credited to deferred awards in 1975 and 1974, respectively. At August, 31, 1975, 119,114 common shares held in treasury were reserved for issuance under these plans.

HART SCHAFFNER & MARX (SEP)

Notes to Consolidated Financial Statements

Summary of accounting policies (in part)

The Company and its subsidiaries maintain pension plans covering substantially all employees other than those covered by union-sponsored plans. Pension expense charged against earnings includes current service costs and, as to plans not fully funded, amortization of prior service costs over periods ranging from ten to thirty years. Pension costs are funded as accrued and the amounts funded at November 30, 1975 exceeded the actuarially computed total of vested benefits.

Pension 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 determinations.

Total pension costs for the years ended November 30, 1975 and 1974 were $2,654,000 and $2,367,000, respectively, which excludes contributions by the Company and its subsidiaries to union-sponsored plans. Unfunded past service cost at November 30, 1975 was approximately $2,048,000. Provisions of the Pension Reform Act of 1974, which will become fully effective in 1976, have required the Company to amend certain of its pension plans; however, the Company does not expect any material change in consolidated pension costs as a result of these amendments.

HUMANA INC. (AUG)

Notes to Financial Statements

Note 4: Retirement Plan—The Company has a plan providing retirement benefits for substantially all employees. Retirement plan expense was $712,000 for 1975 and $396,000 for 1974. Compliance with the Pension Reform Act of 1974 is expected to increase total retirement plan expense for 1976 by approximately $240,000.

INTERSTATE BRANDS CORPORATION (DEC)

Notes to Financial Statements

Note 6: Pension Plans—The Company has three trusteed noncontributory pension and retirement plans in effect for certain employees. Contributions are made to the pension trusts for current costs plus amortization of the unfunded past service liability over a period of 40 years. It is the Company's policy to fund pension costs accrued. The excess of actuarially computed value of vested benefits over the pension plan assets was approximately $3,370,000 as of the latest actuarial valuation date in 1975. In the opinion of management, the impact of the Employment Retirement Income Security Act of 1974 will not have a material effect on the Company.

There are also in effect numerous negotiated pension plans covering employees participating by reason of union contracts.

The charges to operations with respect to the plans are as follows:

	December 27, 1975	December 28, 1974
Trusted pension and retirement plans	$2,298,362	$1,885,959
Negotiated pension plans	6,786,761	5,451,040
	$9,085,123	$7,336,999

THE KROGER CO. (DEC)

Notes to Consolidated Financial Statements

Pension Plans—The Company has two noncontributory retirement plans for eligible employees, one funded and one unfunded. The Company also contributes to multi-employer plans jointly administered by management and union representatives.

The actuarially computed value of vested benefits for the Company administered plans as of December 27, 1975, exceeded the total of the pension fund and balance sheet accruals by approximately $46,050,000. Past service costs for the Company's plans are being amortized over forty years.

The total pension expense for all plans for 1975 and 1974 was $33,707,503 and $29,091,543, respectively. As a result of the Pension Reform Act of 1974, both Company plans have been revised as of January 1, 1976. These revisions will not have a significant impact upon subsequent financial statements of the Company.

MERCK & CO., INC. (DEC)

Notes to Financial Statements

Note 1 (in part): Summary of Accounting Policies

Pension Plans—Current service costs, as determined on an actuarial basis, are accrued and funded currently. Prior service costs are amortized over a period of 20 years.

Note 8 Pension Plans—The Company and certain of its subsidiaries have retirement plans for eligible employees. Pension expense was $20,042,000 in 1975 and $17,568,000 in 1974. Unfunded prior service costs at December 31, 1975 were approximately $16,000,000. As of December 31, 1975, the market value of plan assets exceeded the actuarial value of vested benefits. The provisions of the Company's domestic pension plans are in compliance with the Pension Reform Act of 1974.

Effective January 1, 1976, the major plans for salaried and hourly employees were amended to provide, for employees having attained age 55 and having 15 years service, an optional spouse's benefit in the event of the employee's death prior to retirement. Amendments were also made in the early retirement and minimum benefit provisions of the plans.

NEPTUNE INTERNATIONAL CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 7: Pension Plans—The Corporation maintains pension plans covering substantially all eligible employees. Pension expense charged to operations amounted to approximately $418,000 and $267,000 in 1975 and 1974, respectively, based on normal cost plus interest on the unfunded past service cost. The Corporation has contributed amounts in past years designed to fund the actuarially computed vested benefits. For the year ended December 31, 1975, the Corporation intends to fund pension costs accrued. Plan assets and balance sheet accruals were substantially equal to the actuarially computed value of vested benefits for the plans as of December 31, 1974, the latest valuation date. At December 31, 1974, the unfunded past service cost amounted to approximately $620,400. According to the Corporation's consulting actuaries, the Employees Retirement Income Security Act of 1974 has no significant effect on the Corporation's unfunded past service liability, level of pension expense or periodic funding.

The Board of Directors has approved various plan improvements effective January 1, 1976. The effect of these changes will create an aggregate unfunded past service liability of approximately $1,500,000 which will be funded over a period not in excess of 30 years.

In connection with the acquisition of a subsidiary company during 1974 (See Note 1) the Corporation agreed to continue a contributory profit sharing plan. The Corporation's share of such expense is based upon a fixed formula as defined, and amounted to approximately $93,000 in 1975 and $44,000 during five months of 1974 following the effective date of the acquisition.

ROCKWELL INTERNATIONAL CORPORATION (SEP)

Notes to Financial Statements

Note 14: Retirement Plans—The Company has various retirement plans which cover most of its employees and which provide generally for monthly pension payments to eligible employees upon normal retirement at age 65. With respect to the United States plans, management is taking action to comply with the requirements of the Employee Retirement Income Security Act of 1974 and believes, based on information from the Company's actuaries, that compliance with such requirements will not result in a material increase in the annual provision for retirement plan costs. It is the policy of the Company to fund accrued retirement plan costs. Such costs are actuarially computed using the aggregate cost, entry-age normal and unit credit methods. Under the aggregate cost method, all presently unfunded costs, including prior service costs, and all changes in costs due to experience or other factors are spread over the remaining service lives of the participants. Under the entry-age normal and unit credit methods, costs include, in addition to current service costs, amortization of unfunded prior service costs generally over a thirty-year period.

The provision for retirement plan costs amounted to $120.9 million for 1975 and $83.7 million for 1974. The increase in costs is due principally to improvements in benefits under certain major plans and increases in employee earnings. Increases in the number of participants and unfavorable investment and other actuarial experiences also contribute to the increase in costs.

The actuarially computed value of vested benefits, as of the most recent valuation dates, under certain plans exceeded market value of fund assets and balance sheet accruals by approximately $171.4 million.

R. J. REYNOLDS INDUSTRIES, INC. (DEC)

Notes to Consolidated Financial Statements

Note I: Pension Plans—The Company provides retirement benefits for substantially all of its regular full-time employees through Company-administered plans and plans administered by labor unions under collective bargaining agreements. The Company's policy with respect to Company-administered plans is to fund pension costs accrued.

The total expense for the Company-administered plans increased from $21 million in 1974 to $28 million in 1975, primarily as a result of increased payrolls.

The assets of the Company-administered plans exceeded the actuarially computed value of vested benefits according to the most recent actuarial valuations.

In order to comply with the provisions of the Employee Retirement Income Security Act of 1974, the Company-administered plans have been amended, effective January 1, 1976, to provide for full vesting after ten years of credited service. Had this change been effective for 1975, pension expense would have increased by approximately $2.7 million, according to actuarial estimates, and certain plans would have had total actuarially computed value of vested benefits in excess of assets by $22 million at the most recent valuation date.

The Company makes payments under the terms of various collective bargaining agreements to provide welfare benefits, including pension benefits, for employees covered under such agreements.

STEWART-WARNER CORPORATION (DEC)

Notes to Consolidated Financial Statement

Note 5: Retirement Plans—The Corporation has contributory retirement and life insurance plans which are available to all regular employees who meet length of service requirements, excluding employees of the Thor Power Tool Company subsidiary. The cost of such plans charged against current earnings was $1,101,000 in 1975 ($1,267,000 in 1974) including an amount calculated to amortize the unfunded prior-service liability of approximately $472,000 at December 31, 1975, over a period of 25 years. It is the policy of the Corporation to fund each year the amount determined to be necessary to provide pension benefits earned under these plans during the year. At December 31, 1975, the assets of the pension plans exceeded the actuarially computed value of the vested benefits.

Separate retirement plans exist for the employees at Thor. The cost of such plans charged against current earnings was $489,000 in 1975 ($535,000 in 1974) including an amount calculated to amortize the unfunded prior service cost liability of approximately $5,302,000 at December 31, 1975 over a period of 25 years. It is the policy of Thor to fund certain pension costs annually. The actuarially computed excess of vested benefits over pension fund assets and balance sheet accruals for those plans in which such excess existed was approximately $2,063,000 at December 31, 1975.

The Corporation is amending its pension plans to conform with certain provisions of the Employee Retirement Income Security Act of 1974, which becomes effective in 1976. The effect on annual pension costs and the funding of such costs for 1976 and subsequent years, and the effect of unfunded vested benefits resulting from those amendments, will not be significant.

THE TIMKEN COMPANY (DEC)

Notes to Consolidated Financial Statements

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

Employee Retirement Plans. The Company and its subsidiaries have several retirement annuity and pension plans covering substantially all employees. Liabilities for pensions and related charges to income are determined on an actuarial basis, and such charges are funded annually (See Note E).

Note E: Employee Retirement Plans—Charges to operations for the cost of these plans amounted to $25,938,996 for 1975 and $18,164,966 for 1974. Amendments to the major plans, effective September 1, 1975, including compliance with provisions of the Employee Retirement Income Security Act, provided for increased benefits. These amendments plus a change in the period of years, from 25 to 20, over which prior service costs are being amortized had the net effect of increasing annual costs of these plans by approximately $8,700,000. The effect on net income for the year 1975 approximated $1,800,000 ($.16 per share).

Based on actuarial estimates, the computed value of vested benefits in certain plans exceeded the amount of applicable pension fund assets (valued at market) at December 31, 1975 by approximately $57,000,000.

UNITED PIECE DYE WORKS (DEC)

Notes to Consolidated Financial Statements

Note H (in part): Commitments and Contingencies—The Company and its subsidiaries have pension plans covering substantially all salaried and certain hourly employees. The companies fund the plans covering salaried employees by depositing actuarially determined pension costs with trustees; such costs include normal costs, interest on unfunded past service costs and amortization based on an amortization period of 40 years. The plan covering hourly employees is funded by deposits with trustees based on a fixed rate of contribution per hour worked; any excess of fixed-rate deposits over actuarially determined normal costs is applied to interest on past service costs and to amortization of past service costs. Actuarial gains and losses of the salaried employees plan are absorbed into the current and future cost calculation and their effect is spread over the remaining service of the covered employees as a level percentage of current and future earnings.

In 1972, the Company made a supplemental contribution of $262,303 to the salaried employees' pension trust fund for the purpose of accelerating the funding of past service costs with certain tax benefits and thereby reducing required cash contributions through 1975. The total pension costs charged to 1974 operations aggregated $273,603 of which $189,805 was contributed in cash and $83,798 represented amortization of the 1972 supplemental contribution. The total pension costs charged to 1975 operations aggregated $325,035 of which $230,676 was contributed in cash and $94,359 represented amortization of the 1972 supplemental contribution.

The Company's actuaries advise that, on January 1, 1975, the most recent valuation date, the market value of the trust funds was $700,000 less than the actuarially computed value of vested benefits.

VEEDER INDUSTRIES INC.

Notes to Consolidated Financial Statements

Note 1 (in part): Accounting Policies

Pension Plans: The Company and its subsidiaries have various pension plans covering substantially all employees. Pension expense includes amortization of prior service cost over periods ranging from 12 to 30 years. The Company's policy is to fund pension cost accrued.

Note 9: Pension Plans—Total pension expense amounted to $1,245,355 in 1975 and $1,020,063 in 1974.

Unfunded prior service costs under employee pension plans aggregated approximately $4,239,785 as of December 31, 1974, the latest date of actuarial valuation.

The effect of the Employment Retirement Income Security Act of 1974 on the Company and its subsidiaries' pension plans and consolidated financial statements is not expected to be significant.

COMPENSATORY PLANS

In addition to pension plans (Table 3-8) and "traditional" stock option and purchase plans (Table 2-37), 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 awarded 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 or *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

TABLE 3-9: COMPENSATORY PLANS

	Number of Companies			
	1975	1974	1973	1972
Incentive compensation plan	145	93	117	104
Profit-sharing plan...........	130	118	83	75
Deferred compensation contract	56	88	61	56
Savings fund plan............	27	30	33	33

differs from the one in which the corporation recognizes compensation expense in measuring net income.

20. This Opinion applies to all stock option, purchase, award and bonus rights granted by an employer corporation to an individual employee after December 31, 1972 under both existing and new arrangements and to reductions of income taxes resulting from deductions as of a date after December 31, 1972 that are related to stock option, purchase, award, and bonus rights granted before as well as after the effective date of this Opinion.

Incentive Compensation Plans

COLT INDUSTRIES INC. (DEC)

Notes to Financial Statements

Note 8: Incentive Plan—The Colt industries Incentive Plan, approved by shareholders at the 1965 annual meeting, provides that if consolidated net earnings for any year, after deducting therefrom the amount of all dividends accruing during such year in respect of preferred stocks of Colt, exceeds an amount equal to 6 percent of common shareholders average equity for the year, then there shall become available for incentive awards for that year an amount equal to 6 percent of consolidated earnings before income taxes. The persons to receive awards and the amounts thereof are determined annually by a committee consisting of four directors, none of whom is eligible to receive an incentive award. The company made cash awards of $1,505,000, $1,719,000, $1,125,000, $870,000, and $504,000 for 1975, 1974, 1973, 1972, and 1971, respectively, which had been charged to expense.

INTERNATIONAL PAPER COMPANY (DEC)

Notes to Consolidated Financial Statements

Incentive Plans—The Profit Improvement Plan was approved by the share owners in 1972 to provide additional incentive for senior management officers and employees. A maximum of 750,000 shares of treasury stock may be awarded under the Plan which terminates in 1980. Under the Plan, contingent awards of shares of common stock covering a three-year period are granted by a committee composed of members of the Board of Directors who are not eligible for awards. Awards are earned in any year in which earnings per share, as defined, exceed the predetermined profit base. Through December 31, 1975, 161,124 shares have been earned under the Plan, including 40,113 shares earned in 1975 and 42,008 shares earned in 1974. At December 31, 1975, 95,036 shares have been contingently awarded for the two-year period ending December 31, 1977.

The Incentive Compensation Plan was approved by the share owners in 1966 and certain amendments were similarly approved in 1972. Participants include those employees who are in a position to make substantial contributions to the management of the Company. Awards may be made in any year in which net earnings, as defined, exceed six percent of share owners' equity but are limited to the lesser amount of eight percent of such excess or ten percent of the cash dividends declared on the outstanding common stock of the company during the year. The awards may be in cash, payable immediately, or in treasury common shares, payable in the future.

Provision for the cost of the Company's two incentive plans amounted to $8.5 million and $7.8 million for the respective years of 1975 and 1974.

JANTZEN INC. (AUG)

Notes to Financial Statements

Note 6 (in part): Employee Profit Sharing, Retirement and Incentive Plans—The Company's incentive compensation plan provides for incentive payments to executive employees, the aggregate of which is limited to 10% of that portion of consolidated income before income taxes, profit sharing and thrift plan contribution which exceeds 14% of consolidated stockholders' equity at the beginning of the year. Provisions for incentive payments amounted to $213,587 for 1975 and $413,756 for 1974.

LEVI STRAUSS & CO. (NOV)

Notes to Consolidated Financial Statements

Incentive and Award Plans—During 1975, the stockholders approved a Management Incentive Plan based on achieving specified levels of profit and return on investment and on individual employee performance. Under the Plan, aggregate incentive awards in any year may not exceed 6% of the excess income before taxes over 15% of beginning stockholders' equity. Since incentive awards of $2,700,000 for 1975 were less than the maximum awards possible ($6,347,000), the Senior Compensation Committee, in accordance with authority granted by the stockholders, appropriated $1,900,000 for future special awards outside the Plan.

As of November 30, 1975, the Board of Directors approved a "one time" Billion Dollar Recognition Plan to reward the thousands of Company employees who helped the Company exceed one billion dollars in sales for the first time. Under this plan, eligible employees will receive either cash awards or newly issued shares of company stock (approximately 23,000 shares in total). Total awards of $3,500,000 have been provided for in 1975.

MOTOROLA, INC. (DEC)

Notes to Consolidated Financial Statements

Note 8: Employee Benefit Plans—An Executive Incentive Plan specifies that the company and certain subsidiaries may provide up to 4% of their annual consolidated pre-tax earnings (as defined) for the payment of cash incentive awards. Such awards are payable, except for awards of $1,000 or less, generally in equal annual installments over a period of five years and are generally subject to the recipient's continued employment. Amounts of $1,408,000 and $1,000,000 were provided in 1975 and 1974 for such awards, representing 4% and 1.3% respectively, of defined earnings. In 1975, awards of $2,083,000 were made for 1974 performance ($3,176,000 in 1974 for 1973 performance). Awards for 1975 performance have not yet been determined. At December 31, 1975, $2,532,000 was reserved and available for such awards ($3,207,000 in 1974).

The company and certain subsidiaries have contributory profit sharing plans in which all eligible employees participate. The contributions to profit sharing funds in the United States and other nations, based upon percentages of pre-tax earnings, as defined, were $9,098,000 in 1975, and $18,060,000 (including $1,215,000 applicable to discontinued operations) in 1974.

The company and certain subsidiaries have a voluntary, contributory pension plan and the company's policy is to fund pension costs as accrued: $4,705,000 in 1975 and $3,300,000 (including $54,000 applicable to discontinued operation) in 1974. At December 31, 1974, date of the latest actuarial determination, vested benefits were fully funded. It appears that no significant increase in pension costs will result from the Employee Retirement Income Security Act of 1975.

In the event that the amount actually payable annually under the plan does not amount to 40% or more of an officer's rate of salary at retirement, it is the intention of the company (subject to certain qualifications and conditions) to make supplementary payments so that the total annual payments will aggregate 40% (or 30% in the case of payments to widows) of the officer's rate of salary at retirement. The company also provides for annual payments in the amount of 30% of the officer's salary rate to widows of officers who die while in active employment. The company is providing a reserve for these supplementary payments on a current basis.

POTLATCH CORPORATION (DEC)

Notes to Financial Statements

Note 8: Retirement Incentive, and Savings Investment Plans—Substantially all employees of the company are covered by retirement plans. Provision for all retirement plans expensed during 1975 increased to $6,384,000 from $5,515,000 in 1974. Changes in certain actuarial assumptions resulted in a reduction of approximately $1,030,000 in 1975 pension costs. In thirteen company-administered plans, the aggregate actuarial value of vested benefits at the 1975 determination date exceeded the sum of the aggregate assets and accrued funding by $15,659,000; however, no additional provision is considered necessary. Unfunded prior service costs on company-administered plans, which are being amortized over 30 years, were $24,671,000 at December 31, 1975 ($30,974,000 at December 31, 1974).

The company adopted a management performance award plan effective January 1, 1974, covering key management employees. The plan provides for cash awards to be paid over a two-year period (or deferred and paid over 15 years after termination, in certain cases). Subject to certain minimum and maximum performance criteria, which are established each year, awards are based on: 1) the company's earnings performance as compared with 14 other companies in the forest products industry, 2) the results achieved by the group or division to which the individual is assigned, and 3) the performance by the individual during the award year. The plan is administered by the Compensation and Stock Option Committee of the Board of Directors; the members of such committee are not eligible to participate. A provision of $1,217,300 has been made in 1975 ($1,000,000 in 1974).

In 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 contributoins by employees. Company contributions, all of which are invested in Potlatch common stock, were $425,000 in 1975 ($390,000 in 1974).

SUN OIL COMPANY (DEC)

Notes to Financial Statements

Retirement, Stock Purchase and Savings, Executive Compensation and Management Incentive Plans—Sun and its subsidiaries have retirement plans covering most employees. The estimated liability for vested benefits exceeds the total of the market value of the retirement funds by approximately $92,100,000 and the liability for past service costs exceeds the total of the market value of the pension funds by approximately $109,800,000. The retirement fund includes $106,986,000 of prepaid pension costs.

All regular full time employees of Sun and its principal U.S. subsidiaries prior to July 1, 1975 who have at least one year of continuous service may join either the Stock Purchase Plan or the Savings Plan, but no employee can join both plans. Persons employed after July 1, 1975 may join only the Savings Plan. Employee and Sun's contributions to the Stock Purchase Plan are invested in the common stock of the Company, but employees' contributions are invested in the stock of other companies, in government securities or in a fixed income fund with principal and interest guaranteed by an insurance company.

The management incentive plans of Sun are the Executive Compensation Plan and the Management Performance Share Plan. The Executive Compensation Plan provides that the Board of Directors may pay annually as additional compensation to such employees as the Board determines have principally contributed to the profitability of the Company, a total sum not in excess of five per cent (5%) of the amount of the income before Federal income taxes in excess of seven per cent (7%) of its net assets. The Management Performance Share Plan authorizes the award of units to eligible employees of the Company every two years. The value of the units is related to the value of Sun Common Stock six years after the beginning of the year in which the award is made and payment after the six-year period in cash or shares is contingent upon the achievement of an increase in the rate of return on stockholders' equity in an amount previously fixed by a committee appointed by the Board. Awards under the Management Performance Share Plan may not exceed the unallocated portion of funds already available under the Executive Compensation Plan during the preceding two years.

Charges against income in connection with the retirement, stock purchase and savings, and management incentive plans in 1975 were $58,236,000, $9,703,000 and $3,177,000, respectively, and in 1974 were $31,964,000, $7,531,000 and $4,530,000, respectively. The increase in retirement plan expense is due principally to plan amendments improving benefits.

Stock Compensation Plans

AMP INCORPORATED AND PAMCOR, INC. (DEC)

Notes to Combined Financial Statements

Note 7: Stock Plus Cash Bonus Plan and Treasury Stock—All of the Endorsed Shares in the treasury (1975—348,970; 1974—414,667) are available for payment of stock bonuses under the incentive Stock Plus Cash Bonus Plan. The number of shares and cash (a fixed percentage of the value of the shares) distributed is determined by the appreciation in market value of the Company's stock.

During the year ended December 31, 1974, treasury stock was increased through the purchase of 21,500 shares costing $653,000. Charges to income before income taxes for current and future distributions under the Plan totaled $1,251,000 in 1975 and $2,206,000 in 1974, and included shares and related costs of 65,697 and $69,000 in 1975 and 69,521 and $1,256,000 in 1974.

For awards granted before and outstanding on December 31, 1975, and based on the market price as of that date, approximately 176,000 shares would be distributed in the years 1976 through 1981.

The effects upon Other Capital of distributions under the Stock Plus Cash Bonus Plan for the two years ended December 31, 1975 were:

	1975	1974
Other Capital, beginning of year...	$1,692,000	$1,274,000
Tax benefits on excess of fair market value over cost of treasury stock distributed................	943,000	418,000
Other Capital, end of year.........	$2,635,000	$1,692,000

PEPSICO, INC. (DEC)

Notes to Consolidated Financial Statements

Note 5: Capital stock and capital in excess of par value—Shares reserved at December 27, 1975 were as follows:

Stock options..	1,035,355
4½% convertible debentures (at $46.50 per share)......	121,463
4¾% convertible subordinated debentures (at $63.50 per share)...	787,245
Performance share plan......................................	579,534
	2,523,597

At December 27, 1975, options were outstanding on 409,772 shares (of which 130,700 were then exercisable) having an aggregate option price of $27,676,000. The balance of 625,583 shares reserved is available for future grants under the Company's 1969 and 1975 Plans. In 1975 options for 1,775 shares were exercised having an aggregate option price of $93,000; options were granted for 158,044 shares having an aggregate option price of $10,448,000, and options for 61,898 shares were cancelled.

Under the 1972 Performance Share Plan for key executive employees, as amended, the Compensation Committee of the Board of Directors may award up to 650,000 performance share units, each unit being limited to the market value of a share of PepsiCo capital stock on date of grant. A participant's award is forfeited if he voluntarily terminates employment during the award period. Units are not earned or paid unless PepsiCo achieves stated cumulative growth rates in net income per share over the four-year period following the award.

Payments may be made in cash, or in capital stock, or combination thereof, as the Committee decides. In January 1976, 70,466 of the original 81,581 units awarded had been earned by participants under the 1972 award. The remaining 11,115 units were cancelled at various times during the four-year period. During 1974, a net total of 111,772 units were awarded, of which 102,896 were outstanding at December 27, 1975. The cost of the awards made under the Plan is being charged to income ($2,311,000 in 1975 and $2,307,000 in 1974) over the applicable four-year period. Participants may elect in advance to defer receipt of payment of awards.

The increases in capital in excess of par value for 1975 and 1974 were the excess of proceeds or conversion price over par value of shares issued for:

	Shares		Amount	
	1975	1974	1975	1974
			(in thousands)	
Stock option plans..................	1,775	9,800	$ 92	$ 503
Conversion of debentures...........	26,164	28,928	1,158	1,265
	27,939	38,728	$1,250	$1,768

RAYBESTOS-MANHATTAN, INC. (DEC)

Notes to Consolidated Financial Statements

Note N: Performance Share Plan—The Company's Performance Share Plan provides for incentive awards to certain key executives of the Company and its subsidiaries and is administered by a committee consisting of outside members of the Board of Directors. 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 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. On February 26, 1975 initial awards were made of 4,900 performance shares to five employees, all of whom were officers of the Company or one of its subsidiaries.

The estimated value of the performance share units, including the cumulative change in the market value of the common shares, is charged to operations based on the annual attainment of the objectives. This expense was approximately $43,000 in 1975.

Profit Sharing Or Bonus Plans

ARDEN-MAYFAIR, INC. (DEC)

Notes to Financial Statements

Note 6: Profit Sharing Plan and Trust—The Company has a noncontributory, trusteed profit sharing plan which is qualified under Section 401 of the Internal Revenue Code of 1954, as amended. The parent company and one subsidiary, Telautograph Corporation, were engaged in the plan until December 12, 1975 when the parent discontinued its plan. The plan is being continued at Telautograph Corporation. All full-time, nonunion employees over 18 years of age employed for at least one year after the year in which first employed by Telautograph Corporation are eligible for participation in the plan. The Company's contributions to the plan for any fiscal year, as determined by the Board of Directors, is discretionary, but in no event will it exceed 15% of the annual aggregate salaries of those employees eligible for participation in the plan. All contributions must be invested in the Company's Common stock. Contributions to the plan are allocated among eligible participants in the proportion of their salaries to the total salaries of all participants. No contribution was made in 1975 or 1974 to the plan.

JACK ECKERD CORPORATION (JUL)

Notes to Consolidated Financial Statements

Note 3: Employees Benefit Plan—The Companies have in effect a noncontributory profit-sharing plan for all regular employees. Annual contributions to the plan, which are at the discretion of the board of directors, have amounted to approximately 5% of consolidated net income before deducting such contribution and Federal and state income taxes. Contributions of $2,572,863 in 1975 and $2,281,896 in 1974 have been included in selling, general and administrative expenses.

All funds are held by a bank as agent under the trust agreement. The majority of the trustees are participants in the plan. There is no past service liability.

While the Companies expect to continue the plan indefinitely, they have reserved the right to modify, amend or terminate the plan. In the event of termination, the entire amount contributed under the plan must be applied to the payment of benefits to the participants or their beneficiaries.

GRANITEVILLE COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 9: Incentive (Profit Sharing) Plan—The Company has had in effect for many years a profit sharing plan that allocates up to but not exceeding ten percent of pre-tax income for distribution to officers and key employees. The Plan provides the method for determining the amount each employee is to receive. Incentive payments and expense for 1975 and 1974 amounted to $1,118,895 and $1,683,851, respectively.

METRO-GOLDWYN-MAYER INC. (AUG)

Notes to Consolidated Financial Statements

Note 5 (in part): Incentive Profit-Sharing Plans—In May, 1974, the Company initiated profit-sharing plans for executives and employees of the MGM Grand 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), to be available for distribution, with a maximum of $550,000 being available if such profits reach or exceed $20,000,000. An aggregate of approximately $1,379,000 and $849,000, respectively, was charged to income for the years ended August 31, 1975 and 1974, to provide for these distributions. The plans can be discontinued or modified at any time.

Savings Or Investment Plans

PORTEC, INC. (DEC)

Notes to Consolidated Statements

Note 7: Investment Plan—Under the company's Investment Plan, all salaried employees, including officers, with at least one year of service may elect to contribute up to six percent of their salaries, but not more than $1,800 annually, to a trust established under the Plan. The company contributes up to an amount equal to the employees' contribution, depending on the net income of the company for the year. Contributions of $224,000 and $193,000 were charged to operations in 1975 and 1974, respectively.

OWENS-ILLINOIS, INC. (DEC)

Financial Review

Employee Benefit Plans—The Company has retirement plans covering substantially all domestic and certain foreign employees as well as several deferred compensation arrangements. Charges to earnings amounted to $48.6 million in 1975 as compared with $42.5 million in 1974. Significant increases in benefits effective in 1974 under the Hourly Retirement Plan, together with changes in actuarial assumptions in 1974 as to retirement age for both the Hourly and Salary Retirement Plans had the effect of increasing unfunded prior service cost and resulted in additional current cost. In 1975 benefits in both plans were increased resulting again in increased unfunded prior service cost and additional current cost; however, changes in actuarial assumptions partially offset the total cost of the increased benefits in the two plans. The unfunded prior service cost at January 1, 1975, the latest actuarial valuation of the plan, approximated $293 million. The actuarially computed value of vested benefits under the Hourly and Salary Retirement Plans covering domestic employees at January 1, 1975, exceeded the total value of the pension funds, with their securities adjusted to market value at January 1, 1975, by approximately $153 million. At December 31, 1975, it is estimated that the vested benefits under these plans exceeded the total of the pension funds with their securities adjusted to market value by approximately $120 million.

The Owens-Illinois Stock Purchase and Savings Plan offers salaried employees with a minimum of one year of service the opportunity to invest up to 12% of their salaries in an Owens-Illinois common stock fund, a government securities fund, or a diversified stock fund; or in equal parts in any of the funds. The maximum investment allowable by each employee is $6,000 per year. The Company contributes an amount equal to 50% of the monthly contributions made by each participant in the plan (up to 6% of monthly base salary), such contributions by the Company not to exceed $1,500 per year as to any employee. Company contributions, which are invested in common shares of the Company for the employee's account, are fully vested after 60 months of contributions by the employee. At December 31, 1975, there were 9,000 participants in the plan. Company contributions to the plan amounted to $3.2 million ($.8 million of which represented a contribution of treasury shares) in 1975 and $3.1 million in 1974. It is management's opinion that the impact of the Employee Retirement Income Security Act of 1974 on the cost, funding and vesting of the Company's employee benefit plans will not be significant.

The Performance Award Plan, adopted in 1975, reserved 500,000 common shares for the grant of performance award units to officers and key management employees. Such performance award units consist of either or both of (1) a performance allotment expressed in dollars and (2) a nonqualified option to purchase common shares of the Company (see Stock Options). Performance allotments which are fixed in dollars at the time of grant may be paid, to the extent earned, either in common shares or cash or any combination of both. The extent to which performance allotments are earned depends upon the extent to which the performance measure for the entire period of which the awards are granted is met. The performance measure is the goal established by the Compensation Committee of the Board of Directors for after-tax rate of return on shareholders' equity.

The Company also has a Corporate Officers Incentive Plan and a Management Incentive Plan covering non-corporate office management personnel. In general, payments are made based on attainment of profit performance goals established by the Compensation Committee.

Amounts charged to earnings for these incentive plans were $7.5 million and $8.5 million for 1975 and 1974, respectively.

Deferred Compensation Plans

ABERDEEN MANUFACTURING CORPORATION (DEC)

Notes to Financial Statements

Note 7: Deferred Compensation—During 1974 the Company entered into employment contracts with three officers providing for benefits to be paid in monthly installments for 10 years following retirement or death. The Company has made current provisions for the future payments due under these agreements. The amount charged to operations was approximately $46,000 for 1975 and $25,000 for 1974 net of deferred income tax benefits.

ALBA-WALDENSIAN, INC. (DEC)

Notes to Consolidated Financial Statements

Note H: Deferred Compensation—During 1974 and 1975, the company adopted deferred compensation plans providing that a portion of certain employees salaries are deferred in exchange for aggregate annual payments of $30,000 per year, for ten years certain, upon their retirement, disability or death. The company currently is accruing this liability, on a level basis, over the remaining periods of employment. The company's expense for the year 1974 was $3,013 after providing for future income tax benefits of $3,100. The expense for 1975 and subsequent years, based on the plans currently in effect, is $13,080 after providing for future income tax benefits of $13,600.

These commitments have been informally funded with life insurance contracts on the individuals concerned, which have a face value equal to the aggregate payments due upon retirement, disability or death, and have an increase in cash value of $2,605 for the year ended December 31, 1975.

CARTER-WALLACE, INC. (MAR)

Notes to Consolidated Financial Statements

Note 7: Deferred Compensation—Under provisions of a deferred compensation plan, the Company may, at the discretion of the Board of Directors, award additional compensation to officers and employees whose regular compensation is $10,000 or more per year. The aggregate of such awards in any year may not exceed 7½% of the bonus net income of the Company before any income taxes as determined by the Board of Directors, less 10% of capital employed in the business, as defined in the plan.

As to participants awarded more than $7,500, partial payment is made in the year of grant, and the balance is payable with interest in ten annual installments starting after death, disability, retirement or discharge, or in reduced amounts, after voluntary resignation. Charges to earnings under the plan amounted to $70,000 in 1975 and $320,000 in 1974.

GEARHART-OWEN INDUSTRIES, INC. (JAN)

Notes to Consolidated Financial Statements

Note 8: Employees' Deferred Compensation Agreements—The Companies have outstanding deferred compensation agreements with several officers and key employees. The plans are payable only if the employees continue with the company until normal retirement age or upon death, if earlier. Total deferred compensation under the plans is $1,600,000 plus a cost of living escalator clause in four agreements. $186,694 was charged to operations during the year ended January 31, 1976. Anticipated expense for future years is approximately $91,400 per year plus any adjustments for the cost of living.

Two agreements with unpaid balances of $201,114 are earned and fully funded.

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 to 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 the methods of depreciation used to allocate the cost of productive facilities. Examples of depreciation expense disclosures are presented below and in PROPERTY, PLANT AND EQUIPMENT of Section 2 of this book.

Straight Line Method

AIR PRODUCTS AND CHEMICALS, INC. (SEP)

	1975	1974
	$(000)	
Costs and expenses		
Cost of sales (excluding depreciation of $38,646 in 1975 and $35,423 in 1974)...........	$374,952	$307,673
Selling, distribution, administrative, research and development expenses, excluding depreciation.................	156,785	127,041
Depreciation (Note 1)...........	53,434	45,841
	$585,171	$480,555

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 living 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 expense 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. Depreciation recorded in the accounts has been based on the estimated lives of the assets as follows:

TABLE 3-10: DEPRECIATION METHODS

	Number of Companies			
	1975	1974	1973	1972
Straight-line	567	563	568	565
Declining balance	80	71	74	73
Sum-of-the-years digits	46	45	47	52
Accelerated method-not specified	73	74	76	80
Unit of production	38	35	40	38
Sinking fund	1	1	1	1

Classification	Depreciable Lives
Buildings	10 to 50 years (principally 30 years)
Generating and chemical facilities installed primarily on or adjacent to customer premises	7 to 25 years (principally 15 years for generating facilities)
Other generating and chemical facilities, machinery and equipment	3 to 20 years (principally 15 years for generating facilities)

At the time plant and equipment (except cylinders) is retired or otherwise disposed of, the cost and related accumualted depreciation are removed from the accounts with the resulting gain or loss credited or charged to income. Generally, cylinder sales are credited to, and the cost of cylinders sold is charged against, accumulated depreciation in conformance with the composite method of depreciation.

Expenditures for maintenance and repairs are charged to expense as incurred. These costs amounted to $37,810,000 in 1975 and $29,691,000 in 1974.

AMP INCORPORATED and PAMCOR, INC. (DEC)

	1975	1974
Gross income	$152,168,000	$195,051,000
Selling, General and Administrative Expenses	90,464,000	95,765,000
Income from operations (after deducting depreciation of $21,740,000 and $16,805,000)	$ 61,704,000	$ 99,286,000

Notes to Combined Financial Statements

Note 1 (in part): Summary of Accounting Principles

Property, Plant and Equipment Depreciation—Property, plant and equipment is stated at cost. Depreciation is computed by applying principally the straight-line method to individual items. Where accelerated depreciation methods are used for tax purposes, deferred income taxes are recorded. Investment tax credits are apportioned over the productive life of the equipment for which they were granted.

Maintenance and repairs were charged to expense as incurred. Major repairs and improvements are capitalized and depreciated at applicable straight-line rates. Dies, small tools and accessories are charged to expense as acquired.

CARNATION COMPANY (DEC)

	1975	1974
Costs and expenses, including provisions for depreciation of $28,803,215 in 1975 and $27,246,476 in 1975:		
Cost of sales	$1,583,089,941	$1,455,355,213
Selling, general and administrative expenses	310,295,000	273,958,516
Interest expense	17,554,298	13,098,097
Minority interests in net income of subsidiaries	32,711	280,944
Income taxes—		
Currently payable	83,842,000	80,006,000
Deferred expense	2,933,000	586,000
	$1,997,746,950	$1,823,284,770

Notes to Consolidated Financial Statements

Note 1 (in part): Accounting Policies:

Depreciation—Depreciation is provided generally on a straight line basis over the estimated useful lives of the assets.

CARRIER CORPORATION (OCT)

	1975	1974
Costs and expenses:		
Cost of sales (excluding depreciation)	$709,200,000	$784,431,000
Other operating expenses (excluding depreciation)	154,546,000	148,547,000
Depreciation	22,760,000	20,981,000
Interest on long-term debt	14,306,000	13,211,000
Other charges—net	5,688,000	7,535,000
Total	$906,500,000	$974,705,000

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 lifes 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.

THE CLOROX COMPANY (JUN)

Notes to Consolidated Financial Statements

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

Depreciation—Depreciation is calculated by the straight-line method at rates based upon the estimated useful lives of the property, plant and equipment. The rates used to compute depreciation are as follows:

Land improvements	3⅓% to 20%
Buildings	1⅔% to 10%
Machinery and equipment	3⅓% to 33⅓%
Automobiles and trucks	20% to 33⅓%
Furniture and fixtures	10%

Depreciation charged to operations was $6,245,000 in 1975 and $5,580,000 (includes $501,000 for discontinued operations) in 1974.

SCOTT PAPER COMPANY (DEC)

Consolidated Earnings

	1975	1974
	($000)	
Costs and expenses		
Product costs	$ 826,633	$ 796,407
Marketing and distribution	196,094	155,287
Research, administration and general	60,358	56,584
Interest	26,356	16,535
	$1,109,441	$1,024,813

Financial Review

Depreciation, Cost of Timber Harvested and Amortization—Changes to costs and expenses were:

	1975	1974
	(thousands)	
Depreciation of buildings, machinery and equipment	$49,911	$45,581
Cost of timber harvested	6,705	7,313
Amortization of logging roads	1,560	1,276
	$58,176	$54,170

Depreciation is calculated by the straight-line method based on the estimated useful lives of the assets which are generally 12 to 20 years for machinery and equipment and 45 years for buildings.

The cost of timber harvested is determined by calculating that portion of the investment in timber which the current year's cut bears to the total standing timber.

Amortization of logging roads is absorbed in costs as timber is harvested and is based on the estimated recoverable timber in areas serviced by the roads.

Declining-Balance Method

LEE ENTERPRISES, INCORPORATED (SEP)

	1975	1974
Operating expenses:		
Payroll costs	$23,405,000	$21,185,000
Newsprint and ink	6,035,000	4,669,000
Depreciation	2,494,000	2,150,000
Other operating expenses	13,421,000	11,410,000
	$45,355,000	$39,414,000

Notes to Consolidated Financial Statements

Note 1 (in part): Significant Accounting Policies

Property and equipment—Property and equipment is carried at cost and includes expenditures which substantially increase the useful life of the assets. Routine maintenance and repairs are expensed as incurred. The Company records retirements by removing cost and accumulated depreciation from the asset and accumulated depreciation accounts, reflecting the resulting gain or loss in income. Approximately $4,300,000 of Electronic Copy Processing System equipment is being depreciated over 6 years by the double declining-balance method. Other assets are depreciated primarily by the straight-line method over the estimated useful lives as follows:

Land improvements	10 years
Buildings and improvements	10-50 years
Publishing and other equipment	3-20 years
Broadcasting equipment	6-8 years

PUROLATOR, INC. (DEC)

Consolidated Statements of Changes in Financial Position

	1975	1974
Funds provided:		
Net earnings	$14,412,326	$14,177,353
Charges (credits) to earnings not requiring an outlay of working capital:		
Depreciation of plant and equipment	7,989,264	7,205,201
Amortization of intangible assets	369,098	432,179
Provision for deferred taxes on income	(420,000)	217,000
Deferred compensation and other charges	145,573	640,546
Working capital derived from operations	$22,496,261	$22,672,297

Notes to Consolidated Financial Statements

Note 5: Property, Plant and Equipment—Property, plant and equipment consist of the following:

December 31	1975	1974
Land	$ 2,698,865	$ 2,496,056
Buildings and improvements	14,666,438	12,446,061
Leasehold improvements	6,278,292	5,332,336
Machinery and equipment	23,860,905	22,425,371
Revenue and service equipment	22,938,647	19,052,459
Furniture and fixtures	4,009,422	3,456,411
	$74,452,569	$65,208,694

Depreciation of plant and equipment is computed using the straight-line and the declining-balance methods. The declining-balance method is generally used for machinery and equipment and furniture and fixtures until depreciation computed using the straight-line method exceeds the accelerated method depreciation. At such time, the straight-line method is used for the remaining lives of the assets.

Estimated useful lives are generally as follows:

Buildings and improvements	20-50 years
Machinery and equipment	3-20 years
Revenue and service equipment	2-10 years
Furniture and fixtures	3-15 years
Leasehold improvements	Life of lease or asset

Expenditures for maintenance and repairs are charged against earnings in the year incurred; replacements, renewals and betterments are capitalized.

Upon the sale or other disposition of property, the cost and accumulated depreciation of such property are eliminated from the accounts and the gains or losses thereon are reflected in earnings.

RAYBESTOS-MANHATTAN, INC. (DEC)

Consolidated Statement of Changes in Financial Position

	1975	1974
Working capital provided		
Operations		
Net income	$ 7,755,599	$ 6,966,498
Charges not requiring the outlay of working capital		
Depreciation (Note A-4)	6,650,221	6,059,934
Working capital provided from operations	$14,405,820	$13,026,432

Notes to Consolidated Financial Statements

Note A (in part): Summary of Accounting Policies

4. Depreciation—Depreciation has been provided generally on the sum-of-the-years-digits or the double declining-balance methods for acquisitions subsequent to December 31, 1953 and on the straight-line method for prior acquisitions.

ROWE FURNITURE CORPORATION (NOV)

Notes to Consolidated Financial Statements

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

Fixed assets are stated at cost. Depreciation is computed by the declining-balance method on substantially all fixed assets. Leasehold improvements are amortized over the life of the lease. The amount of depreciation and amortization included in cost of goods sold and expenses is $1,701,000 in 1975 and $1,433,000 in 1974. Repairs and maintenance are charged to appropriate expense accounts in the year incurred. Major renewals and betterments are capitalized and depreciated over the estimated useful lives. The cost and accumulated depreciation of assets retired or sold are removed from the respective accounts and any gain or loss is reflected in earnings.

THE TIMKEN COMPANY (DEC)

Consolidated Statements of Changes in Financial Position

	1975	1974
Source of Funds		
From operations:		
Net income	$61,322,634	$55,950,600
Items included in net income not affecting working capital:		
Depreciation and amortization	33,890,584	29,448,557
Deferred income taxes	1,545,000	2,862,000
Equity in earnings of affiliated companies	(637,091)	(431,693)
Total from operations	$96,121,127	$87,829,464

Notes to Consolidated Financial Statements

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

Property, plant and equipment. Property, plant and equipment is valued at cost less accumulated depreciation. Expenditures for maintenance and repairs are charged to operations as incurred, while expenditures for additions and improvements are generally capitalized.

Provision for depreciation is computed generally by the double-declining balance method based upon the estimated useful lives of the assets.

Rental expense and future lease commitments of the Company and its subsidiaries are not material.

THE UNITED PIECE DYE WORKS (DEC)

Consolidated Statements of Changes in Financial Position

	1975	1974
Financial resources were provided by:		
Continuing operations:		
Net (loss)	$ (179,882)	$ (467,190)
Items charged (or credited) to continuing operations not requiring (or providing) working capital:		
Depreciation and amortization	1,175,689	1,501,655
Deferred taxes	(34,000)	962,000
Other	8,433	
Working capital provided by continuing operations	$ 970,240	$ 1,996,465

Notes to Consolidated Financial Statements

Note A—Significant Accounting Policies:

(1) The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. Inter-company investments, account balances and material transactions have been eliminated in consolidation.

(2) 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.

(3) Research and development costs are charged to operations as incurred.

Note E—Property, Plant and Equipment:

(1) Major classes of property, plant and equipment are summarized as follows:

	December 28, 1975	December 29, 1974
Land and improvements	$ 184,059	$ 281,324
Building and improvements	3,922,998	3,725,822
Machinery and equipment	11,322,806	9,524,884
Furniture and fixtures	509,921	470,274
Automotive equipment	194,361	183,474
Construction in progress	143,248	582.411
Total	$16,277,393	$14,768,189
Less accumulated depreciation	7,032,036	6,146,238
Balance	$ 9,245,357	$ 8,621,951

(2) 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 more assets acquired subsequent thereto, based on estimated useful lives of the various assets ranging from 4 years to 45 years. Depreciation expense aggregated $1,339,521 in 1975 and $1,454,066 in 1974 (including obsolescence factors of $239,633 on certain equipment in 1975 and $457,682 on certain other equipment in 1974). For income tax purposes, the Company uses accelerated depreciation methods for most assets irrespective of their acquisition dates.

(3) During 1974 and 1975 the Company sold equipment which cost $1,605,000 for $1,500,000 and leased it back. The excess of cost over sales price of $105,000 is being amortized over the life of the lease.

Sum-Of-The-Years-Digits Method

BLUE BELL, INC. (SEP)

Statement of Changes in Consolidated Financial Position

	1975	1974
Operations:		
Net income	$25,780,902	$19,761,215
Add expenses not requiring working capital:		
Depreciation and amortization of property	7,196,470	6,797,405
Write off of purchased goodwill	1,436,951	445,172
Other	416,797	70,887
Working capital provided from operations	$34,831,120	$27,074,679

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.

CATERPILLAR TRACTOR CO. (DEC)

	1975	1974
	(Millions of dollars)	
Costs:		
Inventories brought forward from previous year	$1,061.8	$ 818.3
Materials, supplies, services purchased, etc.	2,703.2	2,459.3
Wages, salaries and contributions for employee benefits	1,511.7	1,327.4
Depreciation (portion of original cost of buildings, machinery and equipment allocated to operations)	156.4	125.5
Interest on borrowed funds	78.3	59.8
Taxes based on income	248.8	133.7
	5,760.2	4,924.0
Deduct: Inventories carried forward to following year	1,183.4	1,061.8
Costs allocated to year	$4,576.8	$3,862.2

Notes to Financial Statements

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

Depreciation—The generally accepted accounting principle followed with respect to depreciation of buildings, machinery and equipment is the systematic allocation to each year's operations of a portion of the *original* cost of these facilities. The plant assets currently in use were acquired over many years at price levels which were substantially lower than current price levels. The portion of the original cost of these assets allocated to each year are used in determining profit was, therefore, substantially lower than if a provision could have been made on the basis of current replacement price levels.

Depreciation is computed principally using accelerated methods ("sum-of-the-years-digits" and "declining balance") for both income tax and financial reporting purposes. These methods result in a larger allocation of the cost of buildings, machinery and equipment to operations in the early years of the lives of assets than does the straight-line method. If the straight-line method had always been in use. "Buildings, machinery and equipment—net" would have been $255.3 million and $222.8 million higher than reported at December 31, 1975 and 1974, respectively, and depreciation expense for 1975 and 1974 would have been, respectively, $32.8 million less and $23.0 million less.

For financial reporting purposes the depreciation rates used worldwide are principally based on the "guideline" lives established by the U.S. Internal Revenue Service. For income tax purposes the depreciation rates used are principally based on the "guideline" lives for assets acquired prior to 1971 and on the Class Life ADR System for additions after 1970.

When an asset becomes fully depreciated, its cost is eliminated from both the asset and the accumulated depreciation accounts.

"Buildings, machinery and equipment—net" at December 31 is summarized by major classification as follows.

	1975	1974
	(Millions of dollars)	
Buildings	$ 839.9	$ 656.7
Machinery and equipment	1,427.0	1,199.7
	2,266.9	1,856.4
Deduct: Accumulated depreciation	920.3	779.9
Buildings, machinery and equipment—net	$1,346.6	$1,076.5

The company had commitments for the purchase or construction of fixed assets amounting to approximately $365 million at December 31, 1975. Capital expenditure plans are subject to continuous monitoring and changes in such plans could substantially reduce the amount reported as committed at year-end.

CANNON MILLS COMPANY (DEC)

Statement of Changes in Consolidated Financial Position

	1975	1974
Working Capital Provided By:		
Operations:		
Net income	$18,733,014	$15,500,750
Charges (credits) to income not currently requiring (providing) working capital:		
Depreciation	17,097,650	16,118,810
Equity in earnings of minority investments	(101,886)	(1,188,517)
Increase in allowance for workmen's compensation claims and expenses	315,202	295,839
Total from operations	$36,043,980	$30,726,882

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 1975 exceeded, by approximately $3,100,000, 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.

HARNISCHFEGER CORPORATION

Statement of Changes in Financial Position

	1975	1974
Source of funds		
From operations:		
Net income	$23,474,439	$11,645,639
Depreciation	5,070,747	3,413,077
Unremitted equity in earnings of unconsolidated companies	(501,340)	(426,914)
Minority interest—income (loss)	(1,209,366)	(61,802)
Deferred income taxes and amortization of debt discount	544,509	362,044
Total funds from operations	$27,378,989	$14,932,044

Financial Notes

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

Operating Plants and Depreciation—Properties are stated at cost. Maintenance and repairs to fixed assets are charged to expenses as incurred and expenditures for betterments and renewals are capitalized. When properties are sold or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Depreciation of operating plants in the U.S.A., for both financial and tax reporting, is computed by the sum of the years-digits method on all qualified assets, and by the 150% declining balance or straight-line methods on other assets. For income tax purposes, depreciation rates are principally based on the Class Life Asset Depreciation Range System for additions, other than buildings, after 1972. The general range of useful lives of depreciable property for financial reporting is:

Buildings	15 to 40 years
Machinery and equipment	4 to 15 years
Other	5 to 20 years

HOMASOTE COMPANY (DEC)

Consolidated Statement of Changes in Financial Position

	1975	1974
Financial resources were provided by:		
Net earnings	$ 602,236	$ 555,651
Items not requiring funds:		
Depreciation	592,026	650,582
	1,194,262	$1,206,233

Noted to Consolidated Financial Statements

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

Plant Facilities: Land, buildings, machinery and equipment are carried at cost. Major additions and betterments are charged to the property accounts while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are expensed currently.

Depreciation and amortization of plant facilities are computed over the estimated useful lives of the related assets by the straight-line method of assets acquired in 1953 or prior and all purchases acquired thereafter by the sum-of-the-years-digits method; some machinery and office equipment by the straight-line method, and automotive by the declining balance method.

RAYTHEON COMPANY (DEC)

Statement of Changes in Financial Position

	1975	1974
Resources provided		
Net income	$ 70,972,923	$57,751,015
Depreciation and amortization of property, plant and equipment	48,381,284	36,692,518
Working capital provided from operations	$119,354,207	$94,443,533

Notes to Financial Statements

Note A (in part): Accounting Policies

Property, Plant and Equipment—Property, plant and equipment is stated at cost.

Provisions for depreciation are computed generally on the sum-of-the-years-digits method, except for certain subsidiaries which use the straight-line or declining-balance method. Depreciation provisions are based on estimated useful lives (buildings—20 to 45 years; machinery and equipment—3 to 18 years) which approximate U.S. Treasury guidelines. Leasehold improvements are amortized over the lesser of the life of the lease or the estimated useful life to the improvement.

Expenditures for maintenance and repairs and minor renewals are charged to expense; betterments and major renewals are capitalized and charged to property, plant and equipment accounts. When assets are retired or otherwise disposed of, the assets and related allowances for depreciation and amortization are eliminated from the accounts and any resulting gain or loss is reflected in net income.

WINN-DIXIE STORES, INC. (JUN)

Consolidated Statements of Changes in Financial Position

	1975	1974
Working capital provided by:		
Operations:		
Net earnings	$55,552,354	47,623,196
Charges to earnings which do not require use of working capital:		
Depreciation and amortization	35,040,483	30,479,436
Deferred investment tax credits	2,189,000	773,000
Increase in reserve for self-insurance	—	137,996
Cumulative effect on prior years of changing to the deferral method of accounting for investment tax credits	—	3,877,129
Total working capital provided by operations	$92,781,837	$82,890,757

Notes to Consolidated Financial Statements

Note 1 (in part): Accounting Policies

Depreciation and Amortization: Depreciation of plant and equipment is provided over the estimated useful lives principally by the sum-of-the-years-digits method except for the distribution centers and bakery acquired in 1975 for which the straight-line method is used. Amortization of improvements to leased premises is provided by the straight-line method over the periods of the leases or the estimated useful lives of the improvements, whichever is less.

THE VENDO COMPANY (DEC)

Consolidated Statement of Changes in Financial Position

	1975	1974
Working capital provided by (used in) operations:		
Net loss before extraordinary item	$(2,681,911)	$(3,133,543)
Charges (credits) not affecting working capital in the current period—		
Depreciation and amortization	1,092,712	1,274,126
Increase (decrease) in deferred income taxes	47,560	(594,991)
Minority interest in earnings (losses) of subsidiaries	3,832	(173,797)
Earnings of VFC Acceptance Corporation (Note 3)	(169,513)	(17,394)
Provided by (used in) operations before extraordinary item	$(1,707,320)	$(2,645,599)

Notes to Consolidated Financial Statements

Note 1 (in part): Significant Accounting Policies:

Depreciation policies—Depreciation of plant and equipment is provided by charges to operations over the estimated useful lives of the assets by the sum-of-the-years-digits method for new domestic assets purchased after January 1, 1954, and, generally, by the straight-line method for all other assets. The lives used for the more important items within each property classification are as follows:

Buildings	25 years
Machinery and equipment	12½ years
Transportation equipment	4 years
Office equipment	10 years
Leasehold improvements	Lease period

Unit of Production Method

CITIES SERVICE COMPANY (DEC)

	1975	1974
	($000)	
Costs and expenses		
Costs and operating expenses	$2,397,900	$1,993,200
Exploration expenses, including dry hole costs and lease amortization	179,300	149,200
Selling, general and administrative expenses	149,500	146,500
Taxes, other than Federal and foreign income taxes	83,900	80,100
Depreciation and depletion	129,900	128,400
Interest expense (net of interest capitalized: 1975—$5,700; 1974—$5,600)	52,900	51,300
Federal and foreign income taxes	99,400	89,100
Income applicable to minority interests	7,700	5,000
	$3,100,500	$2,642,800

Notes to Consolidated Financial Statements

Note 1 (in part): Significant Accounting Policies

Depreciation and Depletion—The costs of producing properties, including leaseholds, drilling, development and equipment costs, are capitalized for accounting purposes. Depreciation and depletion are provided on a field basis, generally on the unit-of-production method based upon estimates of recoverable reserves.

Depreciation of other than producing properties is provided by the straight-line method over the estimated lives of the properties with due allowance for salvage.

GEORGIA-PACIFIC CORPORATION (DEC)

	1975	1974
	(000)	
Costs and expenses:		
Cost of sales	$1,798,870	$1,846,870
Selling, general and administrative expenses	144,660	136,130
Depreciation and depletion (Note 4)	133,760	123,500
Interest expense (less interest capitalized on construction projects of $18,760 in 1975 and $18,750 in 1974)	49,800	61,500
Provision for income taxes	83,500	100,000
	$2,210,590	$2,268,000

Note 4: Depletion, Depreciation and Capitalization Policies—The Corporation amortizes its timber costs over the total fiber that will be available during the estimated crowth cycle. Timber carrying costs are expensed as incurred.

All costs of exploring for and developing domestic oil and gas reserves are capitalized under the full-cost method of accounting and charged to operations on the basis of units-of-production over the estimated life of future production.

During 1975, the Corporation adopted the units-of-production method of depreciation for machinery and equipment at certain building products and chemical plants in order to achieve a better matching of costs and revenues over the service lives of such facilities. The method was adopted for new plants as well as for plants which had previously been depreciated on the straight-line method. The effect of the change in 1975 was to increase earnings by $2,670 net of income taxes ($.04 per share on a primary basis and $.04 per share on a fully diluted basis). The cumulative effect of the change on prior years was not material. All remaining property and equipment is being depreciated on the straight-line method.

Provisions for depreciation of buildings, machinery and equipment are computed on the straight-line or units-of-production method using composite rates based upon the estimated service lives of the various units of property. The ranges of 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. Replacement of major units of property are capitalized and the replaced property 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 of 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 $6,730 in 1975, and $7,350 in 1974 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. The amount deferred was $4,760 in 1975. New project start-up costs were not significant in 1974.

THE SUPERIOR OIL COMPANY (DEC)

	1975	1974
Operating expenses		
Operating costs	$ 76,955,000	$ 64,584,000
General and administrative	24,819,000	18,181,000
Geological and geophysical	29,885,000	28,835,000
Intangible development costs	85,325,000	58,335,000
Nonproductive leases and other properties abandoned	17,451,000	8,008,000
Depletion, depreciation and amortization	33,120,000	31,253,000
Taxes (other than income)	18,289,000	18,094,000
	$286,844,000	$227,290,000

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.

KIMBERLY-CLARK CORPORATION (DEC)

Accounting Policies

Property and Depreciation—Property, plant and equipment are stated at cost. Depreciable property is generally depreciated in an accelerated method for income tax purposes and on a straight-line or unit of production method of accounting purposes. Provisions for timber depletion are based on estimated quantities of timber available for cutting.

The cost of property sold or retired is credited to the asset account, and the related depreciation is charged to the accumulated depreciation account. Any profit or loss resulting from the sale or retirement is included in income.

Maintenance and repairs, including the replacement of minor items, are charged to expense. Major additions to property are capitalized.

Notes to Financial Statements

Note 4 (in part): Property, Plant and Equipment

(Thousands)	December 31 1975	1974	Annual Depreciation or Depletion Rates
Depreciable and depletable property			
Timberlands	$ 58,151	$ 56,771	Various
Land improvements	12,434	7,268	3%-20%
Buildings	229,317	221,228	2%-20%
Machinery and equipment	790,147	758,341	4%-20%
Furniture and fixtures	15,543	15,377	5%-33%
Automobiles, trucks and airplanes	12,280	13,330	13%-37%
Other depreciable property	14,878	7,651	2%-20%
	1,132,750	1,079,966	
Non-depreciable property			
Land	8,348	8,675	
Plant being constructed	92,550	39,552	
	100,898	48,227	
Total property, plant and equipment	1,233,648	1,128,193	
Less accumulated depreciation and depletion	(570,774)	(530,907)	
Net property, plant and equipment	$ 662,874	$ 597,286	

Beginning with 1975, the unit of production depreciation method was adopted for certain new manufacturing facilities. This method will result in a more appropriate matching of revenue and expense for these facilities. This change had no significant effect on net income for 1975 and is expected to have an insignificant effect in 1976.

Depletion

AKZONA INCORPORATED (DEC)

	1975	1974
	($000)	
Costs and expenses:		
Cost of sales (excluding depreciation and depletion)	$543,566	$589,402
Depreciation and depletion	33,415	29,959
Selling, administrative and general	72,838	72,651
Interest	13,615	9,179
	$663,434	$701,191

Notes to Consolidated Financial Statements

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

Depreciation and depletion—For financial reporting purposes, depreciation of property, plant and equipment is calculated on the straight-line basis over the estimated useful lives of the respective assets. The estimated lives used are: buildings and structures—14 to 50 years; machinery and equipment—5 to 25 years. Depletion of salt deposits is calculated on the basis of estimated recoverable tons of salt. Upon the sale or other retirement of properties, the cost and accumulated depreciation or depletion are removed from the accounts and any gain or loss included in income. Repairs and maintenance are expensed as incurred.

INTERNATIONAL PAPER COMPANY (DEC)

	1975	1974
	($000)	
Costs and expenses		
Cost of products sold	$2,134.0	$2,128.4
Distribution expenses	172.2	186.0
Selling and administrative expenses	156.6	142.6
Depreciation	118.6	108.5
Depletion of oil and gas properties	45.1	—
Cost of timber harvested	28.8	26.6
Interest	83.4	45.0
Total Costs and Expenses	$2,738.7	$2,637.1

Notes to Consolidated Financial Statements

Summary of Significant Accounting Policies (in part):

Plants and Properties are stated at cost. With regard to the Company's oil and gas properties, the Company follows the "full-cost" method of accounting under which all direct costs incurred in the acquisition, exploration and development of oil and gas properties are capitalized and amortized on a company-wide composite method over the productive life of the producing properties.

Depreciation is computed principally on a straight line method for financial reporting purposes and on accelerated methods for tax purposes, based upon estimated useful lives.

Depreciation rates for financial reporting purposes are as follows: buildings 2½%; machinery and equipment 5% to 25%; woods equipment 10% to 16%. Depletion of oil and gas properties is determined on the basis of the percentage of the oil and gas revenues during the period of the total estimated future gross revenues from proven reserves.

KENNECOTT COPPER CORPORATION (DEC)

	1975	1974
Cost of goods sold (Note 3)	$676,100,183	$ 815,026,986
Depreciation, depletion and amortization (Note 5)	49,035,831	46,696,171
Selling and general administrative expenses	40,560,068	41,059,336
Shutdown expenses during strikes	1,512,942	4,524,364
Interest expense	34,701,918	19,736,831
Research, exploration and miscellaneous	12,375,973	19,387,642
Loss on liquidation of Chase Brass & Copper Co. Waterbury Plant	29,500,000	—
Provision (credit) for U.S. and foreign taxes on income (Note 10)	(39,900,000)	56,300,000
	$814,886,915	$1,002,731,330

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 estimated useful lives on the straight-line method. Generally, such rates are computed on a basis of average useful life of items or groups 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.

MARATHON OIL COMPANY (DEC)

	1975	1974
Costs and expenses		
Purchased crude oil, petroleum products and merchandise	$1,776,871,000	$1,901,801,000
Operating, selling and general expenses	397,528,000	316,767,000
Taxes, including income taxes—Note J	678,987,000	611,207,000
Depletion and depreciation	99,823,000	100,866,000
Lease amortization	25,809,000	26,139,000
Exploration, lease rentals and nonproductive well costs	61,188,000	29,972,000
Interest and debt expense	21,013,000	19,619,000
Total Costs and Expenses	$3,061,219,000	$3,006,371,000

Notes to Consolidated Financial Statements

Note A (in part): Accounting Policies

Depletion, depreciation and amortization—Depletion and depreciation of producing properties are computed at rates applied to the units of production on the basis of estimated recoverable oil and gas as determined by geologists and engineers of the Company. The costs of undeveloped properties are amortized over projected holding periods. Other items of property, plant and equipment are depreciated principally by the straight-line method.

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 accounts 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.

TABLE 3-11: FEDERAL INCOME TAX EXPENSE

	1975	1974	1973	1972
Descriptive Terms				
Income taxes	391	396	426	304
Federal income taxes	157	163	140	239
United States (U.S.) income taxes	48	36	33	51
	596	595	599	594
Other or no caption for expense	4	5	1	6
Total Companies	**600**	**600**	**600**	**600**

TABLE 3-12: TIMING DIFFERENCES — REASONS

	Number of Companies			
	1975	1974	1973	1972
Depreciation	504	477	459	439
Unremitted earnings	156	122	92	56
Inventory valuation	88	56	35	15
Installment sales	68	72	66	68
Other employee benefits	60	66	50	44
Pensions	55	62	43	30
Long-term contracts	40	35	22	16
Warranties and guaranties	30	26	20	12

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 3-11 summarizes the descriptive captions used by the survey companies to identify income tax expense. Table 3-12 shows the nature of frequently disclosed timing differences giving rise to deferred taxes. Examples of income tax expense presentations and disclosures follow.

ALAN WOOD STEEL COMPANY (DEC)

	1975	1974
Income (loss) before income tax provision (benefit)	$(17,205,876)	$15,908,637
Income tax provision (benefit) (Notes 1 and 4)	(7,800,000)	7,611,000
Net income (loss)	$ (9,405,876)	$ 8,297,637

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of significant accounting policies

Investment Tax Credit—Investment tax credits earned are applied as a reduction of the income tax provision under the flow-through method (see Note 4).

Note 4: Income Taxes—The income tax provision (benefit) is comprised of the following:

	1975	1974
Current:		
Federal	$(3,040,000)	$3,427,000
State	143,000	1,136,000
	(2,897,000)	4,563,000
Deferred:		
Federal	(4,897,000)	2,945,000
State	(6,000)	103,000
	(4,903,000)	3,048,000
	$(7,800,000)	$7,611,000

The income tax benefit for 1975 arises from the application of the 1975 operating loss to current and deferred income taxes provided during 1972 through 1974.

The sources of deferred income tax expense (benefit) and the tax effect of each were as follows:

	1975	1974
Income tax expense over (under) financial statement expense:		
Pension expense	$(2,677,000)	$ 677,000
Depreciation	(184,000)	(93,000)
Other	112,000	100,000
	(2,749,000)	684,000
Restored investment tax credits utilized for income tax purposes during 1972 through 1974 resulting from 1975 operating loss carryback (a)	(1,699,000)	—
Investment tax credit utilized for income tax purposes	—	3,019,000
Investment tax credit earned for financial statement purposes	(455,000)	(655,000)
	$(4,903,000)	$3,048,000

The actual income tax rate for the years ended December 31, 1975 and 1974 compares with the statutory federal income tax rate of 48% as follows:

	Percentage of income (loss) before income taxes	
	1975	1974
Statutory federal income tax rate	(48.0)%	48.0%
Increases (reductions) in income tax rate resulting from:		
Investment tax credit earned	(2.6)	(4.0)
Investment tax credit not restored for financial statement purposes (a)	2.9	—
Carryback of ordinary loss against capital gains in 1972 and 1973	1.9	—
State income taxes, net of federal income tax benefit	.4	4.0
Other	.1	—
Actual income tax rate	(45.3)%	48.0%

(a) The Company has consistently followed the practice of recording investment tax credits as earned. To the extent that these investment tax credits were not currently usable for tax purposes, they were offset against the deferred income tax liability.

At December 31, 1974 all investment tax credits had been utilized for income tax purposes. As a result of the 1975 operating loss, investment tax credits of $1,699,000 utilized during 1972 through 1974 were restored and accordingly have been offset against the deferred income tax liability. In addition, 1975 investment tax credits earned ($455,000) were offset against the deferred income tax liability. These investment tax credits are usable to offset future federal income taxes payable and will be credited to deferred income taxes on the balance sheet when utilized. At December 31, 1975, $499,000 of investment tax credits not restored for financial statement purposes are available to offset future federal income tax provisions and liabilities. For federal income tax purposes, the total investment tax credit carryforward which is available for offset against future income taxes is $2,653,000, expiring periodically through 1982.

AMERADA HESS CORPORATION

	1975	1974
Cost and expenses		
Cost of products sold and operating expenses	$2,514,946,000	$2,983,195,000
Exploration expenses	21,906,000	30,048,000
Selling, general and administrative expenses	133,333,000	128,402,000
Interest expense	54,826,000	55,750,000
Depreciation	73,636,000	59,602,000
Depletion, lease amortization and relinquishments	40,513,000	45,220,000
Intangible drilling and development costs	50,443,000	43,888,000
Provision for income taxes	196,073,000	226,046,000
Total costs and expenses	$3,085,676,000	$3,572,151,000

Notes to Consolidated Financial Statements

Note 1 (in part): Accounting Policies

Income Taxes—The investment tax credit is taken into income currently as a reduction of the provision for income taxes.

Undistributed earnings amounting to $449,950,000 of consolidated foreign subsidiaries are indefinitely reinvested in foreign operations, and therefore no provision is made for income taxes which may be payable if such undistributed earnings were remitted to the Corporation.

Note 10: Provision for Income Taxes—The provision for income taxes is comprised of the following:

	1975	1974
Current		
Federal	$ 29,864,000	$ 66,444,000
Foreign and state	160,409,000	150,594,000
	190,273,000	217,038,000
Deferred		
Federal	2,734,000	(7,318,000)
Foreign	3,066,000	16,326,000
	5,800,000	9,009,000
Total	$196,073,000	$226,046,000

The provision for deferred income taxes represents the tax effect of transactions reported in different periods for financial and income tax reporting purposes. In 1975, the deferred income tax expense of $5,800,000 includes a credit of $11,269,000 representing amortization of lease and concession costs not deducted currently for income tax purposes. The deferred tax effect of all other types of timing differences for 1975 and each type of timing difference for 1974, as well as the aggregate of such timing differences is less than 5% of the total tax amount computed at the United States statutory tax rate.

The expiration or exercise on June 15, 1976 of warrants to purchase shares of L.L. & E. stock (see Note 3) will be a taxable transaction for which deferred income taxes were provided in a prior year, and may result in cash outlays for income taxes which exceed 1976 income tax expense.

The difference between the Corporation's effective income tax rate and the United States statutory rate of 48% is reconciled below:

	1975	1974
United States statutory rate	48.0%	48.0%
Excess of United States statutory depletion allowance over provision reflected in financial statements	(1.0)	(6.9)
Investment tax credit	(3.1)	(1.4)
Income from foreign operations subject to varying income tax levies	12.5	10.2
Other items	4.0	2.9
	60.4%	52.8%

The investment tax credit is taken into income currently as a reduction of the provision for income taxes, and amounted to $10,115,000 in 1975 and $5,806,000 in 1974.

A subsidiary of the Corporation, incorporated and operating in the U.S. Virgin Islands, has received a government subsidy amounting to 75% of the income taxes due, for a period of 16 years, commencing in 1966.

AMERICAN BAKERIES COMPANY (DEC)

	1975	1974
	($000)	
Income taxes (Notes 1 and 2):		
Current	$4,764	$ 323
Deferred	(763)	(1,500)
Investment credit realized	(2,020)	—
	$1,981	$(1,177)

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of Accounting Policies

Investment Tax Credit—The Company utilizes the flow-through method of recognizing investment tax credits in income in the year realized for tax purposes. (See Note 2.)

Note 2: Income Taxes—The effective income tax rates of 25.7% in 1975 and 40.9% in 1974, differ from the provision (benefit) computed at a U.S. Federal income tax rate of 48% for the following reasons:

	(In thousands)			
	1975		1974	
	Amount	% of Pre-Tax Income	Amount	% of Pre-Tax Loss
Income tax provision (benefit) at statutory rate	$3,706	48.0	$(1,380)	(48.0)
Net realization of investment tax credits applicable to—				
1975 additions	(620)	(8.1)	—	—
Prior year carryforwards	(1,400)	(18.1)	—	—
State and local income taxes, net of Federal income tax benefit	321	4.2	168	5.8
Other, net	(26)	(.3)	35	1.3
	$1,981	25.7	$(1,177)	(40.9)

The Company has consistently recognized in income investment tax credits in the years in which such credits were realized by reduction of taxes payable. During 1973, the Company accelerated the recognition of income for tax purposes (primarily the gain on sale of four plants in 1972) resulting in the realization of investment tax credit benefits during the year. Benefits realized, partially offset by the expected loss of investment tax credit due to the carry-back of 1973 losses to a prior profitable year, amounted to $585,000 and were recorded in 1973. Investment tax credits were not realized or recorded in 1971, 1972 and 1974. The realization of these investment tax credits in 1975 ($1,400,000), increased earnings per common share by $.86.

The provision for income taxes includes state income taxes in 1971 through 1975 of approximately $280,000, $266,000, $333,000, $323,000 and $618,000, respectively.

Deferred income taxes result from timing differences in the recognition of revenue and expense for tax and financial statement purposes. The major sources of these differences in 1975 and 1974 and the related tax effect of each is as follows:

	(In thousands) Tax Effect	
	1975	1974
Increase (decrease) in deferred income taxes:		
Excess of book over tax depreciation	$(363)	$ (849)
Provision for plant closings to be deducted in future years for tax purposes	(386)	(631)
Expenses provided for in prior years, primarily plant closing and abandonment costs, currently deductible for tax purposes	235	485
Deferred legal settlements, net of related fees	(218)	78
Retirement plan provisions net deductible for tax purposes until paid	—	(366)
Other, net	(31)	(217)
	$(763)	$(1,500)

The cash outlay for income taxes in the years 1976 through 1978 is expected to exceed income tax expense for these years, however, the amount each year is not estimated to be material.

BROOKS & PERKINS, INCORPORATED (JUL)

	1975	1974
Earnings before income taxes	$1,805,207	$698,047
Income taxes—Notes A and E	820,000	235,000
Net earnings	$ 985,207	$463,047

Note A (in part): Summary of Accounting Policies

Income Taxes—Provision is made for taxes deferred due to timing differences between earnings for financial-reporting purposes and income-tax purposes. The most significant of these differences relate to the provision for depreciation and the taxable portion of the earnings of the Corporation's Domestic International Sales Corporation (DISC).

Income taxes have not been provided on 50% of the DISC's earnings, since management has declared its intention to indefinitely postpone payment of such taxes through appropriate reinvestment of the undistributed earnings.

The investment tax credits have been accounted for by the flow-through method as a reduction of income taxes currently payable.

Note E: Income Taxes—The amounts of the DISC's earnings on which income taxes have not been provided were $261,000 in 1975 and $165,000 in 1974. The cumulative amount of such earnings at July 31, 1975 was $582,000.

The income-tax provisions have been reduced by investment tax credits of $25,000 in both years, and are summarized as follows:

	Federal	State	United Kingdom	Total
Year ended July 31, 1975				
Current	$604,000	$75,000	$120,000	$799,000
Deferred	18,000	3,000	—0—	21,000
Total	$622,000	$78,000	$120,000	$820,000
Year ended July 31, 1974				
Current	$144,000	$30,000	$ —0—	$174,000
Deferred	52,000	9,000	—0—	61,000
Total	$196,000	$39,000	$ —0—	$235,000

KENNECOTT COPPER CORPORATION (DEC)

	1975	1974
Cost of goods sold	$676,100,183	$ 815,026,986
Depreciation, depletion and amortization	49,035,831	46,696,171
Selling and general administrative expenses	40,560,068	41,059,336
Shutdown expenses during strikes	1,512,942	4,524,364
Interest expense	34,701,918	19,736,831
Research, exploration and miscellaneous	23,375,973	19,387,642
Loss on liquidation of Chase Brass & Copper Co. Waterbury Plant	29,500,000	—
Provision (credit) for U.S. and foreign taxes on income	(39,900,000)	56,300,000
	$814,886,915	$1,002,731,330

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 and depreciation allowable for income tax purposes in excess of the amounts charged to income in the financial statements.

In 1975 and in prior years, deductions for tax purposes of mining costs attributable to the production of coal dedicated under a reserved production payment agreement entered into in connection with the acquisition of Peabody, in excess of deductions that Peabody could have used on a separate company basis, have been utilized by Kennecott in its consolidated federal income tax return. Deferred income taxes relating to those deductions have been provided in Kennecott's financial statements. In addition, Kennecott has utilized, in the year they arose, percentage depletion deductions and investment tax credits generated by Peabody of which Peabody would not have been able to avail itself on a separate company basis.

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:

	1975	1974
U.S.:		
Currently (recoverable) payable	($35,200,000)	$50,800,000
Deferred	(10,250,000)	27,550,000
Investment credit	(7,300,000)	(8,000,000)
	(52,750,000)	70,350,000
Foreign:		
Currently payable	11,500,000	23,950,000
Deferred	1,350,000	1,050,000
	12,850,000	25,000,000
	($39,900,000)	$95,350,000
Allocated to:		
Income before extraordinary credit	($39,900,000)	$56,300,000
Extraordinary credit	—	39,050,000
	($39,900,000)	$95,350,000

Deferred tax (credits) expenses resulting from timing differences in the recognition of expenses for tax and financial statement purposes. The courses of these differences and the tax effect of each in 1975 and 1974 were as follows:

	1975	1974
Utilization of write-off of equity interest in El Teniente (Note 4)	$ —	$ 4,550,000
"DISC" income	(5,900,000)	2,000,000
Foreign exploration costs	(1,400,000)	(1,500,000)
Waterbury plant liquidation	(13,800,000)	—
Excess of tax over book depreciation:		
U. S.	1,350,000	8,450,000
Foreign	1,350,000	1,050,000
Deferred taxes provided by Kennecott resulting from utilization of Peabody timing differences (a)	9,050,000	15,050,000
Other	450,000	(1,000,000)
Changes in deferred U. S. and foreign taxes on income	($ 8,900,000)	$28,600,000

(a) In the event of the disposition of Peabody (see Note 2), deferred taxes provided by Kennecott with respect to the utilization of certain tax deductions generated by Peabody would no longer be required and would have the effect at the time of disposition of reducing Kennecott's investment in Peabody. At December 31, 1975, the total amount thus provided and included in Deferred U.S. and foreign taxes was $71,350,000 (see Note 1, Summary of Accounting Policies—Income Taxes).

The total tax credit in 1975 is more and the total tax expense in 1974 is less than the amount which would be provided by applying the U.S. income tax rate of 48% to (loss) income before tax. The reasons for the differences, expressed as a percentage of pretax (loss) income, are as follows:

	1975	1974
Computed "expected" tax (benefit) expense	(48.0%)	48.0%
Minimum tax	6.6	2.9
Percentage depletion	(13.7)	(16.9)
Investment credit	(9.5)	(2.1)
Peabody tax benefits, principally attributable to percentage depletion and investment credit	(11.8)	(8.7)
Other	(.8)	1.4)
	(77.2%)	24.6%

At December 31, 1975, undistributed earnings for foreign consolidated subsidiaries on which no U.S. income taxes have been provided amounted to $59,800,000 (see Note 1, Summary of Accounting Policies—Income Taxes).

BURNDY CORPORATION (DEC)

	1975	1974
Earnings before income taxes	$16,908,000	$14,880,000
Income taxes (Notes 1 and 6)	8,096,000	7,008,000
Net earnings	$ 8,812,000	$ 7,872,000

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

Income Taxes—Provisions are made based on earnings reported in the financial statements for the estimated amount of income taxes payable currently and in the future (deferred income taxes).

United States income and foreign withholding taxes, less available tax credits, are provided currently on earnings of foreign subsidiaries which the Company anticipates will be remitted. The Company does not provide such taxes on undistributed earnings of subsidiaries, which are being invested in expansion programs and the remittance of which has been indefinitely postponed.

Investment tax credits are deducted from the provision for income taxes under the flow-through method.

Note 6: Income Taxes—The components of the provision for income taxes are as follows:

	1975		1974	
	Current	Deferred	Current	Deferred
Federal	$3,254,000	$123,000	$3,104,000	$200,000
Foreign	3,386,000	589,000	2,822,000	217,000
State	744,000	—	665,000	—
	$7,384,000	$712,000	$6,591,000	$417,000

The provision for federal, state and foreign income taxes for the years ended December 31, 1975 and 1974 amounted to $8,096,000 and $7,008,000, respectively, which amounts are less than that which would be computed by applying the United States federal statutory income tax rate of 48% to earnings before taxes. The reasons for these differences are as follows:

	Year ended December 31,		Percentage of pretax earnings Year ended December 31,	
	1975	1974	1975	1974
Computed expected tax expense	$8,116,000	$7,142,000	48.0%	48.0%
Increases (reductions) in taxes resulting from:				
Earnings of foreign subsidiaries taxed locally at rates generally lower than those in the United States	(489,000)	(458,000)	(2.9)	(3.1)
State income taxes, net of federal income tax benefit.	387,000	346,000	2.3	2.3
Investment tax credit, certain foreign source income taxed as capital gains and other causes, net	82,000	(22,000)	.5	(.1)
Actual tax expense	$8,096,000	$7,008,000	47.9%	47.1%

Deferred income taxes arise principally from computing depreciation on the accelerated method for tax purposes and the straight-line method for financial statement purposes.

The cumulative undistributed earnings of foreign subsidiaries at December 31, 1975, for which the Company has not provided U. S. income and foreign withholding taxes, amounted to approximately $21,000,000. In the event these earnings were remitted to the Company, foreign tax credits available would be used to offset a substantial portion of the U. S. income taxes.

NEPTUNE INTERNATIONAL CORPORATION (DEC)

	1975	1974
Income before taxes on income	$9,810,855	$7,706,170
Provision for taxes on income	4,845,000	3,672,000
Income before minority interest and extraordinary item	$4,965,855	$4,034,170

Statement of Accounting Policies

Income Taxes—In 1975, the Corporation received dividends from certain of its foreign subsidiaries aggregating approximately $910,000. The receipt of these dividends did not result in additional income taxes to the Corporation due to the utilization of foreign tax credits.

At December 31, 1975, the cumulative amount of undistributed income of foreign subsidiaries for which income taxes have not been provided is approximately $6,430,000.

No provision has been made for additional income taxes which might result from the distribution to the Corporation of this undistributed income of foreign subsidiaries, inasmuch as it is the Corporation's present intention to permanently reinvest this income in such subsidiaries. However, any decision to repatriate such income in the future in the form of dividends nevertheless is not expected to result in additional income taxes because of the availability of foreign tax credits.

Investment tax credits are deducted from current income tax expense in the year in which the related assets are placed in service.

Notes to Consolidated Financial Statements

Note 6: Income Taxes—The provision for taxes on income consists of the following:

	1975	1974
Current tax expense		
Federal	$3,099,000	$2,809,000
Foreign	518,000	587,000
State and local	602,000	710,000
Total current	4,219,000	4,106,000
Deferred tax expense (benefit)		
Federal	384,000	(409,000)
Foreign	227,000	5,000
State and local	15,000	(30,000)
Total deferred	626,000	(434,000)
Total income tax expense	$4,845,000	$3,672,000

Current federal income taxes payable reflected above will be reduced by the tax effect of the currently deductible relocation costs, which have previously been recognized as a component of the extraordinary items charged to income in 1971 and 1974. Such reductions amounted to $531,000 and $1,079,000 in 1975 and 1974, respectively.

Deferred income taxes arise from recognizing revenue and expense in different years for income tax and financial reporting purposes. The sources and income tax effects of these differences are:

	1975	1974
Excess tax over book depreciation	$132,000	$ 72,000
Amortization of preoperating costs	(239,000)	(195,000)
Settlement of litigation deductible in year paid	192,000	(192,000)
Tax deferred portion of Domestic International Sales Corporation income	208,000	121,000
Use of completed contract method for recognition of contract revenue for certain subsidiaries	224,000	—
Other, net	109,000	(29,000)
Deferred gain on sale of building recognized for tax purposes	—	(382,000)
Effect of investment tax credit carryforward	—	171,000
	$626,000	$(434,000)

A reconciliation of total tax expense with the statutory U.S. federal income tax rate of 48% is as follows:

	1975		1974	
	Amount	% of pretax income	Amount	% of pretax income
Tax expense at statutory rate	$4,709,000	48.0	$3,699,000	48.0
Investment tax credits	(61,000)	(.6)	(65.000)	(.8)
State income tax less effect of federal deduction	321,000	3.3	354,000	4.6
Effect of capital gain rate	—	—	(301,000)	(3.9)
Other net differences	(124,000)	(1.3)	(15,000)	(.2)
Actual tax expense	$4,845,000	49.4	$3,672,000	47.7

The Corporation and all eligible subsidiaries file consolidated federal income tax returns. Such returns for the years 1971 through 1973 are presently under examination by the Internal Revenue Service. Based upon the preliminary proposals by the Internal Revenue Service, management is of the opinion that adequate provision has been made for any additional taxes which ultimately may be assessed since substantially all proposed adjustments related to timing differences.

SAFEWAY STORES, INCORPORATED (DEC)

	1975	1974
Provision for Federal, Canadian and other Income Taxes	$126,500,000	$61,408,000

Notes to Financial Statements

Summary of Significant Policies (in part):

Provision For Income Taxes: The Company follows the generally accepted practice of providing for deferred income tax charges and credits resulting from timing differences in reporting income and expenses for financial purposes compared to the methods of reporting for income tax purposes. These timing differences arise primarily from the Company's use, for tax purposes, of accelerated depreciation and, for book purposes, accruing estimated expenses for insurance and related items. These deferred charges and credits are amortized as the timing differences later reverse. The net effect of these timing differences is shown in the comparative summary of income tax provisions on page 21. The Company has consistently reduced current federal tax provisions for investment tax credits in the year in which they arise, rather than spreading such credits over the productive life of the related equipment.

Taxes on Income. The provision for current and deferred tax expense included in the consolidated statement of income was as follows:

	1975	1974
Current:		
Federal	$ 81,247,000	$27,132,000
Foreign	26,489,000	22,856,000
State and local	12,575,000	4,405,000
	120,311,000	54,393,000
Deferred:		
Federal	2,007,000	2,853,000
Foreign	4,182,000	4,162,000
State and local	—	—
	6,189,000	7,015,000
Total tax expense	$126,500,000	$61,408,000

Reconciliation of Effective Tax Rate	Amount	1975 Percent	Amount	1974 Precent
Statutory federal income tax rate	$132,062,000	48.0%	$67,494,000	48.0%
Investment tax credit	(7,700,000)	(2.8)	(6,372,000)	(4.5)
State taxes on income less applicable federal taxes	6,539,000	2.4	2,291,000	1.6
All other, net	(4,401,000)	(1.6)	(2,005,000)	(1.4)
	$126,500,000	46.0%	$61,408,000	43.7%

Sources of deferred taxes and the tax effect of each were as follows:

	1975	1974
Accelerated depreciation	$8,087,000	$8,060,000
Insurance reserves	(945,000)	926,000
Small equipment purchases	(190,000)	107,000
Compensation provision	919,000	(1,823,000)
California franchise tax	(1,954,000)	150,000
Other	272,000	(405,000)
Total deferred tax	$6,189,000	$7,015,000

The Company's effective income tax rate varies from the statutory federal income tax rate as shown in the table above.

No provision has been made for income taxes which might be payable if accumulated earnings of Canadian and overseas subsidiaries were distributed to the parent company, since it is the present intention of management to reinvest such earnings permanently in foreign operations. The cumulative amount of such undistributed earnings on which the parent company has not provided for income taxes, if any, was $243,492,000 at the end of 1975 compared with $209,749,000 in 1974. Should any distribution be required, any income tax payable would be substantially offset by foreign tax credits.

United States and Canadian Corporation Income Tax Returns for all years prior to 1972 have been reviewed by taxing jurisdictions. U.S. Income Tax Returns for 1972 and 1973 are currently under review.

In April 1975 the Company paid additional U.S. Federal income taxes of $6.3 million plus interest of $2.8 million for the years 1963 through 1969. Included were taxes of $5.2 million resulting from disallowing deductions for the Company's contributions to the U.S. Employee Retirement Plan. The Company is presently filing for refunds of substantially all of these payments.

For the years 1970 and 1971, the U.S. Federal income tax deficiency of $5.3 million proposed by the Internal Revenue Service was reduced in the Appellate Division to $2.6 million which was paid in January 1976 plus interest of $0.7 million. There was no deficiency proposed for years 1970 and 1971 relating to 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 taxes for all past years for any deductions which ultimately might be disallowed and then could not 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.

WHITTAKER CORPORATION (OCT)

	1975	1974
	($000)	
Income of continuing operations before provision for taxes	$12,602	$55,408
Provision for taxes (Note 8)	4,824	28,469
Income of continuing operations	$ 7,778	$26,939

Note 8: Income Taxes—The following is a summary of the Federal, foreign, and state income tax provisions:

	Year Ended October 31 1975	1974
	(In thousands)	
Total provision (benefit) for the year relating to—		
Continuing operations	$ 4,824	$28,469
Discontinued operations	(319)	(10,031)
Loss on disposal of discontinued operations	(4,790)	(4,688)
	$ (285)	$13,750
Components of the provision (benefit)—		
Federal	$(2,596)	$ 9,474
Foreign	2,918	2,181
State	(289)	2,359
Investment tax credit (flow through method)	(318)	(264)
	$ (285)	$13,750
Classification of the provision (benefit)—		
Currently payable	$ 4,205	$ 8,165
Deferred	(2,214)	5,585
Currently refundable	(2,276)	—
	$ (285)	$13,750

The "Components of the provision (benefit)—Foreign" represents foreign income taxes on earnings of foreign subsidiaries. The foreign income tax rates in certain instances were less than United States rates, and in those cases where Whittaker intends to reinvest and not to repatriate such foreign earnings, no provision has been made for the United States income taxes that would be payable upon repatriation. Should such accumulated earnings be distributed, the resulting additional taxes (based upon current tax rates and reduced by credits for foreign taxes paid) would approximate $3,180,000 at October 31, 1975.

The tax provisions for 1975 and 1974 are different from amounts computed by applying the U.S. Federal income tax rate of 48% to income and losses before tax. The reasons for these differences are as follows:

	1975	1974
	(In thousands)	
Expected tax expense	$ 1,629	$10,358
Investment tax credit	(318)	(264)
Goodwill written off for book purposes with no tax basis	295	1,083
Sale of assets with higher tax basis than book basis	(758)	—
Differences between U.S. and foreign tax rates	(177)	695
Non-taxable foreign exchange translation gains or losses	(560)	277
State taxes	(289)	2,359
Other items	(107)	(758)
Total taxes	$ (285)	$13,750

Deferred income tax benefits result from differences in the timing of revenue and expense recognition for tax purposes and financial reporting purposes. The Consolidated Balance Sheet at October 31, 1975 reflects deferred income tax benefits of $10,177,000 classified as current, and $3,850,000 classified as noncurrent. These represent net future tax benefits arising principally as a result of prior year write-downs related to discontinued operations recognized for financial reporting purposes before they were deductible for income tax purposes (timing differences). Prior year timing differences (with a tax effect of $10,793,000) turned around in 1975 (becoming income tax deductions) resulting in a loss for income tax purposes which enabled Whittaker to recover $2,276,000 of 1973 and 1974 income taxes. The amount of loss for income tax purposes in excess of the amount carried back is available to reduce taxable income in future years and the carryback (and refund of taxes previously paid) had the effect of making investment and foreign tax credits, the utilization of which in prior years was negated by the carryback, also available to reduce income taxes otherwise payable in future years. The aggregate tax effect of these carryovers, $7,522,000, is included in "Deferred income tax benefits" in the Consolidated Balance Sheet and is available to reduce future income taxes until it expires ($79,000 in 1978, $2,475,000 in 1979, $4,094,000 in 1980, $556,000 in 1981, and $318,000 in 1982). In addition, $5,485,000 of timing differences arose in 1975 primarily from write-downs related to discontinued operations. There was also a net reduction of $1,421,000 of future tax benefits during 1975 (not related to the 1975 tax provision) resulting from reclassifications.

The realization of these deferred income tax benefits is dependent upon obtaining sufficient future taxable income, which, in the opinion of management appears to be assured beyond any reasonable doubt. Management estimates that substantially all of these benefits will be realized in 1976 and 1977.

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*, discusses various aspects of the reinstated investment credit.

Table 3-13 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.

Flow-Through Method

BROWN GROUP, INC. (OCT)

Notes to Consolidated Financial Statements

Note A (in part): Accounting Policies

Income Taxes—Provision is made for the tax effects of timing differences between financial and tax reporting. These differences relate principally to depreciation and elimination of intercompany profit in inventories.

Investment tax credits are accounted for on the "flow-through" method as a reduction of the current provision for federal income taxes.

Note D: Income Taxes—Investment tax credits reduced federal income taxes by $628,000 in 1975 and $810,000 in 1974. Because of timing differences (see Note A—Income Taxes), taxes currently payable exceeded income tax expense by $520,000 in 1975 and were $181,000 less than income tax expense in 1974. The provision for income taxes included state income taxes of $1,697,000 in 1975 and $1,884,000 in 1974.

TABLE 3-13: INVESTMENT TAX CREDIT

	1975	1974	1973	1972
Flow-through method	518	504	496	489
Deferral method	60	72	78	77
No reference to investment credit	22	24	26	34
Total Companies	**600**	**600**	**600**	**600**

FORD MOTOR COMPANY (DEC)

Notes to Financial Statements

Note 1 (in part): Accounting Policies

Investment Tax Credits: in the first quarter of 1975 the Company changed its method of accounting for the investment tax credit. Effective January 1, 1975, the credit is included in income when the assets are placed in service (flow-through method), rather than being amortized over the estimated useful lives of the assets (deferral method). The flow-through method recognizes the increased emphasis the Federal Government has placed on the investment credit as an economic stimulus and it reflects more accurately the effect of investment decisions on the Company's earnings. The change improved earnings in 1975 by $95 million or $1.02 a share.

Note 5 (in part): Provision for Income Taxes

	1975	1974
	(in millions)	
Currently payable (refundable)		
Federal	$(132.3)	$ (56.7)
Foreign	218.6	158.1
State and local	(2.7)	(5.3)
Total currently payable	83.6	96.1
Deferred		
Federal	55.7	75.0
Foreign	46.0	24.2
Total deferred	101.7	99.2
Investment tax credits		
Deferred	0	55.8
Amortized	(9.5)	(26.6)
Total investment tax credits	(9.5)	29.2
Tax effect of operating losses	(23.9)	(23.0)
Total	$ 151.9	$ 201.5

The provision included estimated taxes payable on that portion of retained earnings of subsidiaries which is expected to be received by the Company. No provision was made with respect to the balance of the retained earnings, approximately $1,325 million at December 31, 1975. These retained earnings have been invested by the subsidiaries in facilities and other assets; they have borne substantial foreign income taxes that serve to offset in major part any tax liability resulting from their distribution.

Refundable taxes are included in receivables in the accompanying balance sheet.

Deferred income taxes resulted from timing differences in the recognition of revenues and expenses for financial statements and tax returns. The principal differences included depreciation, amortization, accrual of taxes on anticipated foreign dividends, costs of certain employee benefit plans and provisions for product warranty.

DANA CORPORATION (AUG)

Financial Review

Investment Tax Credits—Dana uses the "flow-through" method of accounting for investment tax credits as a reduction of the current provision for federal income taxes. These credits were $2,300,000 in 1975 and $2,350,000 in 1974.

As discussed in Note 1, the Company adopted the flow-through method of accounting for the investment tax credit effective January 1, 1975. Investment tax credits for years prior to 1971 continue to be amortized.

GEO. A. HORMEL & COMPANY (OCT)

Notes to Consolidated Financial Statements

Note A (in part): Accounting policies

Income Taxes—Provision is made for income taxes payable. No provision is made for deferred income taxes as there are not material timing differences between financial and taxable income. The investment tax credit has been used to reduce the income tax provision (flow-through method).

Note E: Income Taxes—The reasons for the difference between the provision for federal income taxes used for financial reporting purposes and the amount determined by applying the statutory federal income tax rate were as follows:

	Fiscal Year Ended October 25, 1975	October 26, 1974
48% of pre-tax earnings	$11,487,000	$15,957,000
Plus state and local income taxes, net of federal tax benefit	449,000	656,000
Other items (deduction)	(325,000)	299,000
	11,611,000	16,912,000
Less investment credit	1,045,000	1,037,000
Provision for federal income taxes	$10,566,000	$15,875,000
Effective rate	44.2%	47.8%

MIDLAND-ROSS CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note A (in part): Summary of Accounting Policies

Income Taxes—Deferred income taxes result from timing differences, principally from the loss on sale of assets of discontinued operation and accelerated depreciation in 1975 and from charges related to the lease agreement and other allowances for certain asset accounts in 1974. It is the Company's intention to reinvest undistributed earnings of foreign subsidiaries and its Domestic International Sales Corporation; accordingly, no deferred income taxes have been provided thereon. At December 31, 1975, such undistributed earnings amounted to approximately $11,500,000.

Investment tax credits are recorded by the flow-through method as a reduction of the provision for income taxes in the year in which credits arise.

Note F: Income Taxes—The income tax provisions applicable to income from continuing operations before income taxes for 1975 and 1974 are summarized as follows:

	1975	1974
	(Thousands of Dollars)	
Current	$17,730	$14,940
Deferred	450	(7,100)
	$18,180	$ 7,840

The current tax provision has been reduced by investment credits of approximately $1,311,000 in 1975 and $555,000 in 1974.

A reconciliation of the statutory federal income tax rate and the effective tax rate for continuing operations follows:

	1975	1974
Statutory federal income tax rate	48%	48%
State and local taxes based on income, net of federal tax benefit	3	3
Investment tax credit	(3)	(2)
Capital gains	—	(12)
Other items	(3)	(4)
Effective rate on income from continuing operations before income taxes	45%	33%

J. P. STEVENS & CO., INC. (OCT)

Notes to Financial Statements

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

Investment Tax Credits—It is the policy of the Company to include investment tax credits in income when the related property is acquired ("flow-through" method).

Note G: Estimated Taxes on Income—Estimated taxes on income consist of:

	1975	1974
Income taxes currently payable:		
Federal and foreign	$13,060,000	$31,440,000
State	2,100,000	4,100,000
Investment tax credits	(2,170,000)	(2,590,000)
	12,990,000	32,950,000
Deferred Federal income taxes	3,610,000	1,550,000
	$16,600,000	$34,500,000

A reconciliation of the consolidated effective tax rate with the statutory 48% Federal income tax rate follows:

	1975	1974
Consolidated effective tax rate	45.5%	46.7%
Investment tax credits	5.9	3.5
State income taxes, net of Federal income tax benefit	(3.0)	(2.9)
Other, net	(.4)	.7
	48.0%	48.0%

Deferred Federal income taxes result from timing differences in the recognition of certain items for tax and financial reporting purposes. The deferred tax effect of the excess of tax reporting for depreciation over financial reporting for depreciation amounted to $2,868,000 (1975) and $1,988,000 (1974).

Deferral Method

ALPHA PORTLAND INDUSTRIES, INC. (DEC)

Summary of Significant Accounting Policies

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

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

Notes to Consolidated Financial Statements

Note 1: Income Taxes—Income tax provisions (credits) are as follows:

	1975	1974
	(In thousands)	
Federal—Before amortization of investment tax credit:		
Current	$ 898	$ 473
Deferred	(3,202)	3,686
State and city:		
Current	1,034	180
Deferred	(1,099)	691
	(2,369)	5,030
Amortization of investment tax credit	(272)	(190)
Income taxes	$(2,641)	$4,840

Deferred income taxes arise principally from reporting earnings in construction contracts for income tax purposes in the period in which the contracts are completed, rather than on the precentage-of-completion method used for financial reporting purposes. In years prior to 1972 depreciation reported for tax purposes was in excess of depreciation for financial statement purposes. Deferred taxes on construction contracts are classified as current liabilities, since the assets related to such contracts are included in current asset. All other deferred taxes are classified as a non-current liability.

The differences between the statutory and effective tax rates are as follows:

	1975	1974
Statutory tax rate	(48)%	48%
State and city income taxes, net of Federal tax effect	(1)	5
Percentage depletion	(2)	(3)
Assessments on prior years' tax returns (1963 through 1970)		3
Amortization of investment tax credit	(6)	(2)
Other, net		2
Effective tax rate	(57)%	53%

ANHEUSER-BUSCH, INCORPORATED (DEC)

Notes to Consolidated Financial Statements

Summary of Significant Accounting Principles and policies (in part):

Income Taxes—The provision for income taxes is based on elements of income and expense as reported in the Statement of Income. The company has elected to utilize certain provisions of federal income tax laws and regulations to reduce current taxes payable, the primary item being the calculation of depreciation for tax purposes on the basis of shorter lives permitted by the Treasury Department. The resulting tax benefit has been deferred until such time as depreciation reported in the Statement of Income exceeds that taken for income tax purposes.

The company follows the practice of adding the investment tax credit to income over the productive lives of the assets generating such credit, rather than in the year in which the assets are placed in service. Accordingly, benefits realized from the investment tax credit have been deferred and will be recognized as reductions in the provisions for income taxes in the appropriate years.

Income Taxes—The provision for income taxes for the years ended December 31, 1975 and 1974, includes the following:

	1975	1974
	(In Thousands)	
Current tax provision:		
Federal	$56,775	$37,901
Other	6,182	3,701
	62,957	41,602
Deferred tax provision:		
Federal	13,463	11,140
Other	1,021	843
	14,484	11,983
Deferred investment tax credit:		
Reduction in current taxes payable	5,875	5,961
Less amortization of deferred investment tax credit	2,739	2,029
	3,136	3,932
Total	$80,577	$57,517

The deferred tax provision results from timing differences in the recognition of revenue and expense for tax and financial purposes. The primary timing difference is the use of accelerated depreciation for tax purposes which had a tax effect of $13,623,000 in 1975 and $12,354,000 in 1974.

The Internal Revenue Service has examined and cleared federal income tax returns of the company for years through 1971.

BRIGGS & STRATTON CORPORATION (JUN)

Notes to Consolidated Financial Statements

Note 2: Investment Credit—The Company follows the deferral method of accounting for the Federal investment tax credit. The remaining credit of $2,665,000 at year end is being amortized over the lives of the related assets. The investment credit amounted to $1,134,000 and $736,000 in 1975 and 1974, respectively. Amortization of $250,000 and $242,000 was reflected in income in 1975 and 1974, respectively.

STANDARD REGISTER COMPANY (DEC)

Notes to Financial Statements

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

Investment Credit—The Company has, since 1962, consistently allocated the investment tax credit to income over the productive lives of the related equipment. (See Note 6).

Note 6: Federal Income Tax—Current federal income tax for 1975 was $5,875,371 ($8,202,952 for 1974) before payments of $5,300,000 and foreign tax credits of $89,092, but after deduction of investment tax credits of $417,488. The Internal Revenue Service has examined the Company's tax returns through 1971 and no adjustments are pending.

The Company allocates the investment credit to net income over the productive lives of the related equipment rather than reporting it currently as net income in the years claimed for tax purposes. This treatment has provided deferred credits of $1,236,962 as of December 28, 1975 ($1,004,008 as of December 29, 1974).

Since 1964, the Company has used accelerated methods of depreciation for tax purposes while continuing to employ the straight-line method for financial reporting purposes. In 1971, it adopted the Asset Depreciation Range System for tax purposes. Consequently, the federal income tax on the aggregate difference between these depreciation methods has been recognized as a deferred tax liability of $2,694,856 as of December 28, 1975 ($2,593,212 as of December 29, 1974). Partially offsetting this is $135,024 of income tax paid on certain estimated expenses which have been deducted from financial net income but not yet claimed for tax purposes.

Federal income tax expense consists of the following:

	1975	1974
Current tax paid or payable	$5,875,371	$8,202,952
Deferred tax related to—		
Depreciation	101,644	134,263
Investment credit	232,954	30,131
Other timing differences		(6,384)
Total	$6,209,969	$8,360,962

TAXES ON UNDISTRIBUTED EARNINGS

APB Opinion No. 23 stipulates that income taxes should be accrued for undistributed earnings of subsidiaries and corporate joint ventures included in consolidated earnings and that such accruals should be accounted for as timing differences. If there is evidence that the undistributed earnings of a subsidiary or corporate joint venture will not be transferred to the investor, income taxes should not be accrued, but disclosures should be made as to the reason for not accruing taxes (earnings will be reinvested or remitted in the form of a tax-free liquidation) and as to the cumulative amount of undistributed earnings. With regard to the undistributed earnings of other investees which are included in consolidated earnings *APB Opinion No. 24* stipulates that income taxes should be accrued and treated as a timing difference.

An *Accounting Interpretation* of Opinion No. 23, published in the March 1973 issue of *The Journal of Accoutancy* 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 these 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 3-14 shows the extent to which the survey companies accrued taxes on undistributed earnings.

TABLE 3-14: TAXES ON UNDISTRIBUTED EARNINGS

	1975	1974	1973	1972
Taxes accrued on all undistributed earnings	33	35	41	35
Taxes accrued on a portion of undistributed earnings	108	140	142	98
Taxes not accrued on undistributed earnings	227	223	189	175
No mention of undistributed earnings	232	202	228	292
Total Companies	**600**	**600**	**600**	**600**

Accrual For Taxes

AMSTED INDUSTRIES INCORPORATED (SEP.)

Notes to Consolidated Financial Statements

Accounting Policies—The company provides for deferred income tax resulting from the excess of tax depreciation over financial depreciation and the undistributed earnings of its subsidiaries when the subsidiaries' tax rate is less than the current U.S. rate.

Income Taxes—The provisions for taxes on income from continuing operations consist of the following:

	1975	1974
Current Federal taxes, less investment tax credits of $733,000 in 1975 and $640,000 in 1974	$30,268,000	$12,813,000
Foreign income taxes	3,043,000	1,513,000
State income taxes	2,964,000	1,523,000
Deferred taxes	907,000	600,000
Provision for taxes on income	$37,182,000	$16,449,000

Federal income taxes on unremitted earnings which are expected to be permanently invested in subsidiaries and for which no provision for such taxes have been made are not significant.

CENTRAL SOYA COMPANY, INC. (AUG)

Statement of Accounting Policies

Deferred Income Taxes—Deferred income taxes are provided for the differences in timing of reporting transactions for financial statements and income tax purposes. The principal cumulative timing differences relate to the earnings of a domestic international sales corportion and depreciation.

Deferred taxes are also provided for the undistributed earnings of certain foreign subsidiaries which are intended to be remitted to the parent company in the foreseeable future.

Notes to Consolidated Financial Statements (all tabular amounts are in thousands)

Income Taxes—Provisions for income taxes consist of the following:

	1975	1974
Current:		
Federal	$ 8,904	$27,618
State	1,317	2,805
Foreign	3,397	1,529
	13,618	31,952
Provision in lieu of income taxes	2,845	
Deferred:		
Federal	902	720
Foreign	(593)	318
	309	1,038
Investment tax credits	(1,376)	(369)
	$15,396	$32,621

The provision in lieu of income taxes relates to the tax effect of prior years' losses of the French subsidiary for which an equivalent federal income tax benefit is recognized currently and is reflected as an extraordinary credit.

The effective income tax rate is reconciled to the federal rate of 48% as follows:

	Per cent of earnings before income taxes and extraordinary credit	
	1975	1974
Federal tax rate	48.0%	48.0%
Losses of foreign subsidiaries with no corresponding tax benefit	1.4	4.2
State and local income taxes, net of federal income tax benefit	2.0	2.3
Investment tax credits	(4.1)	(.6)
Other	(1.5)	(2.9)
Effective tax rate	45.8%	51.0%

A. E. STALEY MANUFACTURING COMPANY (SEP)

Summary of Accounting Policies

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 idenfinitely reinvested for foreign subsidiaries and affiliates. Investment tax credits are recognized in the year the assets which give rise to the credits are placed in service.

Notes to Financial Statements

Income Taxes—The provision for income taxes, in the thousands of dollars, is summarized as follows:

	1975	1974
Current:		
Federal	$44,158	$14,726
State	5,334	1,376
Foreign	1,424	2,176
	50,916	18,378
Deferred	1,508	(1,778)
Investment tax credits	(2,194)	(830)
	$50,230	$15,770

Deferred income tax provisions, in thousands of dollars, are summarized as follows:

	1975	1974
Hedging transactions	$(1,233)	$(2,462)
Depreciation expense	1,707	1,184
Other	1,034	(500)
	$ 1,508	$(1,778)

The effective tax rate was 49.9% in 1975 and 51.2% in 1974. 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):

	1975		1974	
	Amount	%	Amount	%
Taxes computed at statutory rate	$48,284	48.0%	$17,793	48.0%
State income taxes net of federal income tax benefit	2,617	2.6	752	2.4
Investment tax credit	(2,194)	(2.2)	(830)	(2.6)
Other—net	1,523	1.5	1,055	3.4
	$50,230	49.9%	$15,770	51.2%

VETCO OFFSHORE INDUSTRIES, INC. (APR)

Notes to Financial Statements

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

Income Taxes—Deferred United States income taxes are provided for on 50% of the undistributed earnings of foreign subsidiaries and joint ventures (net of related foreign income tax credits) inasmuch as it is the Company's intention to retain foreign earnings abroad as a permanent investment to the maximum extent possible. The Company expects that over the long-term no more than 50% of such earnings will ever become subject to United States income taxes.

Prior to fiscal 1975 the Company provided no deferred United States income taxes on the earnings of its DISC. This practice was adopted because of uncertainty regarding the future status of domestic international sales corporations.

Investment tax credits are accounted for on the "flow-through" method which recognizes the benefit in the year in which assets are placed in service.

Note 9: Income Taxes—Vetco's effective income tax rates for fiscal 1975 and 1974, computed based on the amounts shown in the accompanying statement of consolidated income, are 38% and 35%, respectively. A reconciliation between these rates and the United States statutory tax rate is as follows:

	1975	1974
United States statutory tax rate	48%	48%
Lower effective tax rate applicable to foreign earnings (see Note 1)	(14)	(14)
Higher effective tax rate as a result of retroactively providing United States income taxes on undistributed DISC earnings (see Note 1)	3	
Lower effective tax rate applicable to undistributed DISC earnings (see Note 1)		(3)
Investment tax credits	(1)	(2)
State income taxes	2	1
Other		5
Effective tax rate	38%	35%

The deferred provision for United States income taxes results from timing differences related to the following:

	1975	1974
Undistributed earnings of foreign subsidiaries*	$3,795,000	$1,680,000
Undistributed earnings of the Company's DISC (includes $776,000 to retroactively provide United States income taxes on undistributed DISC earnings prior to fiscal 1975)	1,172,000	
Other	(1,143,000)	186,000
Total	$3,824,000	$1,866,000

*Net of related foreign income tax credits of $1,003,000 and $332,000 in fiscal 1975 and 1974, respectively.

At April 30, 1975 the cumulative amount of undistributed earnings of foreign subsidiaries, as to which the Company has not made a provision for United States income taxes, amounted to $15,448,000. The United States tax on such amount would be net of related foreign income tax credits, if available, of $1,816,000. As of April 30, 1975 the Company has, however, provided a cumulative total of $6,629,000 of deferred United States income taxes related to $15,702,000 of undistributed earnings of foreign subsidiaries.

No Accrual For Taxes

AIR PRODUCTS AND CHEMICALS INC. (SEP)

Notes to Consolidated Financial Statements

Note 5: Income Taxes—The components of the provision for income taxes are as follows:

	1975	1974
	(in thousands)	
Federal:		
Current	$30,592	$19,280
Deferred	1,455	3,929
Deferred investment credit, net of amortization	3,104	2,217
	35,151	25,426
State:		
Current	5,169	3,324
Deferred	194	516
	5,363	3,840
Foreign:		
Current	5,847	5,315
Deferred	438	(932)
	6,285	4,383
	$46,799	$33,649

Deferred taxes result from the tax effect of the following items:

	1975	1974
Excess of tax depreciation over book depreciation	$3,772	$3,738
Performance share awards	(1,685)	(225)
	$2,087	$3,513

The effective tax rates of 46.3% for 1975 and 45.9% for 1974 can be reconciled to the U.S. Federal income tax rate of 48% as follows:

	1975	1974
	(Percent of profit before income taxes)	
U.S. Federal statutory rate	48.0%	48.0%
State taxes, net of Federal tax benefit	2.8	2.7
Amortization of investment credit	(2.5)	(2.9)
Domestic International Sales Corporation (DISC) tax benefit	(.7)	(.7)
Other	(1.3)	(1.2)
Effective tax rate	46.3%	45.9%

Where the Company has permanently reinvested the earnings of its foreign subsidiaries, no provision has been made for United States income taxes that may be due if dividends were declared out of such earnings. The amount of such reinvested earnings included in consolidated retained earnings at September 30, 1975, was $35,000,000. Any tax on dividends which may be declared and received in the future will be substantially reduced by foreign tax credits.

The expense of taxes other than income taxes amounted to $19,044,000 in 1975 and $14,777,000 in 1974 including payroll taxes of $14,041,000 and $10,641,000 respectively.

BUCYRUS-ERIE COMPANY (DEC)

Notes to Financial Statements

Income Taxes—Income tax expense consists of the following:

	1975	1974
Current payable:		
Federal (net of investment tax credits of $1,750,000 and $303,000 respectively).....	$10,011,000	$12,393,000
State	3,387,000	2,255,000
	13,398,000	14,648,000
Deferred:		
Federal	7,603,000	1,224,000
State	467,000	166,000
	$21,468,000	$16,038,000

Included in the above Federal amounts are taxes payable to foreign countries of $2,626,000 in 1975 and $1,746,000 in 1974.

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 $2,626,000 in 1975 and $1,095,000 in 1974 ($.13 and $.06 per share of common stock respectively) as a result of non-taxable earnings of Bucyrus DISC, Inc., which was considered to be permanently reinvested. Such reinvested earnings aggregated $12,000,000 at December 31, 1975. If these earnings were to be remitted to the parent Company, $5,250,000 of additional income taxes would have to be provided.

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, 1975, amounted to approximately $24,700,000. If these undistributed earnings were remitted, an additional provision for income taxes of approximately $2,500,000 would be necessary.

ADDRESSOGRAPH MULTIGRAPH CORPORATION (JUL)

Notes to Financial Statements and Summary of Accounting Policies

Income Taxes—Provision is made for timing differences between financial and tax reporting which relate primarily to leasing and service contract activities and pension, inventory obsolescence, and doubtful accounting costs. The investment tax credit is recorded under the flow-through method of accounting as a reduction of the current provision for federal taxes.

The provision for taxes on income is summarized as follows:

	Taxes Payable	Tax Timing Differences	Total
1975			
U.S. Federal...........	$3,978,000	$(2,474,000)	$ 1,504,000
Foreign	2,436,000	1,726,000	4,162,000
State and Local	393,000	—	393,000
	$6,807,000	$ (748,000)	$ 6,059,000
1974			
U.S. Federal...........	$ —	$ (991,000)	$ (991,000)
Foreign	3,134,000	153,000	3,287,000
	$3,134,000	$ (838,000)	$ 2,296,000

The 1975 and 1974 provisions expressed as a percentage of pre-tax income are 55.2% and 88.2% respectively. A reconciliation of the effective rate for 1975 and 1974 to the U.S. statutory rate of 48% follows:

	1975		1974	
	Percent	Amount	Percent	Amount
U.S. statutory rate ..	48.0	$5,264,000	48.0	$1,250,000
Investment tax credit	(8.3)	(910,000)	(16.4)	(427,000)
Foreign tax credit not recognized........	—	—	39.0	1,015,000
Effect of foreign currency translation losses for which tax benefits are not realized	5.3	584,000	—	—
Reduced rate applicable to capital gain..............	(2.5)	(274,000)	—	—
Recognition of a portion of U.S. tax benefits on loss of investment in Brazilian subsidiary	(9.6)	(1,049,000)	—	—
Effect of varying rates applicable to income and losses of foreign subsidiaries.......	20.2	2,215,000	17.2	448,000
State and local.......	3.6	393,000	—	—
Other	(1.5)	(164,000)	.4	10,000
	55.2	$6,059,000	88.2	$2,296,000

The tax rate applicable to foreign subsidiaries was higher than normal in 1975 and 1974 because certain subsidiaries had operating losses which produced no tax benefit. The company had unutilized foreign tax credits of $3,432,000 at July 31, 1975.

There are unremitted earnings of foreign subsidiary companies of $51,386,000 on which foreign income taxes have been paid. No provision is necessary for foreign withholding or U.S. income taxes because this amount is expected to be reinvested indefinitely in plant and equipment and working capital.

GULF & WESTERN INDUSTRIES, INC. (JUL)

Notes to Consolidated Financial Statements

Note G: Income Taxes—Provision for income taxes includes United States Federal, foreign income and excess profits taxes and state income taxes. Such provision is low in relation to earnings before income taxes due principally to earnings of tax-exempt subsidiaries and low-tax-rate foreign subsidiaries, costs incurred in exploration and development of mineral reserves being capitalized for financial purposes, statutory allowances on earnings from mineral businesses, investment tax credits and certain permanent differences where the tax basis of certain assets and liabilities differs from their bases for financial reporting purposes.

Income tax provisions include deferred tax credits of $61,200,000 (including $29,300,000 relating to the provision described in Note D) for 1975 and $38,500,000 for 1974. Such amounts reflect the tax effect of recognition of various income and expense items in different periods for financial reporting and income tax purposes including theatrical film inventory amortization, deferred gains on the disposal of property interests and inventory provisions.

The Company's share of the undistributed earnings of subsidiaries not included in its consolidated Federal income tax return, which could be subject to additional income taxes if remitted, was approximately $210,000,000 at July 31, 1975. No provision has been made for taxes which could result from the remittance of such undistributed earnings since the Company intends to reinvest these earnings indefinitely.

ROCKWELL INTERNATIONAL CORPORATION (SEP)

Notes to Financial Statements

Note 17 (in part): United States and Foreign Income Taxes—No provision is made for United States and additional foreign income taxes on undistributed earnings of foreign subsidiaries and the Company's domestic international sales corporations which have been, or are intended to be, permanently reinvested for normal working capital requirements, capital expansion and future acquisitions. Such undistributed earnings, exclusive of those amounts which if remitted in the near future would result in little or no tax based upon statutes currently in effect, aggregated approximately $104.0 million at September 30, 1975. Provision for United States and additional foreign income taxes amounting to approximately $27.0 million would have been made with respect to these undistributed earnings if such earnings had been expected to be remitted.

United States income tax payments otherwise due for 1974 were reduced by $40.2 million as a result of utilizing the net tax operating loss carryover and investment tax credits made available through the acquisition of Collins.

THE PITTSTON COMPANY (DEC)

Notes to Financial Statements

Note 4: Income Taxes—The provision for income taxes, exclusive of extraordinary item (see Note 9), consists of the following components:

	U.S. Federal	Foreign	State	Total
		(In thousands)		
1975				
Currently payable	$121,932	$1,954	$7,898	$131,784
Deferred	1,075	180	—	1,255
Total	$123,007	$2,134	$7,898	$133,039
1974				
Currently payable	$ 73,673	$2,742	$3,991	$ 80,406
Deferred	(778)	98	—	(680)
Total	$ 72,895	$2,840	$3,991	$ 79,726

The tax provisions for 1975 and 1974 resulted in effective tax rates of 39.9% and 41.2%, respectively. The table below accounts for the difference between the actual tax provisions and the amounts obtained by applying the U.S. Federal income tax rate of 48% to the income before provision for income taxes and extraordinary item.

	1975	1974
	(in thousands)	
Tax provision computed at 48%	$159,929	$92,814
Increases (reductions) in taxes due to:		
Percentage depletion	(30,900)	(19,570)
Miscellaneous	4,010	6,428
Actual tax provision	$133,039	$79,726

It is the policy of the Company to accrue appropriate United States and foreign income taxes on earnings of subsidiary companies which are intended to be remitted in the near future. Accumulated unremitted earnings of such subsidiaries reflected in the accompanying financial statements which have been reinvested for growth and expansion, exclusive of those amounts which, if remitted in the near future, would result in little or no such tax by operation of relevant statutes currently in effect, aggregated approximately $19,435,000 at December 31, 1975 and $15,822,000 at December 31, 1974. These amounts include unremitted earnings ($10,797,000 at December 31, 1975 and $9,340,000 at December 31, 1974) of the Company's Domestic International Sales Corporation (DISC) subsidiary which have been reinvested in qualified export assets and therefore should not become taxable in the foreseeable future.

The Company and its domestic subsidiaries file a consolidated U.S. Federal income tax return. Such returns have been audited and settled through the year 1970. Returns for 1971 and 1972 are presently under examination.

TRANSLATION OF FOREIGN CURRENCY ACCOUNTS

During 1975, the Financial Accounting Standards Board issued *Statement of Financial Accounting Standards No. 8* which supersedes all previous pronouncements as the authorative pronouncement on accounting for translation of foreign currency accounts. Although *Statement No. 8* was effective for fiscal periods beginning after December 31, 1975, eighty-two of the survey companies disclosed early compliance with the requirements of *Statement No. 8.* Examples of translation disclosures made by those companies which elected early compliance follow.

THE ANACONDA COMPANY (DEC)

	1975	1974
	(Thousands of dollars)	
Operating Income (loss)	$(28,676)	$173,599
Equity in net income of affiliated companies	5,798	16,673
Income from Chilean investments	9,378	5,450
Interest and miscellaneous income	6,079	5,599
Interest expense (less $3,847 capitalized; 1974—$3,056)	(32,031)	(29,723)
Gains (losses) on foreign exchange	831	(10,391)
Income (loss) before Taxes and Extraordinary Income	$(38,621)	$161,207

Notes to Financial Statements

Summary of Significant Accounting Policies (in part)

Currency Translation. Net current assets (except inventories) and long-term debt recorded in foreign currencies are translated at current exchange rates. Inventories and other foreign nonmonetary assets and liabilities are generally translated at rates prevailing when acquired or incurred. Revenues and expenses recorded in foreign currencies are translated at the average rates of exchange prevailing during the year or at historical rates, as appropriate. Gains and losses resulting from the translation of foreign currencies are taken into income currently. This translation policy complies with the recommendations recently promulgated by the Financial Accounting Standards Board and is consistent in all material respects with the company's previous existing translation practices.

CARESSA, INC. (SEP)

Notes to Consolidated Financial Statements

Note 3 (in part): Foreign Operations—The Company owns 50% of TEB, Inc., Jymar, S.A., Mayher, S.A., Manufacturas de Calzado Pedro Garcia, S.A., Rafael Sirvent, S.A., Vidalmat. S.A., Lacram, S.A., Calzados Pilar, S.A., EBA International, S.A. and, through its 100% ownership of Luap, S.A., equity interests ranging from 50% to 67% of Jose Miralles, S.A., Joaquin Bernabeu, S.A., Calzados Mayka, S.A. and Belmar, S.A. The carrying value of the investments is approximately $88,000 in excess of the Company's equity in the net assets including intangibles of the foreign companies and their subsidiaries. Such excess arises primarily from direct costs of which $49,225 was incurred prior to November 1, 1970, and is not being amortized because in management's opinion, there has been no diminution in value. The remaining excess is being amortized over 20 years. Substantially all of the production of these foreign manufacturers has been purchased by Caressa, Inc. for immediate resale to its customers. No unrealized intercompany profit remains in inventory.

For the year ended September 30, 1975 the Company adopted the provisions of "Statement of Financial Accounting Standards No. 8, Accounting for the Translation of Foreign Currency Transactions and Foreign Currency Financial Statements," issued by the Financial Accounting Standards Board in October 1975. This statement requires implementation of accounting principles relating to the translation of foreign currency transactions and foreign currency financial statements differ than those previously employed by the Company. Such change did not have a material effect on the accompanying financial statements for the years ended September 30, 1975 and 1974.

Foreign currency amounts including the unconsolidated foreign subsidiary and 50% owned investee companies are translated into U.S. dollars as follows:

Marketable securities, inventories and prepaid expenses at historical rates prevailing at acquisition. All other current assets at year end rates.

Property, plant and equipment at historical rates prevailing at acquisition.

Current and long term liabilities at year end rates.

Capital stock, contributed capital and retained earnings at historical rates.

Revenues, costs and expenses at average rates during the year except for the provisions for depreciation and amortization which are translated at the historical rates used to translate the related balance sheet amounts.

Exchange gains or losses are included in the determination of consolidated income in the period in which they arise. Exchange gains amounted to $46,047 and $4,810 for the years ended September 30, 1975 and 1974, respectively.

DAYCO CORPORATION (OCT)

Notes to Consolidated Financial Statements

Note H: Foreign Subsidiaries—A recently issued statement of the Financial Accounting Standards Board would require the Corporation to adopt the temporal method of accounting for foreign currency translation by January 1, 1976. The Corporation has chosen to adopt the temporal method effective November 1, 1974. Under this method, the foreign inventories are translated at the historical rate (formerly translated at the current rate) and foreign long-term debt is translated at the current rate (formerly translated at the historical rate). The effect of the change on 1975 net income is not material.

As in prior years, any exchange gains and losses are included in determining consolidated net earnings. The exchange gain (loss) for fiscal 1975 and 1974 is not material.

THE GOODYEAR TIRE & RUBBER COMPANY (DEC)

	1975	1974
	($000)	
Cost and Expenses:		
Cost of goods sold...............	$4,046,092	$3,865,622
Depreciation.......................	181,566	171,996
Selling, administrative and general expense................	820,960	782,282
Interest expense.................	130,084	154,543
Foreign currency translation (gain) loss..................	(12,102)	30,691
Minority equity in earnings of foreign subsidiary companies	4,720	3,554
	$5,171,320	$5,008,688

Notes to Financial Statements

Foreign Operations—Earnings from foreign operations included in consolidated net income for 1975 amounted to $49,031,000 ($49,343,000 in 1974). After deducting $39,536,000 in 1975 for minority shareholders' equity, net foreign assets were $825,543,000 at December 31, 1975 ($808,040,000 at December 31, 1974). All amounts for 1974 are restated.

Translation of Foreign Currency—Accounting Change—In October 1975, the Financial Accounting Standards Board issued Statement Number 8 dealing with the translation of foreign currency financial statements. The Company was required to adopt the new principles established by this statement, the major changes being (a) translation gains and losses on long term foreign debt are included in income as incurred whereas they had previously been deferred and amortized over the terms of the related foreign indebtedness, and (b) certain balance sheet accounts, principally minority equity and deferred taxes, previously translated at current rates are translated at historical rates.

The new accounting method must be applied on a retroactive basis and consequently the financial statements for prior years have been restated by charging to expense in 1974 and prior years the previously deferred translation losses related to long term debt ($33,591,000 at December 31, 1974), restating certain balance sheet accounts to historical rates and appropriate adjustments of deferred income taxes. The effect of applying the new method as compared to the prior method is to increase 1975 net income by $1,116,000 ($.02 per share) and decrease 1974 net income previously reported, by $13,106,000 ($.18 per share). The change reduced retained earnings at December 31, 1973 by $17,887,000.

MERCK & CO., INC. (DEC)

Notes to Financial Statements

Note 2: Foreign Operations—Foreign operations accounted for approximately 45% of sales in 1975 and 1974. The rate of profit on these sales is not substantially different from that experienced by the business as a whole. Earnings of foreign subsidiaries are generally available for remittance to the United States.

Exchange gains (losses) amounting to $(1,694,000) and $2,131,000 have been included in the 1975 and 1974 income before taxes, respectively. In addition to these exchange adjustments, changes from 1974 in currency exchange rates used to translate sales, costs, and expenses denominating in foreign currencies into U.S. dollars decreased 1975 income before taxes by $9,463,000. The resulting total effect of changes in currency exchange rates was—$.10 per share in 1975 and—$.02 per share in 1974.

A summary of net assets of foreign subsidiaries, as translated into U.S. dollars and included in the consolidated balance sheets, follows:

	(Dollars in Thousands) 1975			1974
	Net Assets Subject to Exchange Fluctuation	Net Assets Not Subject to Exchange Fluctuation	Total Net Assets	Total Net Assets
Canada, England, Australia, New Zealand, Ireland, And Bermuda......	$(7,361)	$207,860	$200,499	$165,590
Continental Europe........	(9,242)	173,789	164,547	116,163
Latin America....	13,085	35,441	48,526	42,195
Asia.............	(4,949)	25,610	20,661	17,943
Africa and Middle East...........	(410)	21,241	20,831	14,352
	$(8,877)	$463,941	$455,064	$356,243

PORTEC, INC. (DEC)

Notes to Consolidated Statements

Note 1 (in part): Accounting Policies

Translation—As permitted, the company has elected early application of the provisions of Financial Accounting Standards Statement No. 8, which provisions would otherwise have been required to be applied on a retroactive basis effective in 1976. Such statement requires, among other things the immediate recognition in income of exchange gains or losses. In addition, the statement requires certain changes in translation methods principally involving inventories and long-term debt. In prior years, the accounts of foreign subsidiaries were translated into United States dollars at (1) current rates for current assets and liabilities, (2) historical rates for long-term assets and liabilities and (3) average rates for revenues and expenditures other than depreciation; unrealized exchange gains were deferred to the extent not offset by unrealized losses. In 1975, inventories were translated at historical rates and long-term debt was translated at current rates as required by Statement No. 8 whereas essentially the same translation policies utilize in prior years were again followed in 1975 with respect to the remaining accounts; the resulting net unrealized exchange gains were included in income.

Net income in 1975 includes net exchange gains, realized and unrealized, aggregating $152,000 and in 1974 includes gains realized of $2,000. Such gains in 1975 include unrealized exchange gains of $173,000 resulting from the change in translation policies required under the provisions of Statement No. 8 as set forth in the preceding paragraph. Of the $173,000, $144,000 represents the net unrealized exchange gain deferred as of December 31, 1974. Since the cumulative effect of this change on beginning retained earnings and the effect on prior years' net income was not material, prior years' financial statements have not been restated.

R. J. REYNOLDS INDUSTRIES, INC. (DEC)

	1975	1974
	($000)	
Earnings from operations	$824,471	$825,228
Interest and debt expense	54,465	57,598
Foreign currency (gains) losses	(15,514)	28,590
Other (income) expense, net	(13,720)	(14,246)
Earnings before provision for income taxes	$817,240	$753,286

Notes to Consolidated Financial Statements

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

Change in Method of Accounting for Foreign Currency Translation—During 1975 the Company changed its method of accounting for foreign currency translation in conformity with the requirements of Statement No. 8 published by the Financial Accounting Standards Board in October, 1975. All prior periods have been restated to reflect this change, which generally requires that cash and amounts owed by or to an enterprise that are denominated in foreign currencies must be translated at exchange rates in effect on the balance sheet date. Inventories, properties and other non-monetary assets and liabilities must be translated at the exchange rates in effect on the dates the related assets were acquired or the liabilities incurred. Under the new method, translation gains and losses are recognized in earnings in the period the exchange rate changes.

Prior to 1975, differences between the recorded U.S. dollar amounts of short-term foreign currency vessel construction loans and the amounts obtained by applying year-end exchange rates to such loans were capitalized in vessel construction accounts. Long-term assets and liabilities were translated at historical exchange rates, thereby recognizing foreign currency gains and losses associated with long-term receivables and payables only when realized in cash. Net cumulative translation gains were deferred.

The effect of adopting this method was to increase 1975 earnings from operations and net earnings by $1.4 million and $11 million, respectively, and primary and fully diluted net earnings per common share by 24 cents and 21 cents, respectively. The impact of retroactive application of the new method to 1974 was to increase that year's earnings from operations by $1.4 million, decrease net earnings by $14 million, and decrease primary and fully diluted net earnings per common share by 33 cents and 27 cents, respectively. The previously reported balance of earnings retained at January 1, 1974, was decreased by $23 million. Foreign currency gains and losses, including translation gains and losses, are set forth separately in the statement of earnings.

STANDARD PRESSED STEEL CO. (DEC)

	1975	1974
Costs and expenses:		
Cost of goods sold	$113,697,582	$139,314,705
Selling, general and administrative expenses	30,408,035	31,187,538
Depreciation and amortization	5,449,763	4,776,803
Interest expense	3,820,452	3,618,308
Foreign exchange adjustments (note 7)	1,033,415	792,200
	$154,409,247	$179,689,554

Summary of Significant Accounting Policies

Translation of Currencies—In 1975, a new method of accounting for the translation of foreign currency financial statements was adopted in order to comply with Statement No. 8 of the Financial Accounting Standards Board. (See notes 7 and 11.)

Current assets, excluding inventories, and generally all liabilities of non-United States subsidiaries and affiliates have been translated into United States dollars at rates of exchange in effect at the balance-sheet dates and the remaining accounts generally have been translated at appropriate historical exchange rates. Income and expense accounts have been translated at average exchange rates effective during the years covered, except for depreciation which was based on historical exchange rates related to depreciable assets.

All exchange gains and losses, realized and unrealized, are recognized in earnings as incurred.

In the past, inventories were translated at current rates, and unrealized exchange gains were deferred in the accounts.

Notes to Financial Statements

Note 7: Exchange Adjustments—The new method of accounting for the translation of foreign currency financial statements has been applied retroactively. The effect of this change was to increase 1975 earnings by $355,000 ($.07 per share) and reduce 1974 earnings by $823,000 ($.16 per share). Inventories and retained earnings for 1975 and 1974 have been adjusted to reflect the retroactive application of this new method of accounting.

In addition, certain items in the 1974 financial statements have been reclassified to conform with current classifications.

TRW INC. (DEC)

	1975	1974
	($000)	
Costs and expenses:		
Cost of sales	$1,932,927	$1,880,603
Administrative and selling expenses	388,853	351,067
Research and development expenses	35,913	29,579
Interest expense	48,260	48,349
Foreign currency exchange losses	5,929	10,041
Other expenses	18,961	12,491
	$2,430,843	$2,332,130

Notes to Financial Statements

Change in Accounting Method—In compliance with a recent pronouncement of the Financial Accounting Standards Board, the Company in 1975 changed its methods of accounting for the translation of foreign currency transactions and financial statements. Financial statements for 1974 have been restated to reflect this change. The principal effects on the accompanying financial statements resulting from the use of the new method are that long-term debt denominated in foreign currencies has been translated at current rather than historical rates and exchange gains or losses have been included in operations rather than applied to a reserve. Retained earnings at January 1, 1974 have been reduced by $11.0 million and net earnings and primary earnings per share, as previously reported for 1974, have been reduced by $7.9 million and $.29, respectively. For 1975, the effect of this change was to increase net earnings and primary earnings per share by $5.4 million and $.19, respectively.

UNIROYAL, INC. (DEC)

Notes to Financial Statements

Summary of Accounting Policies (in part)

Translation of Foreign Currencies—In 1975 the Financial Accounting Standards Board issued Statement No. 8 "Accounting for the Translation of Foreign Currency Transactions and Foreign Currency Financial Statements." Our translation policy was changed in the fourth quarter of 1975 to conform to this statement which provides for foreign inventories, property, plant, equipment, and certain deferred items to be translated at historical rates of exchange. Generally, all other foreign assets and liabilities are translated at rates of exchange prevailing at the close of the year. Sales and expenses, except depreciation and cost of sales, are translated at monthly average rates of exchange. Gains or losses resulting from translation or exchange transactions are reflected in income as incurred. The 1974 results have been restated to reflect this accounting change. (See note on foreign operations.)

Foreign Operations—In the fourth quarter of 1975, the Company changed its translation policy to that recommended in the Financial Accounting Standards Board's Statement No. 8, "Accounting for the Translation of Foreign Currency Transactions and Foreign Currency Financial Statements." The major changes from previous Company policy are the translation of inventories and certain deferred taxes at historical rates of exchange and the inclusion of all exchange gains and losses in current income. The 1974 financial statements included in this report have been restated in accordance with these principles. This restatement reduced previously reported 1974 net income by $5,547,000 or $.21 per share, principally as a result of charging to income $5,300,000 of deferred foreign exchange translation losses relating to the Swiss Franc debt. Financial data for years prior to 1974 has not been restated because of the impracticality of assembling the cost and market data required to translate inventories at historical rates. The cumulative effect of this change on retained earnings at the beginning of 1974 was not significant. In 1975, foreign exchange losses, principally in translation, were $5,049,000.

Consolidated net income includes approximately $17,000,000 applicable to foreign subsidiaries and affiliates. For 1974, the comparable amount was $21,000,000. The decline is due primarily to the provision for loss applicable to a foreign affiliate and pricing restrictions imposed in certain foreign countries. Foreign sales were $782,243,000 in 1975, an increase of $35,754,000. Net assets outside the United States at year end approximated $242,000,000, an increase of 1.7% over the $238,000,000 of the previous year.

THE VENDO COMPANY (DEC)

	1975	1974
Other expense:		
Interest	$1,877,936	$3,559,544
Loss on sale of operating division	—	371,077
Currency translation losses (Note 1)	163,206	319,911
Miscellaneous	471,946	430,258
	$2,513,088	$4,680,790

Note 1 (in part): Significant Accounting Policies

Translation of Foreign Currencies—The accounts of the foreign subsidiaries included in the consolidated financial statements have been translated to U. S. dollars as follows: at rates prevailing during the year of sales, costs (except depreciation) and expenses; at year-end rates for monetary assets and liabilities; and at historical rates for inventories, plant and equipment and related accumulated depreciation. Aggregate translation losses of $163,206 and $319,911 have been included in the accompanying consolidated statement of income for 1975 and 1974, respectively.

Prior to 1975, the Company had deferred unrealized translation gains because of economic uncertainties in countries where the Company operates. This policy was changed in 1975 to comply with Statement of Financial Accounting Standards No. 8 which requires that all unrealized translation gains and losses be recognized in the income statement currently. The 1974 financial statements have been restated to apply the new method retroactively. The effect of this change on income for 1975 and on income previously reported for 1974 was to increase the loss for both years as follows:

	1975	1974
Loss before extraordinary item and net loss	$(104,000)	$(179,147)
Loss per common share	$ (.04)	$ (.07)

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 3-15 summarizes accounting methods used by the survey companies for long-term contracts. Examples of disclosures regarding long-term contracts follow.

TABLE 3-15: METHOD OF ACCOUNTING FOR LONG-TERM CONTRACTS

	1975	1974	1973	1972
Percentage-of-completion	56	50	66	62
Completed contract	9	11	10	12
Not determinable	8	10	10	6
Referring to long-term contracts	**73**	**71**	**86**	**80**
Not referring to such contracts	527	529	514	520
Total Companies	**600**	**600**	**600**	**600**

Percentage Of Completion Method

AMERICAN AIR FILTER COMPANY, INC. (OCT)

Notes to Consolidated Financial Statements

Summary of Significant Accounting Policies (in part)

Long-Term Contracts—The Company records sales on its long-term contracts generally on the percentage-of-completion method. Contract revenues are accrued based upon the percentage that accrued costs to date bear to total estimated costs. Value of contracts in progress represents the recoverable costs and estimated earnings recognized on the percentage-of-completion method less billings-to-date on all contracts in progress. Certain contracts contain cost escalation and incentive provisions to which applicable recognition is given at the time the amounts can be reasonably determined. Accrued costs on contracts in progress represents costs charged against revenues accrued under the percentage-of-completion method less costs incurred and charged to inventory on all contracts in progress. As contracts can extend over one or more years, revisions in costs and earnings (or losses, if any) estimates during the course of the work are reflected during the accounting period in which the facts which require the revision become known.

Value of Contracts in Progress—The Company records as accounts receivable the amount of progress billings less the amount the customer is by contract allowed to withhold as retainage. The retainage remains in value of contracts in progress until billable. The following summarizes the value of contracts in progress at October 31, 1975 and 1974:

	1975	1974
Retainage	$ 7,083,000	$ 4,843,000
Recoverable costs and estimated earnings relating to contracts not complete and not billed	27,502,000	28,085,000
Total	$34,585,000	$32,928,000

Retainage is billable periodically according to the terms of the contracts. Approximately $5,250,000 of retainage at October 31, 1975, is expected to be billed and collected within one year.

Approximately $26,620,000 of the amount of recoverable costs and estimated earnings related to contracts not complete and not billed is expected to be billable within one year.

JOY MANUFACTURING COMPANY (SEP)

Statement of Accounting Policies

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

The Company does not follow the practice of setting up reserves for post-installation expenses on long-term construction contracts. When and if an event occurs which confirms that a specific liability under a specific contractual obligation to a particular customer has been incurred and can be quantified, the estimated cost of such liability is charged against income.

NEPTUNE INTERNATIONAL CORPORATION (DEC)

Statement of Accounting Policies

Recognition of Contract Revenue—The Corporation recognizes contract revenue using the percentage-of-completion method. Under this method, the percentage of contract revenue to be recognized currently is computed as that percentage of estimated total revenue that incurred costs to date bear to total estimated cost, after giving effect to the most recent estimates of costs to complete. Revisions in cost and revenue estimates are reflected in the period in which the facts which require the revision become known. When revised cost estimates indicate a loss on an individual contract, the total estimated loss is provided for currently in its entirety without regard to the percentage of completion.

PULLMAN INCORPORATED (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Significant Accounting Policies

Long Term Contracts: Revenues on engineering and construction contracts are recognized on the percentage of completion method based on the ratio of costs incurred to date on the contract to total estimated contract costs. Revenue on passenger car contracts is recognized as cars are delivered. The effects of changes to total estimated contract costs are recognized in the period determined and losses, if any, are recognized fully when identified. For engineering and construction contracts, revenues recognized or costs incurred in excess of amounts billed are classified under current assets as costs and earnings on uncompleted contracts not yet billed. Amounts billed in excess of revenue recognized to date for both engineering and construction and passenger car contracts are classified under current liabilities as advance billings on uncompleted contracts.

Note 6: Long-Term Engineering and Construction Contracts—Accounts receivable at December 31, 1975 include $110,959,000 ($73,348,000 at December 31, 1974) relating to long-term engineering and construction contracts. Except for retainage of $12,789,000 ($11,013,000 in 1974), these amounts are billed. All December 31, 1975 amounts are expected to be collected in 1976 except for $1,191,000 of retainage.

The amounts by which billings exceed total costs and earnings recognized to date under uncompleted engineering and construction contracts at December 31 consist of:

	1975	1974
	(Thousands of dollars)	
Project costs and earnings	$ 2,282,274	$ 1,226,566
Less billings to date	2,384,039	1,287,030
	$ (101,765)	$ (60,464)
Included in current assets as costs and earnings on uncompleted contracts not yet billed	$ 63,022	$ 60,660
Included in current liabilities as advance billings on uncompleted contracts	(164,787)	(121,124)
	$ (101,765)	$ (60,464)

Project costs and earnings include $5,784,000 at December 31, 1975 ($9,008,000 at December 31, 1974) subject to future negotiation.

WESTINGHOUSE ELECTRIC CORPORATION (DEC)

Financial Review

Note 1 (in part): Westinghouse Accounting Principles and Policies

Sales are recorded as products are shipped on substantially all contracts. The percentage of completion method is used only for nuclear steam supply system orders with durations generally in excess of five years and for certain construction projects where this method of accounting is consistent with industry practices. In accordance with these practices, Long-Term Contracts in Process are stated at cost plus estimated profits recognized to date. Costs related to long-term contracts are also accumulated in Inventories, Recoverable Engineering and Development Costs (Government Contracts), and Progress Payments to Subcontractors. In accordance with terms of the particular contracts, progress payments are obtained from customers. The amounts of long-term contracts do not exceed realizable value.

Note 10: Progress billings have increased due to the extension of progress payments to a wider range of products and work delayed at the request of customers. A recently completed contract-by-contract analysis of contracts with progress billing terms reflects an excess of progress billings over costs included in inventory as shown in the table that follows. Amounts for 1974 have been reclassified for comparative purposes.

Costs of Uncompleted Contracts in Exess of Related Billings	At December 31 1975	At December 31 1974
Costs included in inventory	$ 702,725,000	$ 694,579,000
Progress billings on contracts	530,252,000	497,374,000
Excess of costs	$ 172,473,000	$ 197,205,000

Billings on Uncompleted Contracts In Excess of Related Costs	At December 31 1975	At December 31 1974
Progress billings on contracts	$1,896,417,000	$1,388,992,000
Costs included in inventory	1,156,937,000	877,178,000
Excess of progress billings	$ 739,480,000	$ 511,814,000

Costs included in inventory do not include certain costs expended on behalf of customers which are charged to income currently.

Completed Contract Method

CHICAGO BRIDGE & IRON COMPANY (DEC)

	1975	1974
Income:		
Contracts closed	$564,401,000	$465,879,000
Costs of contracts closed	452,119,000	377,513,000
	$112,282,000	$ 88,366,000

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 invoice 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.

J. RAY McDERMOTT & CO., INC. (MAR)

Notes to Consolidated Financial Statements

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

Income from construction is reported on the completed contract method. Current provisions are made for all known or anticipated losses on contracts which have not been completed.

Note F: Construction Contracts—Accounts and notes receivable-trade include at March 31, 1975 $19,125,478 of retainages from customers in connection with provisions of contracts awarded the Company. Collections of substantially all retainages are anticipated during the fiscal year ended March 31, 1976.

A portion of general and administrative expenses are charged to the costs of uncompleted contracts. Such amounts were $17,545,047 and $10,637,902 at March 31, 1975 and 1974, respectively.

H. H. ROBERTSON COMPANY (DEC)

	1975	1974
	($000)	
Net Sales:		
Products	$268,371	$274,912
Construction and Other Services	75,601	63,661
Total	343,972	338,573
Other Income	2,477	2,080
Total	346,449	340,653
Cost and Expenses:		
Product Cost	199,744	217,337
Construction and Other Service Costs	66,498	58,441
Selling, General and Administrative	44,168	41,227
Research and Product Development	2,502	2,449
Interest Expense	3,310	4,176
Other Expenses	2,279	544
Provision for Taxes on Income	15,170	9,197
Total	$333,671	$333,371

Notes to Financial Statements

Summary of Accounting Policies (in part)

Construction Contracts—Depending on contract terms, revenue from sales of products is recognized upon passage of title, acceptance at job site, or when affixed to a building structure. Revenue from construction services is recognized generally on the completed contract basis with provision for losses on construction services in progress made at the time a contract is determined to be unprofitable.

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 2021 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.

ALTEC CORPORATION (SEP)

	1975	1974
Income From Continuing Operations	$669,000	$1,382,000
Discontinued operation (Note J):		
(Loss) from operations, net of $118,000 and $11,000 income tax benefits	(120,000)	(12,000)
(Loss) on disposal of business, net of $54,000 income tax benefits	(620,000)	—
	(740,000)	(12,000)
Income (loss) before extraordinary item	(71,000)	1,370,000
Extraordinary item—Reduction of income tax due to loss carryforward	505,000	1,262,000
Net Income	$434,000	$2,632,000

Note J: Discontinued Operations—In September 1975, the Company sold its wholly owned subsidiary Altec Service Corporation for a nominal consideration. The following table presents the operating components of Altec Service Corporation which have been excluded from continuing operations in 1975 and 1974:

	1975	1974
Net sales	$1,974,000	$2,130,000
Costs and expenses:		
Cost of products sold	1,527,000	1,562,000
Selling, general and administrative expenses	685,000	591,000
	2,212,000	2,153,000
Loss before income taxes	238,000	23,000
Income tax credit	118,000	11,000
Net loss	$ 120,000	$ 12,000

ALTAMIL CORPORATION (AUG)

	1975	1974
Income from continuing operations	$2,003,873	$2,001,366
Loss from discontinued operations—Note B	577,657	1,275,467
Net income	$1,426,216	$ 725,899

Note B: Discontinued Operations—In August, 1975 the Board of Directors authorized the discontinuance of the operations of the Cabinet Division. The Corporation believes that the final disposition of this segment of business will be completed during 1976. Sales of the Cabinet Division were approximately $830,000 in 1975 and $2,750,000 in 1974. During the year ended August 31, 1974, three of the five plants of the Cabinet Division were closed, and their assets were sold or offered for sale. The statement of income and retained earnings for the year ended August 31, 1974, has been reclassified to reflect the loss from discontinued operations of the Cabinet Division to conform with the 1975 presentation.

An adjustment of prior year's provision for estimated losses relating to plant closings and other nonrecurring expenses amounting to $222,402, is included in other income for the year ended August 31, 1974. This adjustment does not relate to the Cabinet Division.

Details of the loss from discontinued operations are as follows:

	Year Ended August 31	
	1975	1974
Loss from operations (excluding losses relating to plant closings in 1974), less applicable federal income taxes of $90,000 in 1975 and $710,000 in 1974..	$234,031	$ 635,161
Provision for estimated losses relating to plant closings, less applicable federal income taxes of $590,000	—	640,306
Provision for estimated losses on disposal, less applicable federal income taxes of $318,000.....	343,626	—
Totals	$577,657	$1,275,467

A summary of the changes for the years ended August 31, 1975, and 1974, in estimated losses relating to discontinued operations, plant closings, and other nonrecurring expenses follows:

		Balance Sheet Classification			
	Total	Accounts Receivable	Inventories	Property, Plant, and Equipment	Current Liabilities
Balance at September 1, 1973................................	$ 665,148	$ —	$ —	$340,000	$325,148
Provision for estimated losses relating to plant closings of the Cabinet Division...	1,230,306	67,904	290,000	577,385	295,017
Charges to amounts provided in:					
Prior years...	(96,666)	—	—	(26,615)	(70,051)
Current year	(561,762)	(67,904)	(269,978)	(51,434)	(172,446)
Adjustments of amounts provided in prior years credited to costs and expenses..	(222,402)	—	—	(162,385)	(60,017)
Balance at August 31, 1974	$1,014,624	$ —	$ 20,022	$676,951	$317,651
Balance at September 1, 1974................................	$1,014,624	$ —	$ 20,022	$676,951	$317,651
Provision for estimated losses on disposal of discontinued operations of the Cabinet Division	661,626	148,075	235,415	160,429	117,707
Charges to amounts provided in:					
Prior years...	(828,303)	—	(20,022)	(546,420)	(261,861)
Current year	(382,801	(69,075)	(235,415)	(64,625)	(13,686)
Balance at August 31, 1975	$ 465,146	$ 79,000	$ —	$226,335	$159,811

THE HUFFMAN MANUFACTURING COMPANY (JUN)

	1975	1974
Earnings From Continuing Operations	$ 1,106,994	$4,418,639
Discontinued operations (Note 2):		
Operating loss from discontinued operations (net of income tax benefit of $1,231,000 in 1975 and $2,112,000 in 1974)	(1,347,000)	(2,387,000)
Loss on disposal of discontinued operations (net of income tax benefit of $3,375,000 in 1975)	(3,940,000)	—
Loss From Discontinued Operations	(5,287,000)	(2,387,000)
Net Earnings (Loss)	$(4,180,006)	$2,031,639

Note 2: Discontinued Operations—On June 18, 1975, the Company decided to discontinue its outdoor power equipment line. A provision before income taxes of $7.3 million ($3.9 million after tax) has been made in the quarter ended June 30, 1975 for the expenses and write-offs, including the disposal of plant and equipment, estimated losses on the realization of inventories and receivables, and other costs relating to this decision. Although the ultimate costs of this disposition cannot be fully determined, the provision for loss on disposal of discontinued operations is believed to be sufficient to cover the termination costs.

The consolidated balance sheet at June 30, 1975 includes current assets of $9.5 million relating to discontinued operations consisting of $5.1 million of inventories, $1.0 million of trade receivables and $3.4 million of taxes refundable currently or within one year, and non-current assets of $2.8 million consisting primarily of plant and equipment including the plant and equipment listed in the AMC agreement. The loss from discontinued operations for 1975 and 1974 is classified separately in the consolidated statement of earnings. Sales applicable to discontinued operations were $13.2 million in 1975 and $19.5 in 1974.

It is the Company's plan to sell the assets associated with the discontinued operations during fiscal 1976. American Motors Corporation (AMC) has agreed to assume the lease on the Company's Richmond, Indiana outdoor power equipment plant and purchase various major items of equipment if certain specified contingencies are satisfied. The Company will become a guarantor of the lease obligations along with Walter Kidde & Company, Inc. which assigned the lease to the Company in 1968.

The present value of the future payments to be received under the agreement, using an assumed interest rate of 8%, has been considered as the realizable value of this property and equipment.

The per share effect of the outdoor power equipment operations and of the loss provision is as follows:

	1975	1974
Earnings from continuing operations	$ .67	$2.68
Operating loss from discontinued operations (net of income tax benefit)	(.81)	(1.45)
Loss on disposal of doscontinued operations (net of income tax benefit)	(2.39)	—
Net Earnings (Loss)	$(2.53)	$1.23

STANRAY CORPORATION (DEC)

	1975	1974
Income from continuing operations.	$ 3,178,000	$ 5,153,000
Losses relating to discontinued operations (Note B):		
Operating losses, net of income tax credits of $2,638,000 in 1975 and $2,642,000 in 1974	$(2,773,000)	$(2,725,000)
Provision for loss on disposal of assets and close-down costs, net of income tax credits of $5,431,000	(5,750,000)	—
Total	$(8,523,000)	$(2,725,000)
Net income (loss)	$(5,345,000)	$ 2,428,000

Note B (in part): Discontinued Operations—In July, 1975, Stanray discontinued its Cresci-Litewate Division, the Burnet Binford Lumber Division, its line of commercial aviation service vehicles and baggage cargo handling systems, and its compactor line of hydraulic cylinders. In December, 1975, the Company discontinued the Remco Hydraulics Indianapolis Division of the Hydraulic Specialties Division.

The consolidated statement of income (loss) has been restated to reflect continuing operations for all periods presented. Net sales and all operating costs and expenses, including interest, of discontinued operations for periods prior to the decisions to discontinue have been segregated in the statement of income. Amounts relating to the discontinued operations are as follows:

	1975	1974
Net sales	$ 11,160,000	$ 23,370,000
Pretax loss from operations	$ 5,411,000	$ 5,367,000
Income tax credits:		
Federal	$ (2,580,000)	$ (2,562,000)
State	(58,000)	(80,000)
	$ (2,638,000)	$ (2,642,000)
Net loss from operations	$ 2,773,000	$ 2,725,000

The 1975 statement of income includes a provision for estimated losses on disposal of assets and other costs associated with the close-down as follows:

Provisions to reduce assets to estimated net realizable values:	
Accounts receivable	$ 1,597,000
Inventories	4,463,000
Property, plant and equipment	1,256,000
Patents and goodwill	765,000
Operating losses during the phase-out periods	563,000
Other accruals relating to the discontinuances for warranties, purchase commitments, termination pay, professional fees, and sundry other obligations	2,537,000
	$ 11,181,000
Income tax credits:	
Federal	$ (5,311,000)
State	(120,000)
	$ (5,431,000)
Net provision for loss on disposal of assets and close-down costs	$ 5,750,000

Certain of these losses will not be deductible on the Company's 1975 income tax return. As a result, approximately $1,644,000 of the above income tax credits have been recorded as future tax benefits in the December 31, 1975 balance sheet and will be available to reduce the Company's tax liability for 1976.

Between the date of decision to discontinue the operations and the balance sheet date, over $3,500,000 was realized from the disposition of assets and collection of receivables, net of payments for accrued close-down costs. Remaining assets of discontinued operations are carried at estimated net realizable values in the accompanying consolidated balance sheet and are expected to be sold or realized during 1976.

Minority Interest

DRESSER INDUSTRIES, INC. (OCT)

	1975	1974
	(Millions)	
Net sales and service revenues	$2,011.6	$1,398.0
Cost of sales and services—Note D	1,355.1	971.3
	656.5	426.7
Selling, engineering, administrative and general expenses	405.9	306.1
	250.6	120.6
Other income (deductions)		
Interest expense	(33.2)	(26.4)
Interest earned	4.5	5.7
Royalties earned	4.8	3.5
Other income net of other deductions—Notes A and M	(2.0)	10.9
	(25.9)	(6.3)
	224.7	114.3
Income taxes—Note C		
Current—Federal	65.5	36.0
State	7.8	3.3
Foreign	25.7	19.4
Deferred	1.1	(7.8)
	100.1	50.9
	124.6	63.4
Minority interests in earnings of subsidiaries	.7	.2
Net Earnings	$ 123.9	$ 63.2

CHARGES OR CREDITS SHOWN AFTER INCOME TAX CAPTION

Table 3-16 indicates the nature of charges or credits, other than extraordinary items, positioned on an income statement after the caption for income taxes applicable to income from continuing operations. Examples of charges or credits shown after the caption for income taxes applicable to income from continuing operations follow.

TABLE 3-16: CHARGES OR CREDITS SHOWN AFTER INCOME TAX CAPTION

	Number of Companies			
	1975	1974	1973	1972
Minority interest	56	64	75	66
Equity in earnings or losses of investees	55	57	56	55
Cumulative effect of Accounting Change	16	13	7	5

ELTRA CORPORATION (SEP)

Sales and other income:	1975	1974
Net sales	$766,591,175	$763,930,545
Equity in earnings of equipment leasing companies	2,464,468	1,361,167
Other income	5,601,551	7,889,018
	774,657,194	773,180,730
Cost and expenses:		
Cost of sales	608,904,848	614,667,620
Selling, general and administrative expenses	92,214,109	87,737,524
Interest	9,057,487	7,440,701
Taxes on income:		
Current	20,986,897	20,279,812
Deferred	6,206,235	7,418,392
	737,369,576	737,544,049
Income before items shown below	37,287,618	35,636,681
Minority interests	(743,683)	(638,252)
Amortization of deferred credit	—	399,030
Net income per share 1975—$4.86; 1974—$4.70)	$ 36,543,935	$ 35,397,459

NORTH AMERICAN PHILIPS CORPORATION (DEC)

	1975	1974
	($000)	
Net sales	$1,409,842	$994,579
Cost of sales		
Products and services	1,034,246	711,209
Research and development	22,542	12,191
	1,056,788	723,400
	353,054	271,179
Selling, general and administrative expenses	291,709	203,497
	61,345	67,682
Other expenses (income)		
Interest expense	16,846	13,931
Estimated loss on disposition of certain operations	—	3,300
	16,846	17,231
Interest and dividend income	(3,494)	(2,979)
Equity in income of other companies	(1,152)	(559)
Other expenses—net	12,200	13,693
	49,145	53,989
Federal, state and foreign income taxes	19,598	25,649
	29,547	28,340
Minority stockholders' interest in loss of subsidiaries	1,469	866
Income before extraordinary items	$ 31,016	$ 29,206

PHELPS DODGE CORPORATION (DEC)

	1975	1974
Revenues		
Sales and other operating revenues	$780,788,000	$1,026,091,000
Interest, dividends and other non-operating revenues	27,385,000	14,272,000
	808,173,000	1,040,363,000
Costs, expenses and taxes		
Costs and expenses exclusive of items shown below	636,493,000	788,995,000
Exploration and research	22,987,000	18,035,000
Selling and general administrative expenses	31,895,000	34,103,000
Depreciation, depletion and amortization	35,101,000	36,538,000
Interest expense	37,374,000	24,413,000
Provision for taxes on income.	(13,200,000)	36,700,000
	750,650,000	938,784,000
Income before equity earnings and extraordinary item	57,523,000	101,579,000
Earnings (losses) of equity basis investments, less income tax	(11,132,000)	10,947,000
Income before extraordinary item	46,391,000	112,526,000
Extraordinary item, less income tax	—	9,150,000
Net income	$ 46,391,000	$ 121,676,000

Equity in Investee Operating Results

EMHART CORPORATION (DEC)

	1975	1974
	($000)	
Earnings before income taxes of continuing operations	26,188	29,659
Provision for income taxes:		
Current	9,004	11,123
Deferred	(309)	1,488
Total income taxes of continuing operations	8,695	12,611
Earnings of continuing operations before equity in earnings of USM	17,493	17,048
Equity in earnings of USM, net of taxes	5,263	1,190
Earnings of continuing operations	22,756	18,238
Discontinued operations:		
Earnings from operations, net of taxes	464	2,168
Loss on disposal, net of tax benefit of $437	(590)	
Earnings (loss) of discontinued operations	(126)	2,168
Net earnings	$22,630	$20,406

Cumulative Effect of Accounting Change

THE CESSNA AIRCRAFT COMPANY (SEP)

	1975	1974
Earnings before provision for income taxes and cumulative effect of change in accounting to full-absorption costing	$30,741,752	$40,740,732
Provision for income taxes		
Current (including finance subsidiaries)	14,118,000	19,610,000
Deferred	150,000	(432,000)
	14,268,000	19,178,000
Earnings before cumulative effect of change in accounting to full-absorption costing	16,473,752	21,562,732
Cumulative effect on change in accounting to full-absorption costing (Note 3)	2,500,000	—
Net earnings	$18,973,752	$21,562,732

Note 3 (in part): Inventories—In addition, Cessna adjusted its inventories to include certain overhead costs and variances to conform to the Internal Revenue Service regulations requiring full-absorption costing. Such items had previously been treated as period costs. The cumulative effect of the change in accounting method, which amounted to

$5,000,000 less related income taxes of $2,500,000, has been presented separately in the consolidated statement of income for 1975. The additional taxes are to be paid over a ten-year period. The effect in 1975 before cumulative effect of change in accounting principle was not significant, nor would the retroactive application of the change significantly effect net income for 1974.

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 3-17 shows the nature of items classified as extraordinary by the survey companies. Examples of extraordinary items follow.

TABLE 3-17: EXTRAORDINARY ITEMS

	1975	1974
Nature		
Operating loss carryforwards and other tax adjustments	31	55
Sale or disposal of assets	3	10
Adjustment of prior period extraordinary item	1	7
Debt extinguishments	9	—
Other	7	10
Total Extraordinary Items	**53**	**82**

	1975	1974	1973	1972
Number of Companies				
Presenting extraordinary items	49	75	137	204
Not presenting extraordinary items	551	525	463	396
Total	**600**	**600**	**600**	**600**

Tax Loss Carryovers

ADAMS-MILLIS CORPORATION (DEC)

	1975	1974
Earnings (loss) before extraordinary credit	$ 901,990	$(5,852,996)
Extraordinary credit—partial utilization of tax loss carryforward	812,550	
Net earnings (loss)	$1,714,540	$(5,852,996)

Notes to Consolidated Financial Statements

Note G (in part): Income Taxes—Income taxes included in operations for 1975 and 1974 consisted of the following:

	1975		1974	
	Continuing Operations	Discontinued Operations	Continuing Operations	Discontinued Operations
Currently payable	$ 54,450		$241,824	
Deferred			227,461	$ (284,400)
Charge in lieu of income taxes (income tax benefits)	501,550	$311,000	495,539	(495,539)
Recoverable income taxes				(330,121)
	$556,000	$311,000	$964,824	$(1,110,060)

The charge in lieu of income taxes represents income taxes which would have been required in the absence of loss carryforwards in 1975 and losses sustained from discontinued operation in 1974. Income taxes currently payable are those of the Company's majority-owned subsidiary which was sold in 1975. State income taxes included in currently payable and deferred in 1974 were $96,450 and $30,400, respectively.

GRANGER ASSOCIATES (AUG)

	1975	1974
Income before taxes on income and extraordinary item	$1,069,837	$523,562
Provision for taxes on income (Note 2)	624,013	326,554
Income before extraordinary item	445,824	297,008
Extraordinary item:		
Reduction of income taxes resulting from carryforward of operating losses	571,850	303,500
Net income	$1,017,674	$600,508

Note 2 (in part): Taxes on Income—The provision for taxes on income is summarized as follows:

	1975	1974
Current:		
State	$ 59,404	$ 31,954
Foreign	3,489	—
Deferred:		
State	970	3,100
Federal	(11,700)	(12,000)
Utilization of operating loss carryforwards	571,850	303,500
	$624,013	$326,554

STRUTHERS WELLS CORPORATION (NOV)

	1975	1974
Income before extraordinary item	$1,725,118	$ 827,446
Utilization of net operating and capital loss carryforwards	1,392,500	779,000
Net income	$3,117,618	$1,606,446

Notes to the Financial Statements

Note 11 (in part): Income Taxes—Income taxes consist of:

	1975	1974
Federal—		
Currently payable	$ 32,500	
Utilization of tax loss carryforward	1,392,500	$826,000
State and local	200,639	108,638
Foreign	192,998	1,296
	$1,818,637	$935,934

The Company and its domestic subsidiaries file a consolidated Federal income tax return.

At November 30, 1975, the Company has utilized all of its consolidated net operating loss carryforward. Investment tax credits of approximately $250,000 are available to reduce Federal income taxes and will expire in varying amounts during the next 7 years.

WARD FOODS INC. (DEC)

	1975	1974
Earnings from continuing operations before income taxes and extraordinary item	$4,538,597	$1,318,379
Income taxes		
State, local and foreign	317,989	300,581
Provision in lieu of Federal income tax	1,900,000	517,000
	2,217,989	817,581
Earnings from continuing operations before extraordinary item	2,320,608	500,798
Provision for loss on discontinued operations	200,000	—
Earnings before extraordinary item	2,120,608	500,798
Realization of tax credit equal to provision in lieu of Federal income tax	1,900,000	517,000
Net earnings	$4,020,608	$1,017,798

Financial Information

Income Taxes and Extraordinary Credit (in part)—The components of income taxes are:

	1975	1974
State and local—current	$ 160,480	$194,000
Foreign—current	157,509	106,581
	$ 317,989	$300,581
Federal—provision in lieu of such taxes	$1,900,000	$517,000

The provision in lieu of Federal income taxes represents income tax expense which will not be paid due to net operating loss carryforwards. The income tax benefit resulting from utilization of the carryforwards is presented as an extraordinary credit in the statement of earnings in accordance with Accounting Principles Board Opinion No. 11.

Early Debt Extinguishment

CLAROSTAT MFG. CO., INC. (DEC)

	1975	1974
Income before extraordinary credit	$170,017	$454,917
Extraordinary credit (Note 8):		
Gain from early extinguishment of debt (less applicable income taxes of $50,000)	55,709	
Net income	$225,726	$454,917

Note 8: Extraordinary Credit—The $105,709 gain results from the negotiated settlement of a long-term obligation due to an officer-shareholder, collateralized by a second deed of trust on Solar real property and a chattel mortgage on the subsidiary's machinery and equipment. The reduced balance of $577,391 was paid in 1976.

COLUMBIA PICTURES INDUSTRIES, INC. (JUN)

	1975	1974
Income (loss) before extraordinary gain	$ 5,313,000	$(2,301,000)
Gain on exchange of debentures, net of deferred income taxes (Note G)	5,198,000	—
Net income (loss)	$10,511,000	$(2,301,000)

Note G (in part): Subordinated Debentures—On June 27, 1975 the Company completed an offer which provided for the exchange of $550 principle amount of 11¾% subordinated debentures together with 15 shares of the Company's common stock for each $1,000 principal amount of it 5¾% or 4¾% convertible subordinated debentures. As a result of this exchange the Company realized a gain of $10,500,000, before a reduction of $5,302,000 in future deferred income tax benefits.

SANDERS ASSOCIATES, INC. (JUL)

	1975	1974
Income (loss) before extraordinary credits	$ 1,534,000	$(19,067,000)
Extraordinary credits:		
Gain from debenture exchange (Note 7)	7,889,000	—
Federal income tax benefit from utilization of operating loss carryforward (Notes 7 and 8)	5,522,000	—
Net income (loss)	$14,945,000	$(19,067,000)

Note 7: Debenture Exchange and Extraordinary Credit—The Company exchanged $500 principal amount of new 12% Convertible Subordinated Debentures due November 15, 1992 ("New Debentures") for each $1,000 principal amount of outstanding 5% Convertible Subordinated Debentures, also due November 15, 1992 ("Old Debentures"). This exchange was completed on April 25, 1975.

A total of $25,308,000 of Old Debentures, representing approximately 72% of the $35,000,000 of Old Debentures originally outstanding, was tendered in exchange for $12,654,000 of New Debentures, leaving $9,692,000 of the Old Debentures outstanding. The exchange resulted in a reduction in long-term debt of $13,777,000.

The debenture exchange resulted in a gain of $7,889,000, or $1.72 per share, after related income taxes of $5,645,000. The gain represents the difference between (i) the principal amount of Old Debentures exchanged, less related unamortized issuance expenses, and (ii) the fair market value of the New Debentures issued.

The New Debentures traded initially at an aggregate discount of $1,123,000 from their face amount. This discount is being amortized over the term of the New Debentures as additional interest.

For income tax purposes, the gain from the debenture exchange was determined as the difference between the principal amount of Old Debentures exchanged, less related unamortized issuance expenses, and the principal amount of the New Debentures issued. The Company intends to elect to defer the recognition of this gain by reducing the basis of its depreciable assets and by reducing the basis of certain nondepreciable assets in the aggregate amount of the gain. The Company has provided for income taxes in the amount of $5,645,000, based upon the loss of income tax benefits arising from the reduction in basis of its depreciable assets.

Debt Forgiveness

M. H. FISHMAN CO. INC. (DEC)

	1975	1974
Income/(loss) before extraordinary credits	$ 816,897	$(10,968,375)
Extraordinary credits—Note K	9,071,645	
Net income/(loss)	$9,888,542	$(10,968,375)

Note K: Extraordinary Credits:

Forgiveness of indebtedness arising from Plan of Arrangement (see Note A), net of administration expenses (principally professional fees and court costs) and amount applicable to Common Stock to be issued	$8,316,645
Federal income tax benefit arising from utilization of net operating loss carryover	755,000
	$9,071,645

Adjustment Of Prior Period Extraordinary Item

SPRAGUE ELECTRIC COMPANY (DEC)

	1975	1974
Net earnings (loss) before extraordinary income	$(11,731,514)	$ 8,248,190
Extraordinary Income		
Reduction of U.S. Customs penalties (Note 1)	1,428,669	—
Utilization of net operating loss carryforwards	—	2,347,532
Net earnings (loss)	$(10,302,845)	$10,595,722

Note I: U.S. Customs—In 1972, a provision was made for the then mitigated U.S. Customs penalties of $1,824,606 (including $243,806 relating to an affiliate), and treated as an extraordinary item. In October 1975, the U.S. Customs Service further mitigated these penalties to $357,848, and the Company has recorded the reduction as an extraordinary credit of $1,428,669 (including $196,717 relating to an affiliate).

The U.S. Customs Service is currently reviewing previously declared dutiable values applicable to Company importations at two ports of entry and has requested reconciliatory information from the Company.

Sale of Assets of Pooled Company

THE ANSUL COMPANY (DEC)

	1975	1974
Earnings before extraordinary credit	$2,203,487	$7,565,457
Extraordinary credit (less related income tax of $604,000) (Note 3)	848,000	—
New earnings	$3,051,487	$7,565,457

Note 3: Business Combinations—On September 9, 1975, all of the stock of our wholly owned subsidiary, Dover Chemical Corporation, was sold for $1,950,000 (resulting in an after-tax gain of $560,000). In addition, the buyer has agreed to pay us $600,000 (resulting in an after-tax gain of $288,000) over a five-year period for an agreement not to compete in the products manufactured by Dover. The gains

relating to the sale of the stock and the agreement not to compete are reflected as an extraordinary credit in the consolidated statement of earnings.

Dover was acquired on July 18, 1974 in a transaction accounted for as a pooling of interests. We 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 all years presented in this report through the date of disposition.

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.

Examples of earnings per share presentations follow.

TABLE 3-18: EARNINGS PER SHARE—1975

	Additional shares issuable for			
	Debt	Preferred Stock	Options	Warrants
Included in primary per share calculation.........	15	45	110	25
Included in fully diluted per share calculation.........	120	79	64	10
No dilution....................	57	38	179	22
Not disclosed.................	28	11	174	17
No additional shares issuable	380	427	73	526
Total Companies..................	**600**	**600**	**600**	**600**

Primary Earnings Per Share Only

BURROUGHS CORPORATION (DEC)

	1975	1974
Net income per share	$4.14	$3.38
Cash dividends per share	$0.60	$0.50
Average number of shares outstanding	39,673,149	39,084,191
Net income per share as previously reported		$3.66
Net income as previously reported.		$142,937,364
Adjustment for Financial Accounting Standards No. 8.........		(10,985,645)
Adjustment for Financial Accounting Standards No. 5 and 11		
Net income as restated		$131,951,719

Notes to Consolidated Financial Statements

Note 15: Net Income and Dividends Per Share—Net income per share is based on the average number of shares of common stock outstanding during each year, adjusted for the two-for-one stock split in 1974. The common stock reserved under employee stock options granted and outstanding during each year and the convertible debentures outstanding during each year are considered to be common stock equivalents. These securities, however, have not been included in the computation of net income per share because the aggregate potential dilution resulting therefrom is less than three percent in each year.

Dividends per share are based on the number of shares of common stock outstanding at each declaration date, adjusted for the stock split.

CHICAGO BRIDGE & IRON COMPANY (DEC)

	1975	1974
Net income for the year	$41,165,000	$28,459,000
Net income per share of common stock	$4.20	$2.91

Notes to Consolidated Financial Statements

Note 1 (in part): Accounting Policies—

Net Income Per Share—Net income per share is based on the weighted average number of common shares and common equivalent shares outstanding during the year. Common equivalent shares are those shares that may be issued under the employee stock purchase plan and the two qualified stock option plans reduced by the number of common shares which are assumed to have been purchased with the proceeds from the exercise of those rights and options. Total common shares and common equivalent shares used in calculating net income per share were 9,808,000 in 1975 and 9,770,000 in 1974.

THE SIGNAL COMPANIES, INC. (DEC)

	1975	1974
	(Dollars in thousands, except per share amounts)	
Net income	$41,135	$176,066
Earnings per share:		
Income from continuing operations	$ 1.90	$ 2.80
Income (loss) from discontinued operations	(.08)	4.80
Income before extraordinary income	1.82	7.60
Extraordinary income	.07	.06
Net income	$ 1.89	$ 7.66

Notes to Financial Statements

Note 14: Earnings Per Share—Earnings per share in 1975 and 1974 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 21,787,000 shares in 1975 and 22,985,000 shares in 1974.

THE SINGER COMPANY (DEC)

	1975	1974
	(Amounts in Millions)	
Net loss	$(451.9)	$(10.1)
Loss per share:		
Income (loss) from continuing operations including provisions for facility closings and other items and income taxes	$ (2.85)	$ 3.25
Net loss	$(27.68)	$ (.89)

Notes to Financial Statements

Per Share Data—In 1975, loss per share was calculated by dividing the sum of the net loss and all preferred dividends by 16.5 million shares, representing the average number of shares of common stock outstanding at the end of each month during the year. The average number of common stock equivalents was not included in the calculation in 1975 as the effect would be to reduce loss per share.

In 1974, earnings (loss) per share was calculated by dividing net income (loss) after deducting only the preferred dividend payments on the Series $3.50 preferred stock by 17.1 million shares, representing the average number of shares of common stock and common stock equivalents outstanding at the end of each month during the year. Common stock equivalents are shares of common stock reserved for issuance upon conversion of Series $1.50 Class A and $12.50 Series A through G cumulative convertible preferred stock and shares relating to common stock options outstanding, if the average market price exceeded the option price during the period. The number of equivalent option shares outstanding is reduced to reflect the assumption that proceeds from such options would be used by the Company to acquire its common stock.

Fully diluted earnings (loss) per share is calculated by dividing net income (loss) by the average number of shares of common stock and common stock equivalents outstanding at the end of each month during the year with the additional assumption that the Series $3.50 preferred stock had been converted. In 1975 and 1974, fully diluted per share amounts are not applicable as the effect of this additional assumption is anti-dilutive.

VICTOR COMPTOMETER CORPORATION (DEC)

	1975	1974
Net earnings (loss) added to retained earnings	$(6,219,878)	$3,238,892
Earnings (loss) per common share—Note		
From continuing operations	$(1.11)	$.50
From discontinued operations	(.10)	.04
Total	$(1.21)	$.54

Note—Based on average common shares outstanding of 5,406,884 in 1975 and 5,410,172 in 1974, after providing for preferred dividends of $310,221 in 1975 and $310,655 in 1974. Inclusion of shares issuable upon conversion of preferred shares and shares under option would have no dilutive effect in either year.

Fully Diluted Earnings Per Share

BORDEN, INC. (DEC)

	1975	1974
Net income	$92,883,695	$83,844,852
Average number of common shares and equivalents outstanding during the year	30,885,755	30,826,916
Net income per share:		
Primary	$3.01	$2.72
Fully diluted	2.88	2.61

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 are computed based on the weighted average number of shares of Common Stock and Equivalents assumed outstanding during the year as if the 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:

	1975	1974
Common shares	30,327,113	30,128,122
Convertible Preferred:		
Series A	144,452	302,035
Series B	285,367	361,595
Stock options and incentive compensation	128,823	35,164
Total for primary calculation	30,885,755	30,826,916
Convertible Debentures:		
6¾%	1,043,479	1,043,479
5%	952,380	952,380
Total for fully diluted calculation	32,881,614	32,822,775

CALIFORNIA COMPUTER PRODUCTS, INC. (JUN)

	1975	1974
Earnings (loss) per common and common equivalent share (Note 10):		
Income (loss) before extraordinary item	(3.83)	$1.76
Extraordinary item	—	1.08
Net income (loss)	($3.83)	$2.84
Earnings (loss) per share assuming full dilution (Note 10):		
Income (loss) before extraordinary item	($3.83)	$1.55
Extraordinary item	—	.87
Net income (loss)	($3.83)	$2.42

Note 10: Earnings (loss) Per Share—Earnings (loss) per common and common equivalent share are computed on the basis of the weighted average number of common shares outstanding during each year, plus (in years in which they have a dilutive effect) the common stock equivalents which would arise from the exercise of stock options and warrants and the effect of stock to be issued under the employee stock bonus plan. The number of common and common equivalent shares used in the calculation are 3,237,990 in 1975 and 3,055,475 in 1974.

In 1975, loss per share assuming full dilution is not different from primary loss per share since the assumed issuance of shares contingently issuable under stock options and warrants, under the terms of the employee stock bonus plan and convertible debt would be anti-dilutive.

Earnings per share assuming full dilution in 1974 are determined on the assumption that outstanding shares include, from the beginning of the fiscal year (or later date of issuance), the effect of shares contingently issuable (a) under stock options and warrants, (b) under terms of the employee stock bonus plan and (c) under the assumption of the conversion of the convertible subordinated notes and debentures. Shares used in the full dilution computation were 3,799,008 shares.

ESMARK, INC. (OCT)

	1975	1974
	(In thousands of dollars, except per share data)	
Net earnings	$79,685	$68,066
Net earnings per common share:		
Primary	$ 5.05	$ 4.47
Fully diluted	$ 4.74	$ 4.17

Financial Comments

Earnings Per Share and Dividends—Primary earnings per common share are based on (a) 15,521,000 shares (14,855,000 shares in 1974), consisting of the weighted average number of common and common equivalent shares outstanding during the year, and (b) reported net earnings reduced by $1.3 million ($1.7 million 1974) for preferred dividend payments. Common equivalent shares consist of dilutive stock options. If the preferred shares that were converted into common shares in 1975 had been converted at the beginning of 1974, the primary earnings per share amounts would have been the same as the fully diluted amounts.

Fully diluted earnings per common share are based on (a) 16,804,000 shares (16,313,000 shares in 1974), consisting of the weighted average number of common and common equivalent shares outstanding during the year and the common shares issuable upon conversion of the outstanding convertible preferred shares (to the dates of conversion), and (b) reported net earnings.

Cash dividends of $19.2 million ($1.22 per share) were declared and paid to common stockholders in 1975, an increase of $7.3 million ($.42 per share) over 1974 dividends.

LESLIE SALT CO. (DEC)

	1974	1975
Earnings per common and equivalent share:		
Operating and other	$3.04	$2.34
Real property	(.07)	.28
Income before extraordinary item	2.97	2.62
Extraordinary item	1.02	.73
Total	$3.99	$3.35
Earnings per common share assuming full dilution:		
Operating and other	$2.99	$2.32
Real property	(.07)	.28
Income before extraordinary item	2.92	2.60
Extraordinary item	1.00	.73
Total	$3.92	$3.33

Financial Review

Capital Stock, Stock Compensation Plans, and Earnings Per Share (in part)—Earnings per common and equivalent share are computed in accordance with Opinion No. 15 of the Accounting Principles Board by dividing income as adjusted

(Table B below) by the average number of common and equivalent shares outstanding during the year (Table A below).

Table A—Common and Equivalent Shares

	1975	1974
Average number of shares of capital stock outstanding during the year	736,288	736,288
Common share equivalents resulting from:		
Assumed exercise of stock options	166,000	166,000
Less assumed treasury shares acquired at average market price during the year	(138,908)	(146,658)
Shares contingently issuable under Performance Share Plan	37,124	18,764
Total common and equivalent shares	800,504	744,396

Table B—Income as Adjusted

	1975	1974
	(In thousands)	
Operating and other income	$2,435	$1,804
Assumed after-tax reduction in interest resulting from exercise of stock options		10
Adjusted operating and other income	2,435	1,814
Real property income	(53)	215
Extraordinary item	813	567
Adjusted net income	$3,195	$2,596

Earnings per common share assuming full dilution are computed by dividing income (no adjustment necessary in 1975 and 1974) by the adjusted average number of common and equivalent shares outstanding during the year (Table C below).

Table C—Common and Equivalent Shares As Adjusted

	1975	1974
Common and equivalent shares (Table A above)	800,504	774,394
Additional shares assuming exercise of stock options and acquisition of treasury shares at end of year market price ($28.25 per share in 1975 and $19.19 in 1974)	14,794	1,972
Adjusted total common and equivalent shares	815,298	776,366

In view of the relationship of 138,908 "assumed treasury shares acquired" during 1975 to shares of the Company traded on the Pacific Stock Exchange in that year (approximately 20,000 shares), management believes the common equivalent share total above may not be fully representative of the potential impact that might result from exercise of the option. Consequently, the following supplemental data are set forth:

In addition to the consideration received for exercise of the option ($2,224,000) the Company would be entitled to income tax deductions for the compensatory element inherent in such exercise. Such deductions are estimated to result in a net tax saving of $1,282,000 (based upon the year end 1975 quoted market price per share).

Consequently, if shares could not have been purchased in the market, exercise of the option as of December 31, 1975 would have resulted in a total of approximately $3,506,000 being available to the Company for investment or debt reduction and the total shares outstanding would have been 939,412. In 1974, the aggregate available for investment would have been $2,766,000 and the total shares 921,052.

THE LTV CORPORATION (DEC)

	1975	1974
	(In thousands except per share data)	
Net income	$13,142	$111,692
Per share data:		
Primary—		
Income before extraordinary item	$1.02	$ 8.02
Net income	1.02	10.32
Assuming full dilution—		
Income before extraordinary item	0.87	4.76
Net income	0.87	5.70

Financial Comments

Income Per Share—Primary income per share amounts for 1975 are after deducting $2.5 million for preferred stock dividend requirements and are based upon a total of 10,405,342 shares, representing the average number of common and Special Stock, Class AA shares (included on the basis of 1.25 common shares for each share of Special Stock) outstanding during the year. The stock dividends paid in 1975 on the Special Stock, Class AA were not included retroactively because the effect would not be significant. No common equivalent shares are included in the computation because the assumed exercise of stock options and warrants would be anti-dilutive.

For 1974, primary income per share amounts were based upon a total of 11,319,218 shares, representing the average number of common, Special Stock, Class AA (included on the basis of 1.20 common shares for each share of Special Stock) and common equivalent shares outstanding during the 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 was reduced by $2.5 million for preferred stock dividend requirements and increased by $7.7 million 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.

Fully diluted income per share amounts for 1975 are based upon 13,451,235 shares, 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, Class AA. The computations also reflect, where appropriate, the conversion of certain convertible securities, together with related additions to income of $1.1 million for the interest expense, less applicable income taxes, on the debt assumed to have been converted. The exercise of stock options and warrants was not assumed because the effect on income per share would be anti-dilutive.

For 1974, fully diluted income per share amounts were based upon a total of 27,562,426 shares which number was determined by further increasing the average number of shares used in the computation of primary income per share 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 plus arrearages. The computations also included 15,574,000 shares issuable upon the assumed exercise of all stock options and warrants and the conversion of certain convertible securities, together with related additions to income of $45.4 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.

ST. REGIS PAPER COMPANY (DEC)

	1975	1974
Net earnings	$95,913,000	$99,259,000
Earnings per common and common equivalent share	$4.27	$4.50
Earnings per common share, assuming full dilution	$3.94	$4.11

Notes to Financial Statements

Earnings per Share—Earnings per common and common equivalent share have been computed by dividing net earnings less preferred dividend requirements by the weighted average number of common shares and common equivalent shares outstanding, after giving retroactive effect to the common shares issued in poolings of interests. Shares issuable under the management incentive compensation plan and deferred compensation agreements, and shares exercisable under the company's stock option plan are classified as common equivalent shares and are included in the average number of common shares and common equivalent shares outstanding of 22,302,000 shares in 1975 and 21,941,000 shares in 1974.

Earnings per common share, assuming full dilution, have been computed based upon the weighted average number of common shares and common equivalent shares outstanding after giving retroactive effect to the common shares issued in poolings of interests, and the assumed conversion into common shares outstanding of the 6% subordinated convertible notes, the 4⅞% convertible subordinated debentures, and the $5.50 Series A preferred stock. Earnings for such computations have been adjusted to eliminate the related interest expense on such notes and debentures, net of taxes. The average number of shares used to compute earnings per share, assuming full dilution, was 24,817,000 in 1975 and 24,599,000 in 1974.

During 1975, $21,541,000 of 4⅞% convertible subordinated debentures were converted into 711,618 shares of common stock. If all conversions of convertible securities had taken place at the beginning of 1974, earnings per common and common equivalent share would have been $4.16 in 1975 and $4.35 in 1974.

MONSANTO COMPANY (DEC)

	1975	1974
	(Dollars in millions, except per share)	
Net income	$306.3	$323.2
Earnings per common share:		
Primary	$8.63	$9.25
Fully diluted	8.22	8.73

Notes to Financial Statements

Earnings per Common Share—Income and the number of shares used in the computation of earnings per common share were determined as follows:

	1975		1974	
Income	Primary	Fully Diluted	Primary	Fully Diluted
Net income	$306.3	$306.3	$323.2	$323.2
Preferred dividends	(5.1)		(6.3)	
Interest (less tax) on:				
Loan stock of Monsanto Limited	0.4	0.4	0.5	0.5
Debentures of Monsanto International Finance Company		0.6		0.6
	$301.6	$307.3	$317.4	$324.3
Number of Shares (In thousands)				
Weighted average shares:				
Outstanding	34,528	34,528	33,905	33,905
Incremental shares outstanding stock options	93	146	51	53
Shares issuable upon conversion of:				
Loan stock of Monsanto Limited	316	316	366	366
Debentures of Monsanto International Finance Company		286		283
$2.75 Preferred Stock		2,113		2,552
	34,937	37,389	34,322	37,159

ETHYL CORPORATION (DEC)

	1975	1974	1973	1972	1971
Earnings per share:					
Income before extraordinary items	$6.09	$7,41	$5.02	$4.03	$3.36
Extraordinary items				.45	(.33)
Net income	$6.09	$7.41	$5.02	$4.48	$3.03
Fully diluted earnings per share assuming conversion of the Second Preferred Stock. (If the Second Preferred Stock were converted, its dividend would become $1.82 per share at the 1975 annualized regular dividend rate, as against the present $2.40 preferred dividend.)					
Income before extraordinary items	$5.35	$6.45	$4.47	$3.65	$3.09
Extraordinary items				.37	(.27)
Net income	$5.35	$6.45	$4.47	$4.02	$2.82

Notes to Financial Statements

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

Earnings Per Share—Earnings, and fully diluted earnings, per common share are computed using the weighted average number of shares of common stock outstanding during the year including common stock options as common stock equivalents and after deducting preferred stock dividends. Proceeds from common stock equivalents are assumed to be used to purchase outstanding shares of the Company's common stock. Fully diluted earnings per share assumes the complete conversion of the Cumulative Second Preferred Stock.

Shares used in the computation of earnings per share were:

	Earnings Per Share	Fully Diluted Earnings Per Share
1975	9,398,487	11,371,991
1974	9,512,470	11,485,996
1973	9,756,992	11,793,684
1972	10,086,799	12,200,515
1971	10,140,533	12,293,589

TYLER CORPORATION (DEC)

	1975	1974
Earnings per common share—assuming full dilution	$4.76	$4.02
Average shares	3,265,000	3,274,000
Earnings per common and common equivalent share	$5.52	$4.63
Average shares	2,716,000	2,728,000

Notes to Consolidated Financial Statements

Earnings Per Share

	Common shares assuming full dilution		Common and common equivalent shares	
	1975	1974	1975	1974
Net income	$14,978,000	$12,588,000	$14,978,000	$12,588,000
Add: savings on interest and debt amortization (net of tax) on assumed conversion of convertible debentures:				
due 1983	16,000	34,000	16,000	34,000
due 1993	537,000	538,000	—	—
Earnings for per share computation	$15,531,000	$13,160,000	$14,994,000	$12,622,000
Weighted average of common shares outstanding	2,657,000	2,652,000	2,657,000	2,652,000
Add: shares from assumed conversion of convertible debentures:				
due 1983	33,000	68,000	33,000	68,000
due 1993	547,000	548,000	—	—
shares from assumed exercise of dilutive stock options	28,000	6,000	26,000	8,000
Shares used in per share computation	3,265,000	3,274,000	2,716,000	2,728,000

The computations assume the conversion or exercise at the beginning of the year (or issue date if later) of convertible securities and options and the application of the proceeds from the exercise of options to purchase treasury shares at average market value (higher of ending market value or average market value for earnings per share assuming full dilution).

Supplementary Earnings Per Share Data

COOPER INDUSTRIES, INC. (DEC)

	1975	1974
Net income per common share		
Primary (based on average common shares outstanding)....	$6.06	$4.87
Fully diluted (assuming conversion of all preferred stock).	$5.60	$4.29

Notes to Financial Statements

Note 7: Supplementary Earnings Per Share—In 1975, all outstanding shares of Series A Preferred stock were converted to common stock. Had these conversions, as well as conversions which occurred during 1974, taken place at January 1, 1974, primary earnings per share would have been $5.83 in 1975 and $4.44 in 1974 compared with the actual reported amounts of $6.06 and $4.87.

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 3-19 shows that most of the survey companies use the operating method to account for property leased by them to another entity. Examples of lessor disclosures follow.

TABLE 3-19: LONG-TERM LEASES — LESSORS

	1975	1974	1973	1972
Operating method............	42	40	41	47
Financing method............	6	8	5	4
Both operating and financing method	7	10	7	6
Total Companies	**55**	**58**	**53**	**57**

ACF INDUSTRIES, INCORPORATED (DEC)

	1975	1974
	($000)	
Revenues:		
From manfuacturing operations..	$478,586	$453,655
From railroad car rentals and services......................	88,379	81,442
Interest and other income........	4,600	4,197
Total revenues.................	$571,565	$539,294

Notes to Consolidated Financial Statements

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

Railroad Car Leasing—Most of the Company's specialized railroad cars are leased to industrial customers under full operating leases. Revenue is recognized as it occurs over the life of the lease and expenses, including depreciation and maintenance, are charged to earnings as incurred.

Certain railroad cars were leased under the finance method in 1971 and 1972. The Company recognized the applicable manufacturing revenues, costs and profit and recorded the aggregate rental receivable net of the amount of unearned financing charges. The unearned financing charges are to be recognized in decreasing amounts over the life of the lease which will provide a level rate of return on the unrecovered investment.

Note 2: Net Receivable From Finance Leasing of Railroad Cars—A summary of the amounts outstanding resulting from the finance leasing of railroad cars is as follows:

	December 31 1975	1974
Aggregate rental receivable	$24,249,000	$26,157,000
Unearned financing charges	(12,469,000)	(13,729,000)
Net receivable from finance leasing	11,780,000	12,428,000
Portion to be recovered within one year..............................	(657,000)	(594,000)
Balance receivable in installments through 1992....................	$11,123,000	$11,834,000

The estimated residual value of $752,000, of these railroad cars is included with specialized railroad cars leased to others.

AMPEX CORPORATION (APR)

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of Accounting Policies

Lease Accounting—Lease contracts in which the present value of noncancellable lease rentals is less than normal selling price are accounted for using the operating method, whereby rental income is recorded monthly as billed and the cost of the equipment is depreciated over four years by the straight-line method. When the present value of future lease rentals exceeds the normal selling price, the finance method is used (present value of total future rentals is recorded as a sale).

CALIFORNIA COMPUTER PRODUCTS, INC. (JUN)

	1975	1974
Revenues:		
Net sales and services	$103,253,000	$110,746,000
Rental income from leases (Note 1)	18,643,000	18,553,000
Other income	1,007,000	607,000
Total revenues	$122,903,000	$129,906,000

Note 1 (in part): Operations and Accounting Policies:

Lease Accounting—The Company accounts for revenues from equipment leases under the "operating" method which recognizes income as rental billings are made. Lease terms are for one to four years, some with cancellation options after 12 months with penalties. Lease acquisition, installation and maintenance costs relating to equipment leases are charged to expense as incurred.

When equipment subject to long-term non-cancellable lease contracts is sold, revenue is recognized in the amount of the cash received, less a reserve for certain costs to be incurred by the Company over the remaining lease period. The related net book value of the leased equipment is charged to cost of products sold.

GEARHART-OWEN INDUSTRIES, INC. (JAN)

	1976	1975
Sales and other income		
Net sales and services	$59,421,946	$44,997,392
Rental Income, net of depreciation and expenses (1976 $234,122 - 1975 $182,351)	626,902	431,135
Interest and other income	416,102	321,596
	$60,464,950	$45,750,123

Notes to Consolidated Financial Statements

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

Rental Income on Leased Equipment—Rental contracts for use of equipment manufactured by the Company are accounted for by the operating method with the equipment shown as rental assets at cost less accumulated depreciation and rent recorded as income over the lives of the contracts.

PAXALL, INC. (OCT)

Notes to Consolidated Financial Statements

Note 2 (in part): Summary of Significant Accounting Policies:

Lease Income—The Cherry-Burrell Company, which was sold as of October 31, 1975, leased carton filler machines to customers. Under the terms of the agreement for the sale of the Cherry-Burrell Company, such leased equipment was not acquired by the purchaser.

Because ownership risks were retained by the Company, the operating method, which amortizes income over the term of the lease, was used. Revenues attributable to future periods are shown as Deferred Lease Revenues and the cost of the asset shown as Equipment Leased to Customers. The lease period is generally five years; however, the lessee has an option to cancel the lease after a period of from one to twenty-four months. These leases have been discounted with a finance company; in the event of cancellation by the lessee Paxall is contingently liable to the finance company for the remainder of the first twenty-four months rentals. Income from these leases included in Income from Operations (Continuing Operations) was $137,000 and $233,000 in 1974 and 1975, respectively.

SPERRY RAND CORPORATION (MAR)

	1975	1974
	($000)	
Revenue		
Net sales of products	$2,331,692	$1,944,443
Rentals and services	709,170	669,043
Total	$3,040,862	$2,613,486

Notes to Financial Statements for 1975 and 1974

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, generally covering five years, 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 serivce 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.

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 1975 fiscal year transactions are presented throughout this section.

TABLE 4-1: PRESENTATION OF RETAINED EARNINGS TRANSACTIONS

	1975	1974	1973	1972
Statement of Stockholders' Equity	214	220	209	190
Separate statement of retained earnings	199	183	199	206
Combined statement of income and retained earnings	175	185	185	199
Changes shown in balance sheet or notes	12	12	7	5
Total Companies	**600**	**600**	**600**	**600**

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			
	1975	1974	1973	1972
Cash Dividends Paid to Common Stock Shareholders				
Per share amount disclosed in retained earnings statement	423	425	426	421
Per share amount not disclosed in retained earnings statement	79	81	78	73
Total	**502**	**506**	**504**	**494**
Cash Dividends Paid to Preferred Stock Shareholders				
Per share amount disclosed in retained earnings statement	168	168	166	176
Per share amount not disclosed in retained earnings statement	65	64	63	72
Dividends in arrears	10	6	7	8
Total	**243**	**238**	**236**	**256**
Cash Dividends Paid By Pooled Companies	**8**	**8**	**19**	**18**
Stock Dividends	**42**	**36**	**40**	**48**
Dividends In Kind	**1**	**3**	**1**	**4**

Cash Dividends

BIRD & SON, INC. (DEC)

Consolidated Statement of Earnings and Retained Earnings

	1975	1974
Net earnings	$18,137,000	$14,414,000
Retained earnings at beginning of year	64,674,000	53,998,000
Dividends declared:		
5% cumulative preferred stock—$5 per share	(66,000)	(66,000)
$2.75 convertible preference stock—$2.75 per share	(9,000)	(20,000)
Common stock—$2.50 per share in 1975 ($2.35 in 1974)	(3,850,000)	(3,652,000)
Retained earnings at end of year	$78,886,000	$64,674,000

UNITED STATES GYPSUM COMPANY (DEC)

Consolidated Statement of Stockholders' Equity

	Shares	Amount ($000)
$1.80 Convertible Preferred Stock		
Balances at December 31, 1973, 1974 and 1975	1,637,371	$ 1,637
Common Stock		
Balances at December 31, 1973 and 1974	16,595,488	$ 66,382
Issuance of additional treasury common stock in 1975 in accordance with a 1972 acquisition agreement	29,809	119
Balances at December 31, 1975	16,625,297	$ 66,501
Capital Received in Excess of Par Value		
Balance at December 31, 1973 and 1974		$ 23,955
Issuance of additional treasury common stock in 1975 in accordance with a 1972 acquisition agreement		407
Balance at December 31, 1975		$ 24,362
Retained Earnings		
Balance at December 31, 1973		$374,150
Net earnings in 1974		31,277
Dividends:		
$1.80 convertible preferred stock—$1.80 per share		(2,947)
Common stock—$1.60 per share		(26,554)
Balance at December 31, 1974		$375,926
Net earnings in 1975		30,456
Dividends:		
$1.80 convertible preferred stock—$1.80 per share		(2,947)
Common stock—$1.60 per share		(26,577)
Balance at December 31, 1975		$376,858

Dividends In Arrears

ALAN WOOD STEEL COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 7: Stockholders' equity—Changes in additional paid-in capital are as follows:

	1975	1974
At beginning of year	$11,646,926	$11,591,382
Excess of proceeds over par value of Common Stock issued on exercise of options	33,125	—
Excess of par value over cost of 1,500 treasury shares of 5% Cumulative Preferred Stock retired in each year	58,091	55,544
At end of year	$11,738,142	$11,646,926

Treasury stock is comprised of 4,293 shares of Preferred Stock at December 31, 1975 (1974—5,422 shares) and 2,384 shares of Common Stock at December 31, 1975 and 1974.

At January 1, 1976 the Company was in arrears by $37,851 ($1.25 per share) on dividends to its preferred stockholders. The Company must pay all dividends in arrears to preferred stockholders before paying any dividends to common stockholders.

SAV-A-STOP INCORPORATED (AUG)

Notes to Consolidated Financial Statements

Note 7 (in part): Stockholders' Equity (a) Preferred Stock—The $1.35 convertible cumulative preferred stock —Series A is convertible into common stock at the rate of one and one-half shares of common stock for each share of preferred stock as adjusted for stock dividends, has a liquidation preference of $33.90 per share and, at the option of the Company, is redeemable at $33.90 per share. At August 30, 1975, 221,241 shares of common stock had been reserved for issuance upon conversion and dividends aggregating $248,896 ($1.69 per share) were in arrears. Quarterly dividend payments were resumed on October 1, 1975.

Stock Dividends

ARVIN INDUSTRIES, INC. (DEC)

Consolidated Statement of Capital in Excess of Par Value

	1975	1974
Balance, Beginning of Year	$19,698,476	$18,883,894
Add:		
Excess of fair value over par value of 194,444 common shares issued in acquisition of Echo Science Corporation in January, 1974 and as of December 29, 1974	—	814,582
Excess of fair value over par value of 173,550 common shares issued as a 3% stock dividend	871,221	—
Balance, End of Year	$20,569,697	$19,698,476

BLISS & LAUGHLIN INDUSTRIES INCORPORATED (DEC)

Consolidated Statements of Common Stock and Treasury Stock

	1975		1974	
	Number of Shares	Amount	Number of Shares	Amount
Common Stock:	(000)	($000)	(000)	($000)
Balance at beginning of year	3,208	$8,021	3,208	$8,021
Add:				
Stock issued for debenture conversion	8	19	—	—
Stock issued for 20% stock dividend	642	1,605	—	—
Balance at end of year	3,858	$9,645	3,208	$8,021
Treasury Stock:				
Balance at beginning of year	163	$2,993	98	$2,036
Add:				
Treasury stock purchased	26	328	65	957
Stock issued for 20% stock dividend	38	—	—	—
Balance at end of year	227	$3,321	163	$2,993

Consolidated Statements of Additional Capital and Retained Earnings

	1975	1974
Additional Capital:		
Balance at beginning of year	$11,971,000	$11,992,000
Add (Deduct):		
Market value in excess of par value of common stock issued in payment of 20% common stock dividend	5,215,000	—
Principal amount of convertible debentures in excess of par value of common stock issued upon conversion	105,000	—
Other, net	(3,000)	(21,000)
Balance at end of year	$17,288,000	$11,971,000
Retained Earnings:		
Balance at beginning of year	$44,787,000	$38,637,000
Add (Deduct):		
Net income	9,521,000	9,366,000
Cash dividends paid ($.94 per share in 1975 and $.88 per share in 1974)	(3,400,000)	(3,216,000)
20% common stock dividend	(6,819,000)	—
Balance at end of year	$44,089,000	$44,787,000

COPPERWELD CORPORATION (DEC)

Statements of Consolidated Income and Retained Earnings

	1975	1974
Retained Earnings		
Balance at beginning of year	$69,684,096	$56,945,276
Net income	18,434,775	16,799,327
	88,118,871	73,744,603
Dividends paid:		
Cash dividends (per share: 1975—$1.886; 1974—$1.571)	4,906,708	4,060,507
Fair market value of 5% stock dividend distributed on November 20, 1975 plus cash paid in lieu of fractional shares	4,800,657	—
Balance at end of year.............	$78,411,506	$69,684,096

Notes to Consolidated Financial Statements

Note 3 (in part): Common Stock–Changes in Common Stock and amount paid-in in excess of par value during 1974 and 1975 are as follows:

	Common Stock		Amount Paid-in
	Shares Outstanding	Par Value	In Excess of Par Value
Balance January 1, 1974	2,452,513	$6,131,283	$13,567,906
Stock options exercised	12,174	30,434	226,992
Balance December 31, 1974.................	2,464,687	6,161,717	13,794,898
5% stock dividend ...	123,352	308,381	4,440,672
Stock options exercised	3,800	9,500	80,022
Conversion of 5% Convertible Subordinated Debentures	146,215	365,537	3,524,881
Balance December 31, 1975.................	2,738,054	$6,845,135	$21,840,473

At December 31, 1975, 22,978 shares of authorized but unissued Common Stock were reserved for the conversion of the 5% Convertible Subordinated Debentures.

Options to purchase Common Stock of the Corporation have been granted under the 1968 Employees' Stock Option Plan to officers and other key employees at prices equal to the fair market value on the dates the options were granted. Options become exercisable one year after date of grant and expire five years from date of grant.

MALONE & HYDE, INC. (JUN)

Statement of Consolidated Stockholders' Equity

	Common Stock $1 Par Value	Additional Paid-In Capital	Retained Earnings	Total
		(Thousands of Dollars)		
Balance at July 1, 1973..........	$5,935	$11,852	$30,646	$48,433
Net income for year ended June 29, 1974..........			9,101	9,101
Cash dividends—$.36 per share.....			(2,147)	(2,147)
Sale of 54,164 shares of Common Stock under stock option plans..	54	720		774
Balance at June 29, 1974..	5,989	12,572	37,600	56,161
Net income for year ended June 28, 1975..........			12,200	12,200
10% stock dividend at market value of $13.25 per share..........	599	7,337	(7,936)	
Cash dividends—$.44 per share.....			(2,839)	(2,839)
Sale of 35,975 shares of Common Stock under stock option and stock purchase plans...	36	373		409
Corporate tax benefits related to stock options........		71		71
Balance at June 28, 1975..	$6,624	$20,353	$39,025	$66,002

Dividend in Kind

STONE & WEBSTER, Incorporated (DEC)

Summary of Significant Accounting Policies

Nonmonetary Transactions—Nonmonetary transactions are recorded on the basis of the fair market value of the assets transferred. (See Note D)

Notes to Financial Statements

Note D: Dividends Declared—On November 19, 1975, the Corporation declared a quarterly dividend on its Common Stock payable January 21, 1976 in shares of common stock of Transco Companies, Inc. The dividend, declared on the basis of one share of Transco stock for each 13 shares of the stock of the Corporation held, required 280,791 shares (at cost, $640,000; at market, $2,562,000) of the Corporation's holdings of Transco stock and cash in the amount of $65,000 in lieu of fractional interests. In accordance with Accounting Principles Board Opinion No. 29 relating to nonmonetary transactions, effective October 1, 1973, retained earnings were charged with $2,627,000 representing the aggregate market value of the Transco shares and the related cash in lieu of fractional interests, and a gain of $1,922,000 representing the excess of the market value over the cost of the Transco shares distributed was recognized in the accounts. Such dividends declared previously, all of which were prior to October 1, 1973, were recorded on the basis of the carrying amounts of the assets distributed and no gain was recognized.

TABLE 4-3: ADJUSTMENTS TO OPENING BALANCE OF RETAINED EARNINGS

	Number of Companies			
	1975	1974	1973	1972
Change in translation policies	82	N/C	N/C	N/C
Litigation or income tax settlements	22	12	29	26
Poolings of interests	18	30	56	67
Interperiod tax allocation adopted for intangible drilling and development costs	18	N/C	N/C	N/C
Change in accounting for loss contingencies	12	N/C	N/C	N/C
Other	15	41	36	89

N/C—Not Compiled.

ADJUSTMENTS TO OPENING BALANCE OF RETAINED EARNINGS

Table 4-3 summarizes the reasons disclosed by the survey companies as to why the opening balance of retained earnings was adjusted. Examples of adjustments to the opening balance of retained earnings follow.

Change in Accounting Principles

CONTINENTAL OIL COMPANY (DEC)

Statement of Consolidated Income and Retained Earnings

	1975	1974
Net income	$ 330,854,000	$ 307,238,000
Retained earnings:		
Balance at beginning of year as reported	1,278,375,000	1,193,642,000
Adjustments (Note 1)	—	(135,735,000)
	1,609,229,000	1,365,145,000
Dividends paid:		
Common Stock (1975—$2.00 per share; 1974—$1.70 per share)	101,581,000	85,845,000
Preferred Stock ($2.00 per share)	807,000	925,000
	102,388,000	86,770,000
Balance at end of year	$1,506,841,000	$1,278,375,000

Note 1: Changes in Accounting Principles—In 1975 the Company adopted the following new accounting principles prescribed by the Financial Accounting Standards Board. Effective January 1, 1975, the Company discontinued its policy of providing a self-insurance reserve and eliminated the reserve balance at that date resulting in a credit to net income. The Company retroactively adopted the practice of including currently in net income translation gains or losses on long-term debt payable in foreign currency which had previously been deferred and amortized over the term of the related indebtedness. This change resulted in a decrease of $17,032,000 in retained earnings at January 1, 1974. As a result of the U.S. Tax Reduction Act of 1975 which virtually eliminated the percentage depletion allowance on oil and gas production, the Company retroactively provided for deferred income taxes on intangible development and certain other costs related to successful oil and gas wells, which resulted in a decrease of $118,703,000 in retained earnings at January 1, 1974. The effect of these changes on net income for 1975 and 1974 was as follows:

	1975	1974
Foreign currency translation	$22,177,000	$(13,371,000)
Income tax deferral	(6,498,000)	(7,000,000)
Self-insurance reserve reversal	8,834,000	—
Net income increase (decrease)	$24,513,000	$(20,371,000)
Per Common Share	$.49	$(.41)

GETTY OIL COMPANY (DEC)

Consolidated Statement of Stockholders' Equity

	1975		1974	
	(In thousands except share amounts)			
Preferred Stockholders' Equity—Note 8	Shares	Amount	Shares	Amount
Authorized preferred stock, $1.20 cumulative, $25 par value.	2,679,083		2,679,083	
Issued at beginning of year	2,106,245	$ 52,655	2,188,079	$ 54,701
Treasury stock retired under issue provisions	(81,834)	(2,046)	(81,834)	(2,046)
	2,024,411	50,609	2,106,245	52,655
Stock held in treasury, at par value	(966,031)	(24,149)	(970,145)	(24,252)
Preferred stockholders' equity	1,058,380	$ 26,460	1,136,100	$ 28,403
Common Stockholders' Equity—Note 8				
Authorized common stock, $4 par value	22,000,000		22,000,000	
Issued at beginning and end of year	20,221,848	$ 80,888	20,221,848	$ 80,888
Capital in excess of par value of capital stock				
Balance at beginning of year		74,819		74,240
Excess of par value over cost of preferred stock purchased		609		579
Balance at end of year		75,428		74,819
Retained earnings				
Balance at beginning of year as previously reported		1,751,314		1,496,005
Adjustment—Notes 1 and 2		(140,428)		(148,147)
Balance at beginning of year as restated		1,610,886		1,347,858
Net income for the year		256,688		288,692
Cash dividends				
Preferred stock, $1.20 per share		(1,319)		(1,414)
Common stock, $2.50 per share in 1975 and $1.30 per share in 1974		(46,569)		(24,250)
Balance at end of year		1,819,686		1,610,886
Stock held in treasury, at cost	(1,594,148)	(100,261)	(1,594,148)	(100,261)
Common stockholders' equity	18,627,700	$1,875,741	18,627,700	$1,666,332

Note 1 (in part): Summary of Accounting Policies Translation of Foreign Subsidiary and Affiliate Accounts—Accounts of foreign subsidiaries and affiliates are stated in United States dollars. In 1975, the company retroactively applied the method of translation adopted by the Financial Accounting Standards Board in its Statement No. 8 issued in October, 1975. This method translates cash, receivables, payables, and long-term debt at the current rate of exchange at the fiscal year end of the subsidiary or affiliate. Inventory, prepaid expenses, property, plant, and equipment and the related depreciation, depletion, and amortization are translated at the rates which were in effect when the asset was acquired. Income accounts are translated at average rates except for depreciation, depletion and amortization charges, which are translated at the rates which were in effect when the related assets were acquired. Prior to 1975, the company translated the accounts of foreign subsidiaries and affiliates using the current-noncurrent method, under which current assets and liabilities were translated at the current rate of exchange at the year end of the subsidiary or affiliate and noncurrent assets and liabilities were translated at historical rates. The effect of this accounting change in 1975 and 1974 is set forth in Note 2. Foreign exchange gains included in income in 1975 and 1974 were $5,000 (including Getty Oil and wholly owned subsidiaries of $558,000) and $6,710,000 (all of which is Getty Oil and wholly owned subsidiaries) respectively.

Income Taxes—Deferred income taxes are recognized for income and expense items which are reported for tax purposes in different years than for financial reporting purposes. As a result of the Tax Reduction Act of 1975 (which eliminated percentage depletion for most oil and certain gas production), the Financial Accounting Standards Board issued its Statement No. 9 in October, 1975, requiring that deferred taxes be provided on intangible drilling and development and on leasehold costs, which are included in financial and taxable income in different periods. Prior to 1975, the company followed the prevailing pretroleum industry practice of considering the benefits of tax deductions applicable to such costs as a permanent tax difference. The company has retroactively applied this accounting change to prior years; the effect on 1975 and 1974 is set forth in Note 2.

Foreign tax credits and investment tax credits are recorded as a reduction of income tax expense in the year utilized.

The company follows the practice of filing a consolidated United States tax return which includes its domestic subsidiaries owned 80 percent or more.

Note 2: Changes in Accounting Principles—The changes in accounting principles described in Note 1 affected 1975 and 1974 income as follows:

	Amount 1975	Net Income Per Share 1975	Amount 1974	Net Income Per Share 1974
	(In thousands except share amounts)			
Effect of the change in the method of translating the accounts of foreign subsidiaries and affiliates...	$ 5,594	$ .30	$20,166	$1.08
Effect of the change in the method of accounting for income taxes on intangible drilling and development and on leasehold costs	(28,302)	(1.52)	(12,447)	(.67)
(Decrease) increase net income	$(22,708)	$(1.22)	$ 7,719	$ .41

The adoption of the two accounting principles reduced retained earnings at January 1, 1974, by $148,147,000 ($25,760,000 for the effect of the change in the method of translation and $122,387,000 for the effect of the change in the method of accounting for income taxes). The reduction represents the cumulative effect on years prior to 1974.

THE GILLETTE COMPANY (DEC)

Consolidated Statement of Income and Earnings Reinvested in the Business

	1975	1974
	(Thousands of Dollars)	
Net income: $2.66 per share ($2.83 in 1974)	79,954	84,995
Earnings reinvested in the business at beginning of year:		
As previously reported	371,268	327,801
Cumulative effect of change in foreign currency translation	1,656	4,400
As restated	372,924	332,201
Add:		
Reinvested earnings of pooled company at January 1	—	674
	452,878	417,870
Deduct:		
Dividends declared: $1.50 per share	45,105	44,946
Earnings reinvested in the business at end of year	$407,773	$372,924

Notes to Financial Statements

Summary of Significant Accounting Policies (in part): Accounting Change—In October 1975, the Financial Accounting Standards Board published Statement of Financial Accounting Standards No. 8, "Accounting for the Translation of Foreign Currency Transactions and Foreign Currency Financial Statements." In response to this statement, the Company revised its method of translating inventory from current rates to historical rates. In addition, the Company adopted the subsidiaries' year-ends, rather than the date of the consolidated financial statements, as the basis for translating appropriate balance sheet accounts at current rates.

The effects of these changes have been applied retroactively in the consolidated financial statements of the Company. As a result, net income has been increased by $2,066,000 ($.07 per share) in 1975 and decreased by $2,744,000 ($.09 per share) in 1974.

KIMBERLY-CLARK CORPORATION (DEC)

Consolidated Additional Paid-In Capital and Retained Earnings

	1975	1974
	(Thousands)	
Additional Paid-In Capital		
Balance at beginning of year	$134,837	$134,770
Excess of option price over par value of shares issued under stock option plan	722	67
Income tax benefits related to stock options exercised	27	—
Balance at end of year...........	$135,586	$134,837
Retained Earnings		
Balance at beginning of year, as previously reported	$427,846	$366,965
Less cumulative effect of retroactively applying the change for method of accounting for currency translation (Note 1)	(4,085)	(2,319)
Balance at beginning of year, as restated	423,761	364,646
Net income	102,544	93,486
Cash dividends declared	(37,180)	(34,371)
Balance at end of year...........	$489,125	$423,761

Note 1: Currency Translation—In 1975 Kimberly-Clark Corporation changed its accounting policy with respect to foreign currency translation. The new policy provides that exchange gains and losses, except as related to certain forward exchange contracts, be included in the determination of income for the period in which the translation rates changed. Previously, certain exchange gains and losses related to long-term debt were deferred and amortized over the remaining life of such debt.

The aggregate effect of changes in translation rates included in consolidated net income was a gain of $.2 million in 1975 and a loss of $2.8 million in 1974. Included in these amounts are the effects of translating foreign currency net income at rates of exchange which differ from those in effect at the end of the prior year, differences resulting from the sale of inventories valued at historic cost in U.S. dollars, share of exchange gains and losses of equity companies, and exchange losses included in other expenses of $3.2 million in 1975 and $6.5 million in 1974 primarily related to exposed foreign currency assets and liabilities.

The new accounting policy complies with a recently adopted Financial Accounting Standards Board Statement. As a result of this change, net income for 1975 was increased by $1.7 million or 7 cents per share. Net income for prior periods was restated as follows:

(Thousands except per share amounts)	1974	1973	1972	1971
Income Before Extraordinary Item, as previously reported	$95,252	$76,918	$55,600	$31,688
Adjustment for effect of change in translation policy	(1,766)	(2,591)	915	(643)
Income Before Extraordinary Item, as restated	93,486	74,327	56,515	31,045
Extraordinary Item	—	4,782	—	(42,500)
Net Income (Loss), as restated	$93,486	$79,109	$56,515	$(11,455)
Per Share of Common Stock				
Income Before Extraordinary Item, as previously reported	$ 4.10	$ 3.30	$ 2.39	$ 1.35
Adjustment for effect of change in translation policy	(.08)	(.11)	.04	(.03)
Income Before Extraordinary Item, as restated	4.02	3.19	2.43	1.32
Extraordinary Item	—	.21	—	(1.81)
Net Income (Loss), as restated	$ 4.02	$ 3.40	$ 2.43	$ (.49)

THE B.F. GOODRICH COMPANY (DEC)

Statement of Income Retained in the Business

For the years ended December 31	1975	1974	1973	1972	1971
(Dollars in thousands, except per share amounts)					
Balance at January 1, 1971 as previously reported					$449,661
Cumulative effect to January 1, 1971, of change in accounting for foreign losses, net of applicable income taxes					8,531
Balance at January 1 as restated	$555,607	$521,651	$478,878	$446,326	458,192
Net income for the year	25,555	51,938	59,526	47,781	2,624
Cash dividends paid:					
Series A Preferred Stock: $7.85 a share annually	(1,963)	(1,963)	(1,963)	(736)	—
Common Stock:					
$1.12 a share in 1975 and 1974, $1.03 a share in 1973, and $1.00 a share in 1972 and 1971	(16,019)	(16,019)	(14,790)	(14,493)	(14,490)
Balance at December 31	$563,180	$555,607	$521,651	$478,878	$446,326

Notes to Financial Statements

Note A (in part): Accounting Changes—In 1975 the Company changed its method of accounting for foreign losses to comply with Financial Accounting Standards Board (FASB) Statement No. 5. Previously, exchange adjustments resulting from revaluations and devaluations and a portion of certain foreign associate companies' income were applied to a reserve for foreign losses. As a result of the change, such reserve is eliminated. Accordingly, the Company has restated its financial statements for periods prior to January 1, 1975 to give retroactive effect to the change. The cumulative effect of the change prior to January 1, 1971 amounted to $8,531,000, net of applicable income taxes of $5,615,000 and is included in the Statement of Income Retained in the Business.

The effect of this accounting change on net income (also income before extraordinary loss) as previously reported for 1974 and prior years is as follows:

(Dollars in thousands, except per share amounts) For the years ended December 31	1974	1973	1972	1971
Net income as previously reported	$52,023	$56,057	$48,966	$1,740
Adjustment for change in accounting for foreign losses	(85)	3,469	(1,185)	884
Net income as adjusted	$51,938	$59,526	$47,781	$2,624
Per share of Common Stock:				
Net income as previously reported	$3.50	$3.76	$3.33	$.12
Adjustment for change in accounting for foreign losses	(.01)	.24	(.08)	.06
Net income as adjusted	$3.49	$4.00	$3.25	$.18

OCCIDENTAL PETROLEUM CORPORATION (DEC)

Consolidated Statements of Shareholders' Equity

	Preferred Stocks (Note 12)	Common Shares (Note 12)	Additional Paid-In Capital	Retained Earnings
		(amounts in thousands)		
Balance, December 31, 1973, as previously reported	$5,237	$11,134	$500,662	$329,709
Deduct adjustment for the cumulative effect on prior years of the change in the method of accounting for:				
Translation of foreign currency transactions and financial statements (Note 2)				(29,360)
Deferred income tax pertaining to intangible drilling and development costs (Note 2)	—	—	—	(25,080)
Balance, December 31, 1973, as restated	5,237	11,134	500,662	275,269
Net income	—	—	—	277,225
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	519,393
Net income	—	—	—	171,956
Cash dividends on common shares	—	—	—	(55,741)
Cash dividends on preferred stocks	—	—	—	(23,639)
Issuance of $2.50 preferred stock with warrants, net of expenses	3,000	—	67,292	—
Amortization of discount on nonconvertible preferred stock (Note 12)	—	—	841	(841)
Conversions, exercises of options and other	(338)	228	1,296	—
Balance, December 31, 1975 (Notes 8 and 12)	$7,899	$11,364	$570,215	$611,128

Note 1: (in part): Summary of Significant accounting policies

Translation of foreign currencies—As described in Note 2, Occidental adopted a change in accounting policy for translation of foreign currencies in 1975. Under the new policy, all assets and liabilities arising from foreign currency transactions are translated and recorded in dollars at the rate of exchange in effect at the transaction date. Revenues and expenses are translated at an average rate for the year except that such accounts relating to specific assets (e.g. depreciation) are translated at the rate used to translate the related assets or liabilities.

Recorded dollar balances representing cash and amounts owed by or to Occidental that are denominated in foreign currency are adjusted to reflect the rate of exchange in effect at the balance sheet date. Foreign currency financial statements of subsidiaries are translated and accounted for in the same manner as assets, liabilities, revenues and expenses that result from foreign currency transactions. All gains and losses resulting from the translation of foreign currency transactions and financial statements are included in net income in the period of the rate change.

The net gain (loss) on the translation of foreign currencies included in the consolidated statements of operations is as follows (amounts in thousands):

1975	$ 1,338
1974	(20,766)

Note 2: Accounting changes

Translation of foreign currency transactions and financial statements—In October, 1975, the Financial Accounting Standards Board issued a statement entitled "Accounting for the Translation of Foreign Currency Transactions and Foreign Currency Financial Statements" which requires, in 1976, that Occidental's method of accounting for the translation of foreign currency transactions and financial statements be modified in certain respects. In accordance with this statement, Occidental has elected to adopt this new method in 1975 and, accordingly, the consolidated financial statements have been restated to reflect this change in accounting method. The effect of the change in accounting was to increase (decrease) net income (amounts in thousands) and the related per share amounts as follows:

	1975	1974
Net income	$9,107	$(3,452)
Earnings per common and common equivalent share	$ .16	$ (.06)
Fully diluted earnings per share	$ .12	$ (.04)

Retained earnings for years prior to 1974 have been reduced by $29,360,000 to reflect the change in accounting method on those prior years.

XEROX CORPORATION (DEC)

Consolidated Statements of Retained Earnings

	1975	1974
	($000)	
Balance at beginning of year	$1,445,761	$1,195,168
Deduct adjustments for the cumulative effect on prior years of applying retroactively new methods of accounting for		
Research and development costs	8,986	6,001
Translation of foreign currency financial statements and transactions	6,160	7,026
Balance at beginning of year, as adjusted	1,430,615	1,182,141
Poolings of interests	—	(1,094)
Net income	244,307	329,257
Total	1,674,922	1,510,304
Deduct		
Cash dividends declared on common and Class B stocks ($1.00 per share)	79,214	79,232
Class B stock repurchased	10	457
Total	79,224	79,689
Balance at end of year	$1,595,698	$1,430,615

Notes to Consolidated Financial Statements

Accounting Changes—In accordance with Statement No. 2 of the Financial Accounting Standards Board (FASB), all research and development costs are expensed as incurred and 1974 results have been restated for previously deferred development costs of Rank-Xerox Companies. This change decreased income from continuing operations for 1975 by $5,000,000 ($.06 per share) and for 1974 by $2,985,000 ($.04 per share).

In accordance with Statement No. 8 of the FASB, the Company changed its method of translating foreign currency financial statements and transactions. The effect of this change is principally related to translating long-term debt denominated in foreign currencies at current instead of historical exchange rates and 1974 results have been restated accordingly. This change increased income from continuing operations for 1975 by $27,663,000 ($.35 per share) and for 1974 by $866,000 ($.01 per share).

Prior Period Adjustments

DART DRUG CORPORATION (MAR)

Consolidated Statements of Income and Retained Earnings

	1975	1974
Net Income for the Year	$ 2,674,000	$1,281,000
Retained Earnings, Beginning of Year:		
As Previously Reported	8,060,000	6,925,000
Adjustments (Note 2)	180,000	156,000
As Restated	7,880,000	6,769,000
Cash Dividends—$0.13 Per Share in 1975 and 1974	168,000	170,000
Retained Earnings, At End of Year	$10,386,000	$7,880,000

Note 2: Restatement of Prior Years Amounts—As the result of an examination of the Company's federal income tax returns for the years ended March 31, 1971-1974, the Internal Revenue Service has assessed, and the Company has agreed to pay, additional federal income taxes aggregating $207,000. The March 31, 1973 retained earnings balance has been reduced for the resulting effect on net income for the years ended March 31, 1971-1973 in the aggregate amount of $156,000, and the March 31, 1973 fixed assets balance has been increased by $4,000. Operating expenses and the provision for income taxes for the year ended March 31, 1974 and fixed assets as of March 31, 1974 have been restated for the portion of the assessment attributable to that year. The effect of the assessment on net income for the year ended March 31, 1974 was $24,000 ($.01 per share) and earnings per share have been restated for that year as follows:

	As Previously Reported	As Restated
Primary Earnings per Share	$0.68	$0.67
Fully Diluted Earnings per Share	$0.67	$0.66

The effect of the assessment for the years ended March 31, 1971-1973 on net income and on primary earnings per share of common stock is as follows:

	Decrease In		Earnings Per Share of Common Stock	
Year Ended March 31,	Net Income	Per Share	As Previously Reported	As Restated
1973	$53,000	$0.03	$0.33	$0.30
1972	51,000	0.03	0.91	0.88
1971	52,000	0.04	0.85	0.81

W. R. GRACE & CO. (DEC)

Consolidated Statement of Shareholders' Equity

	Years Ended December 31, 1974 and 1975				
In Thousands	Preferred Stocks	Common Stock	Paid in Capital	Retained Earnings	Total
Balance at January 1, 1974, as reported	$9,608	$29,979	$221,464	$514,618	$ 775,669
Adjustment for change in accounting for two business combinations	—	—	17,764	(23,699)	(5,935)
Adjustments for 1975 businesses combined in poolings of interests transactions	—	753	952	2,047	3,752
Balance at January 1, 1974, as restated	9,608	30,732	240,180	492,966	773,486
Net income for the year 1974	—	—	—	119,110	119,110
Business combinations	—	263	2	—	265
Exercise of stock options	—	1	35	—	36
Purchase of preferred stocks	(221)	—	1	—	(220)
Other	—	—	358	—	358
Dividends paid:					
Preferred	—	—	—	(700)	(700)
Common ($1.525 per share)	—	—	—	(45,390)	(45,390)
Balance at December 31, 1974	9,387	30,996	240,576	565,986	846,945
Net income for the year 1975	—	—	—	166,678	166,678
Common stock subscribed	—	4,000	100,000	—	104,000
Business combinations	—	262	8,593	—	8,855
Exercise of stock options	—	18	390	—	408
Purchase of preferred stocks	(146)	—	51	—	(95)
Other	—	—	(366)	—	(366)
Dividends paid:					
Preferred	—	—	—	(697)	(697)
Common ($1.625 per share)	—	—	—	(50,654)	(50,654)
Pooled company prior to combination with the Company	—	—	—	(61)	(61)
Balance at December 31, 1975	$9,241	$35,276	$349,244	$681,252	$1,075,013

Notes to Financial Statements

Note 1 (in part): Changes in Accounting:

(a) Change in Accounting Treatment for Two Business Combinations

In May, 1975, the Company determined that the 1969 and 1971 acquisitions of two European consumer products businesses which had been accounted for as poolings of interests should have been treated as purchase transactions in accordance with generally accepted accounting principles in effect during those years. Accordingly, the 1974 financial statements have been restated to reflect a Swiss Franc obligation which at December 31, 1974 was equivalent to $40,447. During 1975, the obligation was partially retired through issuance of common stock which increased paid in capital by an amount equal to the excess of fair value over par value of such shares at time of issuance. In addition, goodwill, which amounted to $25,512 at January 1, 1974, has been recorded representing the excess consideration paid over net assets acquired. This change required a charge to 1974 net income of $8,611, principally for foreign exchange losses, thereby reducing earnings per common and common equivalent share by $.10, and earnings per common share assuming full dilution by $.11. In June, 1975, the Company paid cash to settle the remaining obligation.

SYSTRON-DONNER CORPORATION (JUL)

Consolidated Statements of Earnings and Retained Earnings

	1975	1974
Net earnings	$ 1,422,072	$ 271,564
Reinvested earnings at beginning of year:		
As previously reported	12,333,057	11,869,993
Prior period adjustment	(191,500)	—
As restated	12,141,557	11,869,993
Reinvested earnings at end of year	$13,563,629	$12,141,557

Financial Review

Restatement of Prior Year's Financial Statements—Fiscal year 1974 has been restated to give effect to an error made in recording cost of goods sold in one unit of the Company. This restatement has resulted in a reduction of earnings from continuing operations for the year ended July 31, 1974 in the amount of $142,500, equal to $.09 per share; reduction of extraordinary income by $49,000, equal to $.02 per share, for related tax benefits from carryforward of operating losses; resulting in a total $191,500 reduction in net earnings, equal to $.11 per share.

Reclassifications have been made to 1974 financial statements to conform to the 1975 presentation.

WHITE MOTOR CORPORATION (DEC)

Statements of Capital in Excess of Par Value and Retained Income

	1971(1)	1972(1)	1973(1) (In thousands)	1974(1)	1975
Capital in Excess of Par Value					
Balance at beginning of year	$102,735	$102,467	$124,089	$124,352	$124,474
Excess of net proceeds over par value of 1,250,000 shares of Common Stock sold in a public offering		21,296			
Excess (deficiency) of proceeds over cost of treasury shares and par value of previously unissued shares sold to employees under stock plans	(268)	326	263	122	(43)
Balance at end of year	$102,467	$124,089	$124,352	$124,474	$124,431
Retained Income					
Balance at beginning of year—as previously reported	$ 80,721				
Prior period adjustments—Notes 2, 3 and 4	(7,809)				
Balance at beginning of year—as restated	$ 72,912	$ 54,518	$ 61,856	$ 82,469	$100,748
Net income (loss) for the year	(17,330)	8,402)	21,677	22,641	(69,374)
Dividends:					
Preferred Stock	(1,064)	(1,064)	(1,064)	(1,064)	(479)
Common Stock	—	—	—	(3,298)	(822)
Balance at end of year	$ 54,518	$ 61,856	$ 82,469	$100,748	$ 30,073

(1) As more fully described in Notes 2, 3, and 4, the Corporation has restated financial statements of prior years for the effect of an adjustment for Federal income taxes and interest, accounted for as a prior period adjustment, and to apply retroactively new accounting methods for warranty and customer service liabilities and foreign currency translation as follows:

	Year Ended December 31			
	1971	1972	1973	1974
		(In thousands)		
Income before extraordinary items:				
As previously reported	$ 2,430	$7,069	$21,383	$22,564
Retroactive adjustments—credits (charges)—net of applicable income taxes:				
Prior period adjustment for additional Federal income taxes and interest (2)	(60)	(69)	(1,080)	(190)
Effects of changes in accounting methods:				
Warranty (3)	(537)	(4)	(700)	349
Customer service policies (3)	(40)	(27)	2	(142)
Currency translation—finance subsidiaries (4)	(929)*	(108)	(230)	60
Total	(1,566)	(208)	(2,008)	77
As restated	$ 864	$6,861	$19,375	$22,641
Net income (loss):				
As previously reported	$(16,193)	$8,610	$23,685	$22,564
Retroactive adjustments—total	(1,137)	(208)	(2,008)	77
As restated	$(17,330)	$8,402	$21,677	$22,641
Primary income (loss) per share of Common Stock:				
Income before extraordinary items:				
As previously reported	$ .19	$ .79	$2.46	$2.60
As restated	(.03)	.76	2.22	2.61
Net income (loss):				
As previously reported	(2.47)	.99	2.74	2.60
As restated	(2.64)	.96	2.50	2.61

*Includes a $429,000 translation loss of the Corporation previously classified as an extraordinary charge.

(2) The prior period adjustment for Federal income taxes and interest, described in Note M, was recorded in 1975, and the cumulative effect of the adjustment in years ended December 31, 1970 and prior amounting to $5,122,000 is included as a charge to 1971 beginning retained earnings.

(3) In September, 1975, the Corporation changed its method of accounting for product warranty and customer service liabilities to comply with Financial Accounting Standards Board ("FASB") Statements No. 5 and 11. Previously, warranty provisions were made for truck, farm and construction equipment products when significant field repair costs were anticipated and customary warranty claims and customer service costs were expensed when incurred. For industrial products, warranty provisions for customary warranty claims were made when the products were sold, based upon estimates derived from experience factors, and special provisions were made when extraordinary product warranty claims were anticipated.

Accordingly, the Corporation has restated financial statements of prior periods to give retroactive effect to the new method. The cumulative effect of the adjustment in years ended December 31, 1970 and prior amounted to $3,584,000, net of income taxes, and is included as a charge to 1971 beginning retained earnings.

(4) As more fully described in Note F of Notes to Consolidated Financial Statements of The White Motor Credit Corporation and Subsidiary, in 1975, the Corporation's wholly-owned finance subsidiary changed its method of accounting for exchange gains and losses arising from translation of foreign currency transactions and foreign currency financial statements in compliance with FASB Statement No. 8, and, accordingly, financial statements for all prior periods have been restated to give retroactive effect to the change. The cumulative effect of the adjustment for years ended December 31, 1970 and prior amounted to $897,000, net of income taxes, and is included as a credit to 1971 beginning retained earnings.

Note M: Prior Period Adjustment in 1975—In May, 1975 the U. S. Court of Appeals reversed a 1973 Tax Court decision upholding the Corporation's valuation of certain assets purchased in 1960. The request for a hearing on this matter by the U. S. Supreme Court was denied and the Corporation recorded an adjustment for additional income taxes and interest due thereon aggregating $6,521,000 which was accounted for as a prior period adjustment. See Notes 1 and 2.

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

	Number of Companies			
	1975	1974	1973	1972
Charges				
Treasury stock transactions.	28	80	87	67
Poolings of interests adjustments	6	10	19	17
Cash payments in lieu of fractional shares.........	4	6	11	12
Other	14	10	11	16
Credits				
Poolings of interests.........	8	11	26	21
Other	7	8	12	18

BOWNE & CO., INC. (OCT)

Consolidated Statement of Income and Retained Earnings

	1975	1974
Net income	$ 3,042,007	$ 2,230,080
Retained earnings at beginning of year..............................	15,930,141	14,093,446
	18,972,148	16,323,526
Less:		
Dividends—$.20 per share:		
Convertible preferred stock...	2,035	8,140
Common stock	376,450	385,245
	378,485	393,385
Excess of redemption price of retired preferred stock over recorded value at date of issuance (Note 1).............	882,454	—
Excess of cost over par value of retired common stock (Note 1)	650,179	—
	1,911,118	393,385
Retained earnings at end of year ..	$17,061,030	$15,930,141

Note 1 (in part): Stockholders' equity

Convertible preferred stock, Series A—In January 1975, the Company redeemed 40,700 shares of its convertible preferred stock, Series A, par value $1.00, representing all of the then outstanding shares of the class, at the redemption price of $21.74 per share, or an aggregate amount of $884,818. Such shares, with 3,300 shares of the same issue which had been redeemed in 1973 and held as treasury stock, were retired in January 1975.

Common Stock—During 1975, the Company issued 750 shares of common stock upon the exercise of a qualified stock option and retired the 104,056 common shares held as treasury stock having a cost of $754,235.

During 1974, the Company purchased 77,700 shares of its common stock for $376,503 ($4.85 per share).

MINNESOTA MINING AND MANUFACTURING COMPANY (DEC)

Statement of Income and Net Income Retained for Use in the Business

	1975	1974
Net Income for the Year Per average share outstanding—1975, $2.29; 1974, $2.66........................	$ 261,623,000	$ 301,739,000
Net Income Retained for Use in the Business at Beginning of Year..	1,490,627,000	1,354,972,000
Dividends Paid on Common Stock Per share—1975, $1.35; 1974, $1.25....................	(154,601,000)	(142,025,000)
Conversion of Subsidiary Preference Stock.............................	(4,659,000)	(24,059,000)
Net Income Retained for Use in the Business at End of Year.........	$1,592,990,000	$1,490,627,000

Financial Review

Conversion of Subsidiary Preference Stock: Under terms of a 1969 agreement with a minority interest in 3M's United Kingdom subsidiary, preference shares issued by the subsidiary can be converted into 3M common stock until 1984. Conversions by the minority interest continued in 1975, and 59,218 shares of 3M treasury stock were exchanged for the subsidiary preference stock. The charge to retained earnings resulting from these transactions totaled $4.6 million.

Notes to Financial Statements

Note 6: Stockholders' Investment—During 1975, 59,218 shares of treasury stock were issued upon conversion of preference stock in a United Kingdom subsidiary held by minority shareholders (294,320 shares were issued in 1974). The difference between the cost of the treasury stock and the pro rata portion ($117,000 in 1975; $533,000 in 1974) of the common stock account was charged to Net Income Retained for Use in the Business. At December 31, 1975, the remaining outstanding preference shares are convertible into 233,242 shares of the Company's common stock.

Preferred stock of 150,000 shares, without par value, is authorized but unissued.

NATIONAL TEA CO. (DEC)

Consolidated Statement of Changes in Shareholders' Investment

	Common Shares	Treasury Shares	Paid-in Capital	Retained Earnings
Balance at December 29, 1973	$35,027,152	$(14,976,368)	$30,823,955	$26,676,620
Net loss for the fifty-two weeks ending December 28, 1974	—	—	—	(2,634,787)
Balance at December 28, 1974	$35,027,152	$(14,976,368)	$30,823,955	$24,041,833
Sale of 910,132 shares of treasury stock and 1,243,212 shares of previously unissued common stock (Note 6)	4,972,848	14,976,368	3,018,195	(7,999,003)
Net loss for the fifty-three weeks ended January 3, 1976	—	—	—	(5,950,558)
Balance at January 3, 1976	$40,000,000	$ —	$33,842,150	$10,092,272

Note 6: Changes in Shareholders' Investment—On December 31, 1975, National Holdings, Inc., a subsidiary of Loblaw Companies Limited, purchased 910,132 shares of the company's treasury stock and 1,243,212 shares of the company's authorized and previously unissued common stock at $7 per share. The difference between the cost of the treasury shares and the amount paid was allocated $650,441 to paid-in capital and $7,999,003 to retained earnings based on Illinois corporate law. The excess over par value paid for the unissued shares was credited to paid-in capital. Expenses of the sale were $105,000 and were allocated between paid-in capital and retained earnings. As a result of this transaction and additional shares purchased pursuant to a tender, Loblaw Companies Limited owns directly or indirectly 84% of the company's outstanding shares.

In addition, the company is presenting to the shareholders at the annual meeting a proposed amendment to its Articles of Incorporation to increase the number of authorized common shares from ten million shares to twenty million shares.

ADDITIONAL CAPITAL

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

	1975	1974	1973	1972
Statement of stockholders' equity	168	153	158	148
Statement of additional capital	80	85	108	123
Schedule in notes	65	59	66	77
No statement or schedule but changes disclosed	101	59	93	91
Balance unchanged during year	114	165	98	86
Subtotal	**528**	**521**	**523**	**525**
Additional capital account not presented	72	79	77	75
Total Companies	**600**	**600**	**600**	**600**

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.

ABBOTT LABORATORIES (DEC)

Notes to Financial Statements

Note 7: Capital Shares—On April 11, 1975, the Company increased the number of authorized common shares, without par value, from 20,000,000 shares to 40,000,000 shares, and on July 25, 1975, effected a common stock split by means of a share-for-share stock dividend. All references in the consolidated financial statements to the number of common shares, price per share and other per share amounts have been adjusted to reflect the above-mentioned common stock split.

Changes in the Company's outstanding capital shares for 1975 were as follows (no changes in 1974):

	Common Shares	
	Shares	Amount
Outstanding, January 1, 1975	13,623,275	$55,205,000
Common stock split effected by means of a share-for-share stock dividend	13,623,275	—
Stock options exercised	26,435	816,000
Preferred shares converted to common shares	34,200	17,000
Outstanding, December 31, 1975	27,307,185	$56,038,000
	Preferred Shares	
	Shares	Amount
Outstanding, January 1, 1975	142,500	$143,000
Shares converted to common shares	(17,100)	(17,000)
Outstanding, December 31, 1975	125,400	$126,000

At December 31, 1975, the Company had 1,413,103 common shares reserved for stock options and 250,800 for convertible preferred shares.

TABLE 4-6: STOCK SPLITS

	1975	1974	1973	1972
Ratio				
Less than three-for-two.....	4	—	4	—
Three-for-two (50%) to two-for-one	5	4	10	13
Two-for-one (100%)........	12	10	20	23
Greater than two-for-one ...	1	2	6	9
Total Companies.................	**22**	**16**	**40**	**45**
Account Charged				
Additional capital	9	10	16	16
Retained earnings...........	6	2	8	14
No charge	7	4	16	15
Total Companies.................	**22**	**16**	**40**	**45**

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 two common shares 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.

On January 29, 1976, the Company announced its intention to offer to the public, subject to market conditions, up to 2,000,000 shares of its authorized, unissued without par value common shares.

BUCYRUS-ERIE COMPANY (DEC)

Consolidated Statement of Earnings Retained in the Business

	1975	1974
Balance, beginning of year	$106,794,995	$ 95,156,535
Net earnings	29,876,077	20,538,571
	136,671,072	115,695,106
Cash dividends paid—$.50 a share*	9,825,345	8,900,111
Transfer to common stock account in two-for-one stock split.......	13,702,371	—
Balance, end of year...............	$113,143,356	$106,794,995

*Dividends were declared and paid quarterly in 1975 and 1974 at the rate of 12½ cents a share. (All per share amounts adjusted for two-for-one stock split).

Notes to Financial Statements

Stock Transactions (in part)—The Board of Directors on October 28, 1975, voted for a two-for-one split in the form of a 100% stock dividend. In connection with the stock split, $50,705,680, the par value of the 10,141,136 shares issued, was credited to common stock by transfers from additional paid-in capital ($37,003,309) and from earnings retained in the business ($13,702,371). The stock option data and per share amounts in the financial statements have been restated to give effect to the stock split.

NORTHROP CORPORATION (DEC)

Statement of Consolidated Shareholders' Equity

	1975	1974
Preferred stock:		
Balance at beginning of year	$ 300,000	$ 356,000
Conversion into shares of common stock	(76,000)	(56,000)
Balance at end of year.............	$ 224,000	$ 300,000
Common stock:		
Balance at beginning of year	$ 4,936,000	$ 4,876,000
Issuance of shares in connection with:		
Three-for-two stock split effected as a 50% stock dividend—Note 1	1,931,000	
Employee stock options—Note J	183,000	2,000
Conversion of shares of preferred stock	82,000	58,000
Balance at end of year.............	$ 7,132,000	$ 4,936,000
Additional capital paid in:		
Balance at beginning of year	$ 40,232,000	$ 40,203,000
Issuance of shares of common stock in connection with:		
Employee stock options—Note J	3,044,000	33,000
Conversion of shares of preferred stock	(9,000)	(4,000)
Balance at end of year.............	$ 43,267,000	$ 40,232,000
Retained earnings:		
Balance at beginning of year	$118,706,000	$110,143,000
Cash dividends:		
Common stock 1975—$1.10 and 1974—$.91 per share—Note 1	(6,191,000)	(4,961,000)
Preferred stock—$1.45 a share	(286,000)	(412,000)
Purchase of common stock for treasury—1975—13,200 shares and 1974—178,700 shares	(318,000)	(4,200,000)
Three-for-two stock split effected as a 50% stock dividend—Note 1	(1,969,000)	
Net income	24,732,000	18,136,000
Balance at end of year.............	$134,674,000	$118,706,000

Note I—Changes in common stock and retained earnings—On November 19, 1975, the Board of Directors declared a three-for-two stock split in the form of a 50% stock dividend by authorizing distribution of one additional share of common stock for each two shares then outstanding. Accordingly, shares were issued with the par value of these additional shares being transferred from retained earnings to common stock. Cash was paid in lieu of issuing fractional shares.

Earnings and dividends per share for all periods presented in this report have been restated for the split.

ESMARK, INC. (OCT)

Consolidated Statement of Stockholders' Equity

(In thousands of dollars)

	Preferred stock	Common stock	Other paid in capital	Accumulated earnings	Cost of common stock in treasury	Total
Balance October 28, 1973	$36,485	$12,177	$137,858	$306,535	$ (208)	$492,847
Net earnings				68,066		68,066
Cash dividends paid:						
Preferred stock				(1,733)		(1,733)
Common stock				(11,883)		(11,883)
Purchases of common stock					(10,427)	(10,427)
Other changes			4		60	64
Balance October 26, 1974	36,485	12,177	137,862	360,985	(10,575)	536,934
Net earnings				79,685		79,685
Cash dividends paid:						
Preferred stock				(1,310)		(1,310)
Common stock				(19,227)		(19,227)
Issuance of stock in Doric acquisition		936	24,335			25,271
Conversion of preferred stock	(36,485)	1,173	35,312			
Five-for-four common stock split		3,563		(3,563)		
Other changes-net			10		418	428
Balance October 25, 1975	$ —	$17,849	$197,519	$416,570	$(10,157)	$621,781

Financial comments

Significant events (in part)—Distribution to Esmark common stockholders on October 1, 1975 of additional common shares through a 5 for 4 stock split effected as a 25% stock dividend. (All share and per share amounts appearing herein, other than in the schedule of changes in shares of common stock on page 16, have been restated to reflect the stock split.)

Stockholders' equity (in part)—The authorized capital stock of the Company consists of 635,150 shares of $100 par value Class 1 preferred stock, 6,000,000 shares of $1 par value Class 2 preferred stock, and 30,000,000 shares of $1 par value common stock.

All outstanding preferred stock, consisting of 364,850 shares of Class 1—Series A stock, was converted into common stock in 1975, principally in September. See "Subsequent events" on page 18 as to Class 2 preferred stock issued on November 7, 1975.

Changes in shares of common stock, in thousands of shares are summarized as follows:

	Issued	Held in treasury	Outstanding
October 28, 1973	12,177	(9)	12,168
Issuances		3	3
Purchases		(429)	(429)
October 26, 1974	12,177	(435)	11,742
Issuances—			
Acquisition of Doric	936		936
Conversion of preferred stock	1,173		1,173
Five-for-four stock split	3,563	(105)	3,458
Exercise of stock options		20	20
Purchases		(2)	(2)
October 25, 1975	17,849	(522)	17,327

HARNISCHFEGER CORPORATION (OCT)

Statement of Shareholders' Equity

	Common Stock $10 Par Value	Capital in Excess of Par Value of Shares	Retained Earnings	Total
Balance at October 31, 1973	$15,752,790	$23,069,679	$42,695,191	$ 81,517,660
Sales of 275,000 additional shares of common stock	2,750,000	4,550,000		7,300,000
Partial conversion of 6% subordinated convertible note	110,000	187,000		297,000
Exercise of stock options	67,500	52,725		120,225
Repurchase and retirement of common stock purchase warrants		(1,500,000)		(1,500,000)
Net income			11,645,639	11,645,639
Cash dividends on common stock, $1.40 per share			(2,415,994)	(2,415,994)
Balance at October 31, 1974, as reported	18,680,290	26,359,404	51,924,836	96,964,530
Acquisition of three companies in exchange for 65,434 shares of common stock, accounted for as a pooling of interests	654,340		218,186	872,526
Balance at October 31, 1974, as adjusted	19,334,630	26,359,404	52,143,022	97,837,056
Seven-for-four common stock split (1,469,260 shares)	14,692,600	(14,692,600)		—
Sale of 930,000 additional shares of common stock	9,300,000	13,327,218		22,627,218
Final conversion of 6% subordinated convertible note at $15-3/7 per share	1,415,000	988,000		2,403,000
Repurchase and retirement of 125,175 shares of common stock at $24.50 per share	(1,251,750)	(1,815,038)		(3,066,788)
Exercise of stock options	206,370	64,826		271,196
Net income			23,474,439	23,474,439
Cash dividends on common stock, $1.11 per share			(4,050,762)	(4,050,762)
Balance at October 31, 1975	$43,696,850	$24,231,810	$71,566,699	$139,495,359

Financial Notes

Note 9 (in part): Shareholders' Equity—In 1975, the Corporation effected a seven-for-four stock split in the form of a 75% stock dividend paid on July 1. All numbers of shares of common stock, related common equivalent shares, conversion and exercise prices, earnings and cash dividends per share of common stock have been adjusted to reflect the stock split, except where otherwise noted.

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	Stockholders' Equity
Balance August 31, 1973	14,925,745	$85,636,000	$26,240,000	(129,932)	($1,118,000)	$110,758,000
Net income for year	—	—	26,837,000	—	—	26,837,000
Cash dividend	—	—	(10,357,000)	—	—	(10,357,000)
Stated value allocated to common stock acquired by exchange offer	—	(18,616,000)	—	—	—	(18,616,000)
Common stock received and deemed retired by exchange offer	(2,622,643)	—	—	—	—	—
Balance August 31, 1974	12,303,102	67,020,000	42,720,000	(129,932)	(1,118,000)	108,622,000
Net income for year	—	—	31,862,000	—	—	31,862,000
Cash dividends	—	—	(18,261,000)	—	—	(18,261,000)
Fractional shares paid for in cash and returned in connection with stock split	(1,751)	(23,000)	—	—	—	(23,000)
Stock options exercised	—	(54,000)	—	55,597	479,000	425,000
5% Convertible Subordinated Debentures converted	50,915	957,000	—	—	—	957,000
Treasury Stock returned under settlement of litigation	—	44,000	—	(31,250)	(269,000)	(225,000)
Balance August 31, 1975	12,352,266	$67,944,000	$56,321,000	(105,585)	($ 908,000)	$123,357,000

Notes to Consolidated Financial Statements

Note 9: Stock Split—At the annual meeting held on March 1, 1975, the stockholders approved an amendment to the Company's Certificate of Incorporation, effective March 4, 1975, increasing the number of authorized shares of common Stock from 9,000,000 to 20,000,000 and splitting each outstanding share of Common Stock 2½ for 1. Shares of Common Stock and treasury stock, dividends per share, conversion price of the Convertible Debentures, stock options, prices at which options are exercisable and income per share have been computed giving retroactive effect to the aforesaid stock split.

CREDITS AND CHARGES TO ADDITIONAL CAPITAL

Table 4-7 summarizes credits and charges to additional capital. Examples of such credits and charges follow.

TABLE 4-7: CHANGES IN ADDITIONAL CAPITAL

	Number of Companies			
	1975	1974	1973	1972
Credits				
Common stock issuances:				
Employee benefits	205	233	331	356
Conversion of preferred	32	40	55	60
Business combinations	27	44	54	74
Conversion of debt	26	52	62	60
Purchase or retirement of capital stock	24	42	53	45
Stock option tax benefits	12	17	—	—
Other	18	26	39	46
Charges				
Purchase or retirement of capital stock	32	56	71	52
Treasury stock issued for less than cost	16	43	45	30
Conversion of Preferred stock	10	13	14	19
Business combinations	5	28	51	46
Other	20	34	30	52

Stock Issued in Connection with Employee Benefit Plans

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

Consolidated Statement of Stockholders' Equity (Dollars in millions, except per share)

	1975	1974
Preferred stock, without par value—cumulative		
Authorized—4,000,000 shares		
Issued at December 31:		
$4.50 Series—1,688,850 shares (callable at $120)	$ 168.9	$ 168.9
$3.50 Series— 700,000 shares (callable at $102)	70.0	70.0
	238.9	238.9
Common Stock, $5 par value		
Authorized—60,000,000 shares		
Issued at December 31:		
1975—48,323,117 shares; 1974—48,102,443 shares	241.6	240.5
Additional Paid-in Capital		
Balance at Beginning of Year	268.0	239.5
Add—Excess of issue price over par value of common stock issued	24.4	28.5
Balance at End of Year	292.4	268.0
Reinvested earnings		
Balance at Beinginning of Year	3,005.2	2,875.7
Add—Net Income	271.8	403.5
	3,277.0	3,279.2
Less—Dividends:		
Preferred Stock		
$4.50 Series	7.6	7.6
$3.50 Series	2.4	2.4
Total Preferred Dividends	10.0	10.0
Common Stock (1975—$4.25, 1974—$5.50)	205.0	264.0
Total Dividends	215.0	274.0
Balance at End of Year	3,062.0	3,005.2
Total stockholders' equity	$3,834.9	$3,752.6

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

Note 13: Stockholders' Equity—As permitted by the Company's Charter, 220,674 shares of new common stock were issued in connection with employee compensation plans in 1975 and 186,876 in 1974. The par value of the shares so issued was added to the Common Stock account and the excess of issue price over par value ($24.1 in 1975 and $28.3 in 1974) was added to the account "Additional Paid-In Capital." Under a Charter amendment of April 8, 1974, up to 2,000,000 shares of new common stock may be issued to employees after that date. At December 31, 1975, 220,674 shares had been issued under such authorization, and 61,297 additional shares had been awarded and are awaiting issue in accordance with the terms of the Company's compensation plans.

J. RAY MCDERMOTT & CO., INC. (MAR)

Consolidated Statements of Retained Earnings and Capital in Excess of Par Value

	1975	1974
Retained Earnings:		
Balance, beginning of year	$164,935,594	$140,549,690
Add—Net income	76,080,782	31,766,065
	$241,016,376	$172,315,755
Deduct—Cash dividends paid on common stock ($1.20 per share 1975; $1.05 per share 1974)	9,288,845	7,380,161
Balance, end of year	$231,727,531	$164,935,594
Capital in excess of par value:		
Balance, beginning of year	$130,114,926	$ 63,598,593
Add:		
Excess of principal amount of 4¼% and 4¾% convertible subordinated debentures over the par value of 14,021 shares of common stock in 1975 and 940,944 shares of common stock in 1974 issued upon conversion, less related expenses	901,477	66,516,333
Excess of market value over par value of common stock issued in connection with the career executive stock plan	9,757,200	—
Stock returned to the Company in connection with the career executive stock plan	4,140	—
Balance, end of year	$140,777,743	$130,114,926

Notes to Consolidated Financial Statements

Note M: Career Executive Stock Plan—In August, 1974, the stockholders approved a career executive stock plan covering 150,000 shares of common stock. In November, 1974, 120,000 shares were issued under this plan to eligible employees in consideration of their services. Shares may be issued pursuant to the plan until June 30, 1984. Restrictions with respect to issued shares will lapse in approximately equal amounts on the second through tenth anniversary dates of the date of issuance. The cost of the plan, based on fair market value on the date of issuance of common stock, is amortized over a ten-year period following the date of issuance.

Under the Company's 1968 career executive stock plan, 2,058 shares were returned to the Company during the current fiscal year. Stock previously awarded under this plan vests in the employee in approximately equal amounts on the third through tenth anniversary dates of the date of issuance. No further awards will be made under the 1968 plan.

The unamortized deferred expense is classified on the balance sheet as a reduction of capital and retained earnings. The unamortized deferred expense as of March 31, 1974 has been reclassified.

NATIONAL STEEL CORPORATION (DEC)

Statement of Consolidated Stockholders' Equity

	1975	1974
Capital Stock		
Balance at beginning of year	$ 95,973,995	$ 94,417,605
Issued for companies acquired in purchase transactions during 1974—311,278 shares	—0—	1,556,390
Issued upon exercise of stock options—68,950 shares	344,750	—0—
Balance at end of year	$ 96,318,745	$ 95,973,995
Capital in Excess of Par Value of Capital Stock		
Balance at beginning of year	$ 114,412,292	$ 105,727,438
Excess of market value over par value of shares issued for companies acquired	—0—	8,684,854
Excess of proceeds over par value of stock sold under option plans	2,028,400	—0—
Other	303,230	—0—
Balance at end of year	$ 116,743,922	$ 114,412,292
Income retained for use in the business		
Balance at beginning of year	$1,000,921,476	$ 881,165,861
Net income for the year	58,040,671	175,763,654
Cash dividends—1975, $2.50 per share; 1974, $3.00 per share	(46,900,966)	(56,008,039)
Balance at end of year	$1,012,061,181	$1,000,921,476
Treasury stock		
Balance at beginning of year	$ 19,005,156	$ 14,504,375
Shares transferred to employees' stock investment plan—57,615 shares	(2,137,401)	—0—
Restricted shares (subject to forfeiture) issued to employees as compensation—12,318 shares—Note C	(436,797)	—0—
Shares purchased—150,000 shares	—0—	4,850,781
Other	—0—	(350,000)
Balance at end of year	$ 16,430,958	$ 19,005,156

SHELL OIL COMPANY (DEC)

Notes to Financial Statements

Note 9: Amount in Excess of Common Stock Stated Value

	Year	
	1975	1974
	(Thousands of Dollars)	
Balance at beginning of period	$583,360	$583,306
Sale of shares of common stock:		
To shareholders under the Dividend Reinvestment and Stock Purchase Plan	39,075	—
To the Shell Provident Fund	15,974	—
To option holders upon exercise of options under incentive stock option plans	1,304	487
Transfer of treasury stock for acquisitions	—	(433)
	$639,713	$583,360

During 1975, the Company sold 791,659 shares of its common stock under the Dividend Reinvestment and Stock Purchase Plan. (Information on shares of common stock sold to the Shell Provident Fund and to stock option holders is presented in Notes 10 and 11.)

The total amounts received from the sale of stock are accounted for by a credit to Common Stock of $1 per share and a credit to Amount in Excess of Common Stock Stated Value for the remainder.

Stock Issued in Conversions

APCO OIL CORPORATION (DEC)

Consolidated Statements of Stockholders' Equity

	1975	1974
Common stock (note 7):		
Balance at beginning of year	$ 2,948,713	$ 2,837,807
Par value of shares issued:		
Conversion of 5% debentures (205,646 shares)	205,646	—
Stock options exercised (722 shares)	722	—
4% stock dividend (110,906 shares)	—	110,906
Balance at end of year	$ 3,155,081	$ 2,948,713
Additional paid-in capital (note 7):		
Balance at beginning of year	$36,559,372	$35,644,397
Excess of proceeds or fair value over par value of shares issued:		
Conversion of 5% debentures	5,355,155	—
Stock options exercised	10,200	—
4% stock dividend	—	914,975
Balance at end of year	$41,924,727	$36,559,372
Retained earnings (notes 1, 4 and 6):		
Balance at beginning of year, as restated	$22,035,874	$15,823,698
Net earnings, as restated	—	7,262,164
Net loss	(2,078,859)	—
Less 4% stock dividend	—	(1,049,988)
Balance at end of year	$19,957,015	$22,035,874
Total stockholders' equity	$65,036,823	$61,543,959

PALL CORPORATION (JUL)

Consolidated Statements of Capital in Excess of Par Value

	1975	1974
Balance, beginning of fiscal year	$5,579,035	$5,574,447
Add:		
Issuance of 21,075 and 200 shares, respectively, of Common Stock pursuant to stock options	223,038	1,738
Conversion of $1,307,000 and $3,000 of 6¼% Convertible Subordinated Debentures into 65,350 and 150 shares, respectively, of Common Stock, net of related unamortized debenture expense	1,206,160	2,850
Capital in excess of par value at end of fiscal year	$7,008,233	$5,579,035

COMMONWEALTH OIL REFINING COMPANY, INC. (DEC)

Statement of Consolidated Stockholders' Equity

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings
Balance, January 1, 1974, as previously reported	$25,867,000	$69,748,000	$ 8,407,000	$102,360,000
Adjustments:				
Effect of accounting change—net (Note N).....	—	—	—	(6,445,000)
Settlement or estimated outcome of existing claims (Notes M and N)....................	—	—	—	(790,000)
Settlement of additional Puerto Rico income taxes (Note G)..............................	—	—	—	(3,221,000)
Balance, January 1, 1974, as adjusted...........	25,867,000	69,748,000	8,407,000	91,904,000
Net earnings.....................................	—	—	—	9,139,000
Stock issuance from exercise of stock options (Note K).....................................	—	2,000	1,000	—
Cash dividends on preferred stock:				
Series A ($1.72 per share)..................	—	—	—	(1,720,000)
Series B ($2.45 per share)..................	—	—	—	(308,000)
Common stock dividend, including fractional shares payable in cash, $82,000 (Note J)	—	2,729,000	748,000	(3,557,000)
Balance, December 31, 1974......................	25,867,000	72,479,000	9,156,000	95,458,000
Net loss..	—	—	—	(24,197,000)
Cash dividends on preferred stock:				
Series A ($1.72 per share)..................	—	—	—	(1,500,000)
Series B ($2.45 per share)..................	—	—	—	(308,000)
Conversion of preferred stock to common stock (Note J)......................................	(5,890,000)	2,053,000	3,837,000	—
Conversion of 4¼% debentures to common stock (Note J)...............................	—	425,000	1,719,000	—
Stock issuance from exercise of stock options (Notes J and K).............................	—	20,000	27,000	—
Balance, December 31, 1975......................	$19,977,000	$74,977,000	$14,739,000	$ 69,453,000

Note J (in part): Common Stock—In December 1974, Corco declared a 4% stock dividend (545,685 additional shares) and retained earnings were reduced based on the fair market value of the shares on the date the dividend was declared. This dividend was distributed to shareholders in February 1975. During the year ended December 31, 1975, 245,247 shares of $1.72 cumulative convertible preferred stock, Series A, and $2,144,000 principal amount of 4¼% convertible subordinated debentures due 1992 were converted into 410,595 shares and 85,072 shares, respectively, of common stock and additional paid-in capital was credited in the amount of $5,556,000 in connection with such conversions. In addition, 3,978 shares of common stock were issued upon exercise of stock options.

INTERNATIONAL MINERALS & CHEMICAL CORPORATION (JUN)

Consolidated Statement of Shareholders' Equity

(Dollars in millions)	Common Stock Shares	Common Stock Amount	Preferred Stock	Capital in Excess of Par Value	Retained Earnings	Treasury Shares
Balance, July 1, 1973	11,212,648	$56.1	$59.6	$3.9	$131.2	$(1.2)
Net earnings					70.4	
Cash dividends paid—						
Preferred stock					(2.7)	
Common stock ($.57 per share)					(8.6)	
Stock options exercised	153,431	.7		2.1		
Conversions of preferred stock—						
Series B, 26,289 shares	71,044	.3	(2.6)	2.3		
Series C, 7.622 shares	30,488	.2	(.8)	.6		
Purchase and cancellation of 10,000 Series C preferred shares			(1.0)	(.4)		
Earnout on acquisition of business	9,438	.1				
Purchase of 40,000 common shares for treasury						(1.0)
Balance, June 30, 1974	11,477,049	$57.4	$55.2	$8.5	$190.3	$(2.2)
Net earnings					166.0	
Cash dividends paid—						
Preferred stock					(1.9)	
Common stock ($1.38 per share)					(22.2)	
Stock options exercised and tax effect of early dispositions	130,140	.7		1.7		
Conversions of preferred stock—						
Series A, 66,500 shares	200,060	1.0	(6.6)	5.6		
Series B, 13,711 shares	49,006	.2	(1.4)	1.2		
Series C, 179,361 shares	727,862	3.6	(17.9)	14.3		
Conversion of 4% debentures	33,751	.2		1.1		
33 1/3% common stock distribution	4,062,789	20.3		(20.3)		
Change in fiscal year of COC					3.1	
Balance, June 30, 1975	16,680,657	$83.4	$29.3	$12.1	$335.3	$(2.2)

Notes to Consolidated Financial Statements

Shareholders' Equity—Series preferred stock, $100 par value, outstanding at June 30, 1975 and 1974 was:

(In millions)	1975	1974
Series A, 5% convertible, cumulative, 259,243 shares authorized; 192,743 shares outstanding in 1975 (259,243 shares in 1974)	$19.3	$25.9
Series B, 5% convertible, cumulative, 40,000 shares authorized; none outstanding in 1975 (13,711 shares in 1974)	—	1.4
Series C, 5% convertible, cumulative, 199,583 shares authorized; none outstanding in 1975 (179,361 shares in 1974)	—	17.9
	$19.3	$45.2

Series A preferred stock is currently convertible at $33.24 per share and redeemable at $103.50 per share, the redemption price being reduced $.50 per share annually to $100 par value. In June 1975, all of the then outstanding shares of Series B and C preferred stock were converted upon call for redemption. Dividends of $5 per share on Series preferred stock and $4 per share on 4% preferred were paid in 1975 and 1974.

Public Offering of Stock

JOY MANUFACTURING COMPANY (SEP)

Notes to Financial Statements

Note 10: Shareholders' Equity—Changes in shareholders' equity accounts exclusive of retained earnings are shown below:

	Common stock $1 par value	Paid-in capital	Treasury stock
At September 28, 1973	$ 5,223,000	$41,549,000	$(1,165,000)
Stock options exercised	14,000	403,000	
1,057 shares issued under Deferred Compensation Plan		(10,000)	32,000
Tax benefits arising from stock transactions		52,000	
At September 27, 1974	5,237,000	41,994,000	(1,133,000)
67,792 shares issued for the net assets of Western Steel Co.	68,000	2,623,000	
700,000 shares sold	700,000	46,030,000	
Stock options exercised	39,000	1,522,000	
1,066 shares issued under Deferred Compensation Plan		1,000	33,000
Tax benefits arising from stock transactions		113,000	
	6,044,000	92,283,000	(1,100,000)
100% common stock distribution	6,044,000	(6,044,000)	
At September 26, 1975	$12,088,000	$86,239,000	$(1,100,000)

Note 12: Stock Transactions and Income Per Share—On September 16, 1975, a 100% common stock distribution was declared to shareholders of record at October 28, 1975 and was distributed on November 12, 1975. State legal regulations required the issuance of the additional shares at $1 par value. Accordingly, the 100% distribution was recorded in fiscal 1975 as a transfer of $6,044,000 ($1 par value) from paid-in-capital to the common stock account. All previously reported per share information has been restated to give retroactive effect to the 100% stock distribution recorded in fiscal 1975. Net income per share would have been $7.01 for fiscal 1975 before giving effect to the 100% stock distribution.

On May 29, 1975, the Company sold 700,000 shares of common stock for $46,730,000, net of related issuance costs, to a group of underwriters for public distribution. Funds received from the sale were used to repay notes payable to banks of $45,000,000 under a revolving credit agreement and the balance was used for working capital requirements. If the repayment of the retired debt had occurred at the beginning of fiscal 1975 and 1974 and the equivalent number of shares to eliminate this debt were outstanding at the beginning of each period, pro forma net income per share of common stock would be $3.35 (1975) and $1.76 (1974) after giving effect to the 100% stock distribution and the reduction of interest expense net of applicable income taxes for each year.

Reduction of Par Value

CONTROL DATA CORPORATION (DEC)

Consolidated Balance Sheets

	1975	1974
	($000)	
Stockholders' Equity (Note F)		
4½% cumulative preferred stock of $100 par value per share Authorized 371,244 shares. Issued—371,135 shares	$ 37,113	$ 37,113
Preferred stock of $100 par value per share Authorized 750,000 shares. Issued —None		
Common stock of $1 par value per share in 1975, $5 per share in 1974 Authorized 25,000,000 shares. Issued—16,802,774 shares in 1975 and 16,082,274 shares in 1974, at stated value (Note G)	16,803	109,902
Additional paid-in capital	342,479	234,619
Retained earnings (Note J)	534,898	495,012
Net unrealized loss on marketable equity securities (Note M)	(79,657)	(104,350)
Notes from employees for common stock purchases (Note G)	(14,043)	—
Cost of treasury stock	(6,526)	(6,526)
Total stockholders' equity	$831,067	$765,770

Note F: Capital Stock—The following table summarizes the Company's capital stock transactions in 1974 and 1975:

Common Stock:	Issued Shares	Stated Value	Additional Paid-In Capital	Treasury Stock Shares	Treasury Stock Cost
Balance December 31, 1973	16,008,083	$109,531,000	$234,128,000	113,648	$4,141,000
Acquisition of minor pooled company	58,079	290,000	(33,000)	—	—
Stock issued to Commercial Credit Company for acquisition	16,112	81,000	524,000	—	—
Acquisition of treasury stock	—	—	—	16,300	604,000
Issuance of treasury stock	—	—	—	(202)	(7,000)
Balance December 31, 1974	16,082,274	109,902,000	234,619,000	129,746	4,738,000
Shares issued under Executive Performance and Retention Plan	720,500	721,000	14,043,000	—	—
Reduction of stated value of common stock to $1 per share	—	(93,820,000)	93,820,000	—	—
Adjustment of prior year's acquisition of minor pooled company	—	—	(3,000)	—	—
Balance December 31, 1975	16,802,774	$ 16,803,000	$342,479,000	129,746	4,738,000
Preferred treasury stock:					
December 31, 1975 (no change during two year period)				17,854	1,788,000
					$6,526,000

ERB LUMBER CO. (DEC)

Consolidated Statement of Shareholders' Equity

	Common Stock	Additional Paid-In Capital	Retained Earnings	Total Shareholders Equity
Balance, December 31, 1973	$1,346,500	$4,203,130	$7,596,869	$13,146,499
Net income for the year ended December 31, 1974	—	—	307,960	307,960
Issuance of common stock in connection with acquisitions (Note 2)	46,000	80,255	—	126,255
Balance, December 31, 1974	1,392,500	4,283,385	7,904,829	13,580,714
Net income for the year ended December 31, 1975	—	—	569,958	569,958
Conversion of common stock from $1.00 par value to $0.01 par value	(1,378,575)	1,378,575	—	—
Purchase of 100 shares of common stock and return to status of authorized but unissued shares	(1)	(423)	—	(424)
Issuance of 4,000 shares of common stock in connection with purchase of additional interest in corporate joint venture	40	16,960	—	17,000
Balance, December 31, 1975	$ 13,964	$5,678,497	$8,474,787	$14,167,248

Income Tax Benefit from Issuance of Stock to Employees

CENTRONICS DATA COMPUTER CORP. (JUN)

Consolidated Statement of Shareholders' Equity

	Shares	Common stock par value $.01	Capital in excess of par value	Retained earnings
Balance, July 1, 1973	4,586,138	$45,861	$4,271,807	$ 4,832,215
Shares issued upon exercise of stock options	34,250	343	105,213	
Shares issued upon exercise of stock option (Note 5)	153,000	1,530	100,980	
Income tax reductions relating to stock options (Note 5)			71,665	
Net income for year				7,930,830
Balance, June 30, 1974	4,773,388	47,734	4,549,665	12,763,045
Shares issued upon exercise of stock options	23,262	233	50,652	
Shares issued for services rendered	1,500	15	12,985	
Income tax reductions relating to stock options (Note 5)			1,631,490	
Constructive retirement of treasury shares (Note 4)	(45,000)	(450)	(42,891)	(644,785)
Net income for year				7,281,018
Balance, June 30, 1975	4,753,150	$47,532	$6,201,901	$19,399,278

Note 5 (in part): Options—During 1974, an option for 153,000 shares granted on May 1, 1969 was exercised at $.67 per share by an officer-director of the Company. As a result of such exercise, the Company has recorded in the current year, as a credit to capital in excess of par value, a tax benefit of approximately $1,500,000 by reason of the deductibility of the excess of the fair market value of such shares over the exercise price. The exact amount of this tax benefit and the year of deductibility for tax purposes are subject to examination by the Internal Revenue Service. In the Company's opinion the above amount credited to capital in excess of par value approximates the tax credit to be realized as a result of this transaction.

Additional tax benefits, recorded as credits to capital in excess of par value, were realized in fiscal years ended June 30, 1975 and 1974 as a result of the sale of stock by employees prior to the expiration of the statutory holding period for stock acquired through a qualified stock option plan.

Release and Cancellation of Stock Held in Escrow

FIELDS PLASTICS AND CHEMICALS, INC. (APR)

Consolidated Statement of Stockholders' Equity

	Common shares(a)	Capital stock Common shares held in escrow—at cost	Additional paid-in capital	Retained earnings	Total stockholders equity
Balance, May 1, 1973	$711,043	($66,000)	$1,654,051	$ 752,209	$3,051,303
Net income for the year	—	—	—	383,863	383,863
Balance, April 30, 1974	711,043	(66,000)	1,654,051	1,136,072	3,435,166
Release and cancellation of 5,500 shares held in escrow (Note 7)	(5,500)	66,000	(60,500)	—	—
Net loss for the year	—	—	—	(835,880)	(835,880)
Balance, April 30, 1975	$705,543	$ —	$1,593,551	$ 300,192	$2,599,286

(a) Net of 8,206 shares held in treasury.

Note 7: Common Stock—The acquisition of Knickerbocker Case Corporation in 1970 required the issuance of 51,000 shares of common stock valued at $12 per share. Pursuant to the merger agreement, 25,500 shares were held in escrow, for delivery to the former Knickerbocker shareholders contingent upon the achievement of certain profit levels by Knickerbocker and the market price of Fields Plastics stock during the five years ended April 30, 1974. In February 1972, Knickerbocker Case Corporation was sold to outside interests. In connection with the transaction certain former owners of Knickerbocker agreed to the release of 20,000 shares from escrow. During the year ended April 30, 1975, the remaining 5,500 shares in escrow were cancelled by the Company following the termination, on September 15, 1974, of the subject escrow agreement. However, the certificates representing such cancelled shares have not as yet been received from the escrow agent.

Redemption of Preferred Stock

DRESSER INDUSTRIES, INC. (OCT)

Consolidated Statements of Capital in Excess of Par or Stated Value and of Retained Earnings

	1975	1974
	($ Millions)	
Capital in excess of par or stated value		
Balance at beginning of year	$208.1	$ 96.6
Issuance of common shares under stock option plans—Note I	1.7	1.0
Issuance of common shares in connection with deferred compensation—Note F	.4	.3
Issuance of common shares for acquisition of businesses (26,086 shares in 1975 and 416,350 shares in 1974)—Notes I and K	1.5	15.6
Net proceeds from the sale of 2,000,000 common shares used for acquisition of business —Notes I and K	—	94.5
Conversion of preferred shares into common shares—Note I	3.6	.1
Redemption of preferred shares, including related expenses—Note I	(7.6)	—
Balance at end of year	$207.7	$208.1
Retained earnings		
Balance at beginning of year	$332.4	$295.4
Net earnings	123.9	63.2
	456.3	358.6
Deduct dividends paid:		
On common shares—$1.40 a share	19.3	15.8
On $2.20 Series A preferred shares	5.4	7.3
On $2.00 Series B preferred shares	2.4	3.1
Total dividends paid	27.1	26.2
Balance at end of year—Note H	$429.2	$332.4

Note I: Capital Shares—Total authorized capital shares consist of 30,000,000 common shares and 10,000,000 preferred shares.

Changes in issued capital shares during the two years ended October 31, 1975, are as follows:

	$2.20 Series A Preferred	$2.00 Series B Preferred	Common
Shares at November 1, 1973	3,366,005	1,673,258	10,187,535
Sale of common shares	—	—	2,000,000
Issued for acquisition of business—Note K	—	—	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
Issued for acquisition of business—Note K	—	—	26,086
Exercise of stock options	—	—	60,944
Conversion of preferred	(3,250,926)	(1,512,024)	4,664,993
Redemption of preferred	(36,356)	(40,847)	—
Issued in payment of deferred compensation	—	—	10,143
Shares at October 31, 1975	—	—	17,592,240

On June 20, 1975 the Company called for redemption of all its outstanding convertible preferred shares, series A and series B. As of July 21, 1975, the last day on which these preferred shares could have been converted into common shares, approximately 98.4% of the preferred shares had been converted into common shares, and the remaining 77,203 preferred shares were redeemed for cash by the Company.

As of October 31, 1975, 660,640 common shares were reserved for stock options. The Company's stock option plans provide for the granting of options to key employees for purchase of the Company's common shares. Such options are for terms of five to ten years and become exercisable after one year in equal installments at not less than the average price of the shares on the New York Stock Exchange on the day the options are granted. Changes in outstanding options are as follows:

Outstanding at November 1, 1974.	245,805
Options granted at $49.31 to $67.06 per share	88,800
Options exercised at $24.00 to $45.94 per share	(60,944)
Options cancelled	(5,646)
Outstanding at October 31, 1975	268,015
Reserved for future options	392,625

Merger

GLOUCESTER ENGINEERING CO., INC. (JUN)

Consolidated Statement of Stockholders' Equity

	Common Stock		Capital in		Treasury Stock	
	Number of Shares	Amount	Excess of Par Value	Retained Earnings	Number of Shares	Amount
Balance, June 30, 1973	633,244	$633,244	$4,333,746	$4,908,981	—	$ —
Net income for the year	—	—	—	1,160,208	—	—
Balance, June 30, 1974	633,244	$633,244	$4,333,746	$6,069,189	—	$ —
Issuance of 122,223 shares of common stock to wholly-owned subsidiary and 30,000 shares to minority stockholders in connection with statutory merger of Extrion Corporation (Note 2)	152,223	152,223	894,310	—	122,223	840,283
Exercise of stock options (Note 2)	69,995	69,995	—	—	—	—
Net income for the year	—	—	—	1,802,646	—	—
Balance, June 30, 1975	855,462	$855,462	$5,228,056	$7,871,835	122,223	$840,283

Note 2 (in part): Merger and Discontinued Operations—In October, 1974, the Company consummated a plan of merger pursuant to which it acquired the 20% minority interest in Extrion Corporation by issuing 30,000 shares of common stock for the 10,500 shares of Extrion stock held by the minority shareholders (a 2.857 exchange ratio). The Company also assumed responsibility for Extrion's qualified stock option plan by replacing the outstanding Extrion qualified stock options with qualified options to purchase 69,995 shares of Company common stock for $1.00 per share. The options were substituted on the basis of the same 2.857 exchange ratio and these options were subsequently exercised during 1975.

Cash Dividends

GENERAL HOST CORPORATION (DEC)

Consolidated Statement of Changes in Shareholders' Equity

	Common Stock		Common Stock in Treasury		Capital in Excess of	
	Shares	Amount	Shares	Amount	Par Value	Deficit
			(Dollars in thousands)			
Balance, December 29, 1973	2,624,344	$2,624	475,700	$6,955	$87,119	$(40,099)
Net income						16,944
Dividends on common stock ($.40 per share)					(739)	
Acquisition of treasury stock			26,800	246		
Shares repurchased and cancelled	(568,900)	(569)			(5,531)	
Shares issued under employment contracts			(4,000)	(90)	(47)	
Balance, December 28, 1974	2,055,444	2,055	498,500	7,111	80,802	(23,155)
Net income						9,388
Dividends on common stock ($.45 per share)					(716)	
Shares issued in satisfaction of obligation to retirement plan			(50,000)	(1,128)	(525)	
Shares issued under employment contracts			(5,000)	(113)	(79)	
Stock options exercised	4,500	5			18	
Balance, December 27, 1975	2,059,944	$2,060	443,500	$5,870	$79,500	$(13,767)

Note 8: Shareholders' Equity—At December 27, 1975 a total of 6,866,016 shares of the Company's common stock was reserved for issuance upon the exercise of outstanding common stock purchase warrants at an aggregate exercise price of $270,680,000. Of this total, 6,635,753 warrants are exercisable at $40 per share and expire on January 31, 1979 and 230,263 are exercisable at $22.80 per share and expire on August 5, 1978. Under the terms of the $40 warrants the Company may reduce their exercise price for limited periods by an amount not in excess of 33 1/3% of the exercise price then in effect and the Company's 7% subordinated debentures may be used at par in payment of the exercise price. In addition, 1,270,613 shares are reserved for issuance upon conversion of the Company's 11% debentures at the rate of $16 per share and 149,407 shares are reserved for conversion of the Company's 5% debentures at the rate of $27 per share.

The Company's certificate of incorporation authorizes the issuance of 1,000,000 shares of $1.00 par value preferred stock, none of which has been issued.

Certain key employees have employment contracts expiring at various times from 1976 through 1979 under which an aggregate minimum of 5,000 shares of common stock are earned each year and additional shares may be earned based on improvements in the Company's earnings. During 1975 a total of 6,244 shares were earned and 5,000 shares which were earned during 1974 were issued.

The Company's stock option plan provides for the issuance to key employees of qualified and non-qualified options to purchase common stock of the Company at a price not less than fair market value on the date of grant, and such options are exercisable after one year of employment. Qualified options expire five years after grant and are not exercisable so long as there is outstanding for the same person a previously granted qualified option having an exercise price higher than the exercise price of the new option. During 1975 the shareholders approved an amendment to the plan which provides for the issuance of non-qualified options which expire ten years after date of grant.

Changes in stock options during the two fiscal years ended December 27, 1975 were as follows:

	Shares	Option Price
Balance outstanding at December 29, 1973	133,731	$11.89-$24.06
Options granted	107,700	5.00- 6.50
Options cancelled or expired	(15,281)	11.89- 24.06
Balance outstanding at December 28, 1974	226,150	5.00- 16.25
Options granted	130,700	9.06- 12.44
Options exercised	(4,500)	5.00-
Options cancelled or expired	(76,694)	5.00- 16.25
Balance outstanding at December 27, 1975	275,656(a)	5.00- 16.25

(a) Options for 222,656 of these shares can be exercised.

At December 27, 1975 a total of 269,300 shares were available for granting additional options.

During 1975 the Company issued 50,000 shares of its common stock to one of its employee retirement plans in satisfaction of a required contribution to the plan.

On July 2, 1974 the Company repurchased 568,900 shares of its outstanding common stock for $3,560,000 cash and 298,806 shares of Rapid-American Corporation common stock which had been purchased by the Company on June 28, 1974 for $2,540,000 cash. The shares were cancelled on August 15, 1974.

In the absence of retained earnings, cash dividends of $716,000 paid during 1975 and $739,000 paid during 1974 on the Company's common stock have been charged to capital in excess of par value.

Preferred Stock Issued With Warrants

OCCIDENTAL PETROLEUM CORPORATION (DEC)

Consolidated Statements of Shareholders' Equity

	Preferred Stocks (Note 12)	Common Shares (Note 12)	Additional Paid-In Capital	Retained Earnings
		(amounts in thousands)		
Balance, December 31, 1973, as previously reported	$5,237	$11,134	$500,662	$329,709
Deduct adjustment for the cumulative effect on prior years of the change in the method of accounting for:				
Translation of foreign currency transactions and financial statements (Note 2)	—	—	—	(29,360)
Deferred income tax pertaining to intangible drilling and development costs (Note 2)	—	—	—	(25,080)
Balance, December 31, 1973, as restated	5,237	11,134	500,662	275,269
Net income	—	—	—	277,225
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	519,393
Net income	—	—	—	171,956
Cash dividends on common shares	—	—	—	(55,741)
Cash dividends on preferred stocks	—	—	—	(23,639)
Issuance of $2.50 preferred stock with warrants, net of expenses	3,000	—	67,292	—
Amortization of discount on nonconvertible preferred stock (Note 12)	—	—	841	(841)
Conversions, exercises of options and other	(338)	228	1,296	—
Balance, December 31, 1975 (Notes 8 and 12)	$7,899	$11,364	$570,215	$611,128

Note 12 (in part): Capital stock and stock options—The following is an analysis of the capital stock accounts for the two years ended December 31, 1975, including 574,582 and 566,546 common shares held in treasury at December 31, 1975 and 1974, respectively (shares in thousands):

	Common Shares	Preferred Stocks Nonconvertible $8.00	$.2.50	$4.00	Convertible $3.60	$2.16
Balance, December 31, 1973	55,670	175	—	1,249	3,265	548
Stock options exercised	11	—	—	—	—	—
Balance, December 31, 1974	55,681	175	—	1,249	3,265	548
Preferred stock issued	—	—	3,000	—	—	—
Conversion of preferred stocks	1,092	—	—	(65)	(273)	—
Stock options exercised	50	—	—	—	—	—
Balance, December 31, 1975	56,823	175	3,000	1,184	2,992	548

The holders of preferred stock are entitled to voting rights and cumulative quarterly dividends.

The $4.00, $3.60 and $2.16 convertible preferred stocks are redeemable at the option of Occidental at $105, $100 and $47.50, respectively, and are convertible into 3.1546, 3.2373 and 1.6000 common shares, respectively. Occidental has reserved approximately 14,296,000 common shares at December 31, 1975, for conversion of convertible preferred stocks.

The $8.00 nonconvertible preferred stock is redeemable at the option of Occidental at $100 per share; however, it is subject to mandatory redemption through sinking fund requirements from 1978 through 1981 at $100 per share.

During 1975, 3,000,000 units, each unit consisting of one share of $2.50 nonconvertible preferred stock and one warrant to purchase one common share, were issued. The $2.50 nonconvertible preferred stock is redeemable at the option of Occidental at $27.50 per share commencing in 1980 and at declining amounts thereafter through 1995; however, it is subject to mandatory redemption through sinking fund requirements commencing in 1981 through 2000 at $25.00 per share. The discount (the difference difference between issuance price and fair market value at date of issuance, net of amortization) of $17,103,000 at December 31, 1975, on the issuance of the nonconvertible preferred stock will be amortized to additional paid-in capital through October 1, 2000. Amortization amounted to $841,000 during 1975.

The warrants are separately transferable and entitle the holder to purchase one common share at $16.25 until April 22, 1980, unless extended by Occidental. Upon expiration, one common share will be issued for each 100 warrants. Approximately 3,000,000 common shares have been reserved for the exercise of warrants. The value assigned to the warrants of $13,236,000, representing the estimated fair market value on date of issuance, is included in additional paid-in capital.

The convertible subordinated debentures are redeemable at the option of Occidental, in whole or in part, at 105.9 percent of the principal amount plus accrued interest and at decreasing amounts on June 15 of each year. The debentures are subject to sinking fund requirements commencing June 15, 1982, retiring $6,250,000 principal amount annually and, in addition. Occidental may, at its option commencing June 15, 1976, retire up to $6,250,000 principal amount annually, in each case at 100 percent of the principal amount plus accrued interest. The debentures are convertible, prior to maturity or retirement, into common shares of Occidental at $20 per share and approximately 6,250,000 shares have been reserved for such conversion.

Treasury Stock Transactions

AMERICAN BUILDING MAINTENANCE INDUSTRIES (OCT)

Consolidated Statement of Retained Earnings and Additional Capital

	1975	1974
Retained Earnings:		
Balance, beginning of year	$17,844,421	$16,140,498
Net income for the year	3,149,392	2,957,613
Less:		
Cost of common stock reacquired and retired (Note 10)	(847,933)	(535,846)
Dividends paid on common stock—per share, 1975, $0.36; 1974, $0.32	(777,865)	(717,844)
Balance, end of year	$19,368,015	$17,844,421
Additional Capital:		
Balance, beginning of year	$ 7,196,191	$ 6,968,666
Common stock issued under employees' stock option and purchase plans (Note 10)	231,022	387,275
Settlement and rescission of purchases (Note 2)	(431,089)	(195,480)
Stated value of common stock reacquired and retired	49,995	35,730
Balance, end of year (including $666,776 surplus arising from consolidation)	$ 7,046,119	$ 7,196,191

Note 2: Acquisitions—During 1975 and 1974, the company acquired several companies and businesses at respective costs of $127,884 and $726,169. The 1974 amount includes a payment of $174,000 based on earnings of a subsidiary acquired in 1973. All of these acquisitions have been accounted for by the purchase method. The excess of the cost over the net tangible assets and identifiable intangible assets totaling $25,568 in 1975 and $631,423 in 1974, is included in goodwill. The operations of the companies and businesses acquired have been included in the accompanying financial statements since the respective dates of acquisition. The effect of the acquisitions on 1975 and 1974 earnings was not material.

The working capital effect of the acquisitions is summarized as follows:

	1975	1974
Long-term assets acquired:		
Property, plant and equipment, net	$19,880	$146,627
Intangible assets	25,668	637,812
	45,548	784,439
Less long-term debt incurred or assumed	14,940	445,062
Net decrease in working capital.	$30,608	$339,377

In connection with certain companies and businesses acquired in 1975, 1974, and prior years, the company may be required to make additional payments based on the earnings of such companies and businesses. Downward adjustments may also be made. Based on earnings through October 31, 1975, additional payments that may be required to be made would not be material in amount. Generally, additional consideration, if any, will be charged to intangible assets.

During 1975, in connection with the settlement of a 1973 purchase, the company made an additional payment of $122,604, reacquired and canceled 8,372 shares of the original 9,600 shares of its common stock issued on the acquisition and reduced common stock and additional capital for the amounts originally recorded on the canceled shares. In addition, the company was relieved of any contingent requirement to issue an additional 9,500 shares. Of the additional payment made, $47,604 was due to an adjustment based on the market price of the company's stock and was charged against additional capital. The effect of this settlement was to reduce goodwill by $312,205 and common stock and additional capital by $3,720 and $431,089, respectively.

During 1974, the company entered into a rescission agreement with respect to a minor subsidiary purchased in a prior year. In connection therewith, the company reacquired and canceled 10,170 shares of its common stock issued on the acquisition and reduced common stock and additional capital for the amounts originally recorded in the respective amounts of $4,520 and $195,480.

BORG-WARNER CORPORATION (DEC)

Notes to financial statements

Capital in excess of par value—Capital in excess of par value for the years ended December 31 is summarized as follows:

(millions of dollars)	1975	1974
Capital in excess of par value at January 1	$48.9	$52.3
Net excess of cost over proceeds of treasury common shares issued under stock option and employee investment plans (407,119 shares in 1975 and 339,424 shares in 1974)	(3.7)	(3.3)
Issuance of common shares under contingent requirements of a 1970 pooling of interests (—0— shares in 1975 and 14,889 shares in 1974)	—0—	(.1)
Excess of market price over cost on 74 shares awarded to certain employees	—	—0—
Capital in excess of par value at December 31	$45.2	$48.9

TYSON FOODS, INC. (SEP)

Consolidated Statement of Stockholders' Equity

	Common Stock	Class "B" Common Stock	Capital in Excess of Par Value	Retained Earnings	Treasury Stock	Total
Balance—September 30, 1973	$985,313	$205,840	$5,001,887	$14,785,724		$20,978,764
Conversion of 1,000 shares of class "B" common stock into common stock	1,000	(1,000)				
Sales of 2,452 option shares	2,452		15,938			18,390
27,608 common shares purchased and retired	(27,608)		(389,768)			(417,376)
Net loss for the year				(2,701,739)		(2,701,739)
Balance—September 30, 1974	961,157	204,840	4,628,057	12,083,985		17,878,039
Conversion of 14,800 shares of class "B" common stock into common stock	14,800	(14,800)				
Sale of 3,584 option shares	3,584		23,296			26,880
40,952 common shares purchased of which 28,047 shares were retired	(28,047)		(327,597)		($162,321)	(517,965)
Net income for the year				4,553,368		4,553,368
Balance—September 30, 1975	$951,494	$190,040	$4,323,756	$16,637,353	($162,321)	$21,940,322

Payment from Shareholder

USM CORPORATION (FEB)

Statement of Changes in Shareholders' Equity (dollars in thousands)

	Convertible Preference Stock, $2.10 Series		Common Stock		Additional Paid-In Capital	Retained Earnings
	Shares	Amount	Shares	Amount	Amount	Amount
Balance, March 1, 1973	723,084	$36,154	4,147,070	$51,522	$14,716	$122,794
Stock issuances:						
Additional shares issued under acquisition agreement			19,303	241	(241)	
Conversion of preference stock, $2.10 series	(110)	(5)	129	2	3	
Other			2,300	71		
Treasury shares acquired			(20,034)	(400)		
Net earnings						19,680
Cash dividends paid:						
$1.50 per preferred share; $2.10 per convertible preference share; $.65 per common share						(4,522)
Balance, February 28, 1974	722,974	$36,149	4,148,768	$51,436	$14,478	$137,952
Stock issuances:						
Conversion of preference stock, $2.10 series	(194)	(10)	228	2	8	
Other			550	14		
Treasury shares acquired			(6,000)	(104)		
Payment from shareholder					1,043	
Net earnings						25,205
Cash dividends paid:						
$1.50 per preferred share; $2.10 per convertible preference share; $1.00 per common share						(5,963)
Balance, February 28, 1975	722,780	$36,139	4,143,546	$51,348	$15,529	$157,194

Financial Review

Additional Paid-In Capital—Under Section 16(b) of the Securities Exchange Act of 1934, Alleghany Corporation paid to USM the profits realized by Alleghany on its sale of shares of USM's common stock purchased by Alleghany within the six months preceding such sale. The payment ($1,191,000), net of related expenses ($148,000) was credited to Additional Paid-In Capital.

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

	1975	1974	1973	1972
Final statement	440	444	442	443
Between income statement and balance sheet	49	52	51	46
First statement	12	11	13	20
Other	97	92	89	86
Statement separated from other financial statements	2	1	5	5
Total Companies	**600**	**600**	**600**	**600**

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 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

KAISER ALUMINUM & CHEMICAL CORPORATION (DEC)

Statement of Changes in Consolidated Financial Position

	1975	1974
	(thousands of dollars)	
Resources were provided by:		
Operations:		
Net income	$ 94,705	$110,916
Expenses (income) not involving funds:		
Depreciation	54,341	52,938
Deferred income taxes (noncurrent portion)	17,300	18,100
Equity in undistributed earnings of companies not consolidated	(5,609)	(25,686)
Net loss (gain) on disposition of property and investments	(4,943)	2,400
Funds provided by operations	155,794	158,668
Long-term borrowings	75,416	123,332
Proceeds from disposition of property and investments	25,337	10,098
Return of advances	26,940	13,615
Capital stock issued	2,187	50
Other—net	7,325	3,505
Total	$292,999	$309,268
Resources were used for:		
Property, plant, and equipment expenditures	$ 99,993	$111,372
Investments and advances	48,752	14,951
Reduction of long-term obligations	89,096	40,353
Dividends	25,928	19,691
Increase in working capital	29,230	122,901
Total	$292,999	$309,268

TABLE 5-2: FORMAT

	1975	1974	1973	1972
Changes in Working Capital:				
Sources equal uses	69	75	87	101
Increase (decrease) in working capital	415	404	404	390
Ending working capital	85	89	77	80
Changes in Cash:				
Sources equal uses	8	6	9	5
Increase (decrease) in cash or cash and cash equivalent	13	15	13	11
Ending cash or cash and cash equivalent	10	11	10	13
Total Companies	**600**	**600**	**600**	**600**

LONE STAR INDUSTRIES, INC. (DEC)

Consolidated Statement of Changes in Financial Position

	1975	1974
	($000)	
Funds provided by		
Current operations:		
Net income	$19,314	$24,320
Items not requiring working capital:		
Depreciation and depletion	21,681	20,503
Deferred income taxes and other items not requiring working capital	2,790	5,394
Equity in joint ventures and unconsolidated subsidiaries	(5,746)	(4,952)
Funds provided by operations	38,039	43,265
Dispositions of property, plant and equipment	3,780	16,835
Notes payable to banks	(1,000)	30,000
Proceeds of debentures and other notes payable	2,830	3,300
Total funds provided	$43,649	$95,400
Funds used for		
Capital expenditures	$32,432	$46,765
Payments of dividends	11,354	11,361
Reductions of debentures and other notes payable	4,107	12,432
Joint ventures and unconsolidated subsidiaries	(1,439)	8,239
Other, net	1,009	(1,726)
Increase (Decrease) in working capital	(3,814)	18,329
Total funds used	$43,649	$95,400

POTLATCH CORPORATION (DEC)

Statements of Changes in Financial Position

	1975	1974
	($000)	
Source of funds:		
Net earnings	$37,466	$45,288
Current charges (credits) to income not invoving funds:		
Depreciation, amortization, and cost of fee timber harvested	21,487	20,114
Deferred taxes on income, net noncurrent	1,817	2,771
Abandonments of plant and properties	271	1,188
Net gain on disposition of plant and properties	(6,752)	(3,900)
Equity in loss of nonconsolidated subsidiaries	1,773	1,699
Funds provided by operations	56,064	67,162
Proceeds from capital stock issued under options	2,184	—
Stock issued in acquisition of the Wilkata Companies (Note I).	2,547	—
Decrease (increase) in noncurrent receivables)	(575)	3,250
Disposition of plant and properties	15,212	5,087
Proceeds from new long-term debt	10,032	—
Decrease in working capital	9,817	8,895
	$95,283	$84,395
Application of funds:		
Cash dividends paid	$10,581	$ 9,126
Additions to lands other than timberlands, buildings, and equipment	69,219	49,081
Additions to timber, timberlands, and related logging facilities	7,002	10,727
Reduction of long-term debt	7,913	7,094
Increase in investments	67	6,908
Other	499	1,456
	$95,283	$84,395

PPG INDUSTRIES, INC. (DEC)

Statement of Consolidated Source and Use of Funds

	1975	1974
	(Millions)	
Source of funds:		
Net earnings	$ 89.0	$ 92.4
Charges to earnings not requiring funds:		
Depreciation	76.8	69.0
Amortization of intangible assets	1.3	1.4
Future income taxes and investment credit	19.4	—
Increase in accumulated provisions	4.4	11.6
Share of net losses of equity affiliates	9.1	7.1
Funds provided from operations	200.0	181.5
Issuance of long-term debt	131.0	88.3
Decrease in property and investments	6.8	2.8
Total	$337.8	$272.6
Use of Funds:		
Expenditures for property and investments	$171.2	$198.8
Cash dividends paid	35.9	35.3
Reduction in long-term debt	14.0	31.3
Other—net	(.3)	7.9
Increase (decrease) in working capital	117.0	(.7)
Total	$337.8	$272.6

SIGNODE CORPORATION (DEC)

Consolidated Statements of Changes in Financial Position

	1975	1974
	(Thousands of Dollars)	
Financial Resources Provided		
Net earnings	$ 17,099	$ 23,939
Items not affecting working capital—		
Depreciation—		
Plant and equipment	8,807	7,451
Strapping machines and tools	6,470	7,535
Deferred income taxes and investment credits	41	3,298
Funds provided by operations	$ 32,417	$ 42,223
Increase in long-term debt	3,439	1,571
Plant and equipment and strapping machines and tools retired	1,345	1,981
Decrease in funds on deposit for construction	1,607	959
Reclassification of domestic strapping machines and tools now intended for sale	—	18,013
	$ 38,808	$ 64,747
Financial resources used		
Additions to plant and equipment	$ 12,011	$ 17,973
Additions to strapping machines and tools	7,339	11,658
Dividends paid	7,244	6,745
Decrease in long-term debt	3,121	4,959
Decrease in customers' deposits on strapping machines and tools	770	—
Other, net	911	1,494
Increase in working capital (a)	7,412	21,918
	$ 38,808	$ 64,747
Increase in working capital		
(a) Increase in working capital consists of:		
Increase (decrease) in current assets—		
Cash, securities and time deposits	$ 6,567	$(11,198)
Receivables, net	(5,088)	4,299
Inventories	(9,453)	43,736
Expenses applicable to future operations	(121)	411
	$ (8,095)	$ 37,248
(Increase) decrease in current liabilities—		
Bank loans and current portion of debt	$ 8,592	$ (8,837)
Accounts payable	(102)	238
Accrued expenses	2,864	(3,772)
Accrued income taxes	4,153	(2,959)
	$ 15,507	$(15,330)
Net increase in working capital	$ 7,412	$ 21,918

Increase (Decrease) in Working Capital or Cash

ASHLAND OIL, INC. (SEP)

Statement of Changes in Consolidated Financial Position

	1975	1974
	(Thousands of dollars)	
Working capital was provided from:		
Operations:		
Net income	$119,367	$110,093
Add expenses not requiring outlay of working capital in the current year:		
Depreciation, depletion and amortization	91,770	81,054
Write-off or amortization of exploration costs and undeveloped leases—Note A	6,512	2,815
Deferred income taxes	35,880	21,593
	253,529	215,555
Less equity income (net of dividends)—Note C	13,166	11,551
Working capital provided from operations	240,363	204,004
Additional long-term borrowing	79,295	46,639
Increase in minority interest	840	2,551
Proceeds from sale of preferred stock	—	50,000
Other changes in common and preferred shares	3,270	—
Net book value of property disposals	27,806	22,188
Total working capital provided	351,574	325,382
Working capital was used for:		
Cash dividends	45,566	40,877
Property, plant and equipment	278,667	185,410
Payments on long-term debt	31,598	32,425
Other long-term liabilities and reserves	14,364	(9,179)
Investments and other—net	7,253	9,400
Total working capital used	377,448	258,933
Increase (decrease) in working capital	$(25,874)	$ 66,449

OSCAR MAYER & CO. INC. (OCT)

Consolidated Statement of Changes in Financial Position

	1975	1974
	($000)	
Resources were provided by:		
Net income	$ 26,951	$29,791
Add (deduct) items not affecting working capital:		
Depreciation	12,332	11,020
Deferred investment credit and income taxes	2,748	2,651
Equity in income of affiliated companies	(596)	(676)
Other	316	372
Working capital provided by operations	41,751	43,158
Dividends from affiliated companies	400	754
Sales of properties	636	565
Stock options exercised	457	721
	43,244	45,198
Resources were used for:		
Additions to properties	37,375	22,123
Dividends to stockholders	8,946	7,308
Reduction in long term debt	2,040	1,040
Advances to affiliate	1,334	—
	49,695	30,471
Increase (decrease) in working capital	$ (6,451)	$14,727

SPERRY RAND CORPORATION (MAR)

Consolidated Statements of Changes in Financial Position

	1975	1974
	($000)	
Source of working capital		
Net income	$131,420	$116,409
Add income charges not affecting working capital		
Depreciation, amortization and obsolescence:		
Rental machines	108,542	106,437
Other property, plant and equipment	40,302	37,363
	148,844	143,800
Increase (decrease) in deferred income taxes	15,800	34,500
	164,644	178,300
Deduct income credits not affecting working capital		
Net income of Sperry Rand Financial Corporation	12,625	13,327
Equity adjustment applicable to other companies, less dividends received: 1975, $1,086; 1974 $968	2,913	6,213
	15,538	19,540
Working capital provided from operations	280,526	275,169
Proceeds for issuance of common stock	624	3,754
Increases in long-term liabilities	134,179	36,557
Total	415,329	315,480
Application of working capital		
Expenditures for property, plant and equipment:		
Rental machines, net of sales and retirements: 1975, $48,303; 1974, $34,321	109,128	78,392
Other property, plant and equipment, net of sales and retirements: 1975, $1,631; 1974, $6,800.	78,569	52,740
	187,697	131,132
Increase in long-term receivables	109,971	60,165
Cash dividends declared on common stock	26,208	22,725
Decreases in long-term liabilities	13,783	19,500
Additional investments in companies accounted for by the equity method	1,165	121
Increase (decrease) in other assets	10,173	9,878
Total	348,997	243,521
Increase (decrease) in working capital	$ 66,332	$ 71,959

SQUIBB CORPORATION (DEC)

Statement of Changes in Consolidated Financial Position

	1975	1974
	(Amounts in thousands)	
Source of funds:		
Net income	$ 98,170	$ 88,936
Add—expenses not requiring working capital:		
Depreciation and amortization of fixed assets	22,198	20,748
Amortization of intangible assets	1,005	1,777
Deferred taxes on income	4,999	3,601
Working capital provided from operations	126,372	115,062
Issuance of 8% notes due 1985	100,000	—
Increase in other long-term debt	37,660	25,926
Disposal of property, plant and equipment	5,111	3,759
Proceeds from issuance of shares under stock option and compensation plans	1,543	2,598
Company acquired on a pooling of interests basis	—	77
	270,686	147,422
Use of Funds:		
Dividends	38,153	37,099
Additions to property, plant and equipment	62,095	57,644
Increase (decrease) in investments and long-term receivables	39,020	(21,272)
Increase in other assets	19	1,238
Retirement of long-term debt	90,000	—
Decrease in other long-term liabilities	7	2,830
Treasury stock (net)	10	434
	229,304	77,973
Increase in working capital	$ 41,382	$ 69,449

End of Year Working Capital or Cash

GAF CORPORATION (DEC)

Consolidated Statement of Changes in Financial Position

	1975	1974
	($000)	
Funds provided		
From operations:		
Net income	$30,946	$ 28,517
Change (credits) not affecting working capital:		
Depreciation	25,026	24,212
Deferred income taxes	3,347	1,351
Gain on reacquisition of 5% convertible notes	—	(5,523)
Office relocation expenses (noncurrent portion)	369	1,858
Translation losses (noncurrent portion)	640	4,255
Other	459	92
Funds provided from operations	60,787	54,762
Issuance of long-term debt	1,072	65,980
Property, plant and equipment dispositions	803	4,643
Other	(1,450)	587
Total	61,212	125,972
Funds applied		
Additions to property, plant and equipment	37,995	39,288
Cash dividends	10,508	9,923
Reacquisition of $18,500,000 principal amount of 5% convertible notes less related gain of $5,523,000	—	12,977
Other reductions in long-term debt	42,505	6,278
Investment in joint venture company	6,549	
Acquisition of common stock for treasury	120	3,718
Acquisition of preferred stock for treasury	—	932
Total	97,677	73,116
Increase (decrease) in working capital	(36,465)	52,856
Working Capital, January 1	304,293	251,437
Working Capital, December 31	$267,828	$304,293

AMERICAN BAKERIES COMPANY (DEC)

Consolidated Statements of Changes in Financial Position

	1975	1974	1973	1972	1971
			(In Thousands)		
Sources of working capital:					
Net earnings (loss) before extraordinary items	$ 5,739	$ (1,698)	$ (2,019)	$ 173	$ (271)
Add (Deduct) items not affecting working capital—					
Depreciation and amortization (Notes 1, 11 and 14)	7,312	7,280	7,114	6,745	7,026
Deferred income taxes (Notes 1 and 2)	(763)	(1,500)	(1,135)	373	13
Provisions for closed plants and idle equipment	789	1,315	372	—	—
Working capital provided from operations, exclusive of extraordinary items	$13,077	$ 5,397	$ 4,332	$ 7,291	$ 6,768
Property dispositions, including in 1972 extraordinary gain on sale of four plants	976	1,431	2,023	7,107	256
Proceeds from stock options exercised	376	—	—	—	162
Additions to long-term liabilities (Notes 1 and 4)	6,488	4,502	2,200	10,099	1,500
	$20,917	$ 11,330	$ 8,555	$24,497	$ 8,686
Applications of working capital:					
Goodwill resulting from acquisition	$ —	$ —	$ —	$ 343	$ 664
Reduction of long-term debt	5,435	4,474	1,411	3,451	1,857
Additions to plant and equipment	11,778	8,945	6,461	9,251	5,686
Dividends declared	1,211	883	934	999	1,112
Purchase of stock, since retired (Note 7)—					
Cumulative prior preferred, $1.80 series	91	79	103	65	85
5% cumulative convertible preferred	150	342	451	1,686	285
Purchase of common stock for the treasury (Notes 5 and 7)	—	1,176	642	303	—
Redemption of cumulative prior preferred, $1.80 convertible series	125	125	—	—	—
Charges incurred relating to closed plants	489	1,010	1,164	2,212	707
Settlement of antitrust litigation (Notes 1 and 5)	—	—	—	400	50
Other items, net	(106)	1,039	891	78	(57)
	$19,173	$ 18,073	$ 12,057	$18,788	$ 10,389
Increase (Decrease) in working capital	$ 1,744	$ (6,743)	$ (3,502)	$ 5,709	$ (1,703)
Working capital:					
Beginning of year	10,496	17,239	20,741	15,032	16,735
End of year	$12,240	$ 10,496	$ 17,239	$20,741	$ 15,032

ARMCO STEEL CORPORATION (DEC)

Statement of Changes in Condolidated Financial Position

	1975	1974
	($000)	
Source of funds		
Operations		
Net income for the year	$116,661	$203,609
Add (deduct) expense (income) not requiring cash in the period		
Depreciation	91,945	85,992
Lease right amortization ...	15,477	15,968
Deferred income taxes.....	14,395	25,883
Equity in undistributed net income of unconsolidated subsidiaries ...	(4,969)	(10,401)
Equity in undistributed net income of associated companies	(6,646)	(2,096)
Other—net	433	(877)
Total from operations ...	227,296	318,078
Proceeds from issuance of long-term debt....................	150,782	960
Increase in amount due to unconsolidated subsidiaries........	19,398	9,233
Decrease (increase) in accounts and notes receivable	11,171	(84,021)
Exercise of stock options	2,292	34
Total	410,939	244,284
Use of funds		
Capital expenditures.............	247,060	104,428
Decrease (increase) in accounts payable and accruals........	81,553	(130,047)
Payments on long-term debt.....	67,048	21,554
Cash dividends...................	54,128	65,924
Increase in inventories	42,211	108,156
Increase (decrease) in cost of investments	28,051	(882)
Decrease (increase) in current notes payable	15,481	(2,193)
Payments on long-term lease obligations...................	7,412	7,410
Net unrealized losses on marketable equity securities of unconsolidated subsidiaries....	4,284	—
Decrease (increase) in other liabilities.....................	2,140	(4,680)
Purchase of common and preferred stock	—	9,612
Increase (decrease) in prepaid expenses and deferred charges	153	(1,070)
Other—net	12,845	(12,295)
Total	562,366	165,917
Increase (decrease) in Cash and Marketable Securities for year.	(151,427)	78,367
Cash and Marketable Securities		
Beginning of year................	195,148	116,781
End of year........................	$ 43,721	$195,148

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

TABLE 5-3: WORKING CAPITAL OR CASH PROVIDED FROM OPERATIONS-COMPONENTS

	1975	1974	1973	1972
Net income or loss	455	530	467	395
Income or loss from continuing operations	90	N/C	N/C	N/C
Income or loss before extraordinary items	55	70	133	205
Depreciation and/or amortization and/or depletion..	599	599	599	599
Deferred taxes and/or deferred investment credit....	473	467	456	439
Equity in earnings or losses of investees	186	181	170	158
Minority interest............	72	68	65	62

N/C—Not Compiled.

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.

Calculation Includes Net Income

BUCKBEE-MEARS COMPANY (DEC)

Consolidated Statement of Changes in Financial Position

	1975	1974
	($000)	
Source of funds:		
Net earnings	$ 342	$ 2,944
Items not affecting working capital:		
Depreciation	3,794	3,079
Loss on disposal of property	127	23
Amortization of intangibles	113	74
Deferred taxes on income	(305)	37
Deferred credits	(47)	(159)
Bad debt expense, non-current receivable	50	—
Other	2	12
Total from operations	4,078	6,013
Current proceeds from sale of property	987	8
Long-term borrowing	1,500	9,799
Refund of deposits	—	379
Miscellaneous	7	14
Total source of funds	6,573	16,214
Application of funds:		
Additions to property, plant and equipment	4,242	14,477
Current maturities on long-term debt	1,255	952
Cash dividends	306	1,226
Note receivable, non-current	825	—
Increase in patents	100	—
Deferred compensation paid	21	138
Other	53	4
Total application of funds	6,804	16,800
Net (decrease) in working capital	$ (231)	$ (585)

BEMIS COMPANY, INC. (DEC)

Consolidated Statement of Changes in Financial Position

	1975	1974
	($000)	
Financial resources were provided by:		
Operations:		
Net income	$ 8,646	$19,325
Add (deduct) items not requiring the use of working capital:		
Depreciation and amortization	13,223	13,369
Minority interest in net income	(911)	13
Write-off of patents and goodwill	603	694
Deferred income taxes	1,422	2,421
Equity in undistributed earnings of affiliated companies	423	(1,483)
Working capital provided by operations	23,406	34,339
Additional long-term borrowings	18,628	34,338
Issuance of series 1974 preferred stock		10,000
Proceeds from sale of property and equipment	2,254	1,793
Decrease in deferred charges and special deposits	666	293
Total resources provided	44,954	80,763
Financial resources were applied to:		
Additions to property and equipment	17,420	16,828
Acquisition of minority interest in subsidiary company	1,618	
Excess of cost over minority interest acquired in subsidiary	168	
Reduction in long-term borrowings	25,493	26,796
Purchase of debentures	1,992	1,723
Cash dividends declared	6,119	5,180
Increase in long-term receivables	268	581
Sundry—net	676	(347)
Total resources used	53,754	50,761
(Decrease) increase in working capital	$ (8,800)	$30,002

CONTINENTAL OIL COMPANY (DEC)

Statement of Changes in Consolidated Financial Position

	1975	1974
	($000)	
Funds available:		
Net income	$ 330,854	$307,238
Charges to income not involving funds:		
Depreciation, depletion, and amortization	285,549	231,689
Dry hole costs	74,724	52,620
Deferred income taxes—noncurrent	82,006	20,105
Translation (gain) loss on long-term debt payable in foreign currency	(12,041)	20,460
Other (including minority interest in income)	(35,596)	5,543
Funds derived from operations	725,496	637,655
Sales of fixed assets	126,159	82,433
Addition to long-term debt	105,776	230,436
Other sources (net)	—	36,696
Total funds available	957,431	987,220
Funds applied:		
Capital expenditures	797,201	674,336
Investments and advances	3,548	3,181
Reduction of long-term debt	82,103	58,609
Dividends paid:		
Common stockholders	101,581	85,845
Preferred stockholders and minority interests	12,779	10,509
Other applications (net)	10,534	—
Total funds applied	1,007,746	832,480
Increase (decrease) in working capital	$ (50,315)	$154,740

THE GENERAL TIRE & RUBBER COMPANY (NOV)

Statements of Consolidated Changes in Financial Position

	1975	1974
	($000)	
Financial resources were provided by:		
Net income	$ 62,368	$ 78,113
Add (deduct) items not affecting working capital—		
Depreciation and amortization	49,219	43,256
Non-current pension expense.	2,504	15,215
Deferred income taxes	14,175	5,088
Equity in undistributed earnings of RKO General, Inc. and foreign companies	(12,467)	(14,101)
Loss on sale of Spanish subsidiaries	7,500	—
Provided from operations	123,299	127,571
Proceeds from additional long-term debt	39,789	93,339
Proceeds from sales of property, plant and equipment less gains included in net income	7,548	11,137
Working capital provided by the A. M. Byers Co. consolidation	—	15,434
Other	4,213	17,399
	174,849	264,880
Financial resources were used for:		
Expenditures for property, plant and equipment	65,436	107,800
Reduction of long-term debt	26,604	48,881
Cash dividends	24,097	23,665
Increase in investments, advances and other assets	21,802	24,161
Other	1,156	1,195
	139,095	205,702
Increase in working capital	$ 35,754	$ 59,178

THE B. F. GOODRICH COMPANY (DEC)

Statement of Changes in Financial Position

	1975	1974	1973	1972	1971
			(Dollars in thousands)		
Source of working capital					
From operations:					
Income before extraordinary loss and cumulative effect of accounting change	$ 25,555	$ 55,782	$ 59,526	$ 47,781	$ 30,718
Items not affecting working capital:					
Depreciation & amortization	74,084	64,145	64,833	62,924	58,463
Net charges (credits) relating to discontinued operations	—	(6,640)	9,829	—	—
Deferred income taxes and other—net	8,280	16,574	(211)	12,859	8,607
Working capital provided from operations exclusive of extraordinary loss and cumulative effect of accounting change	107,919	129,861	133,977	123,564	97,788
Extraordinary loss - net of items not affecting working capital	—	—	—	—	(844)
Cumulative effect of change in accounting for inventories - net of items not affecting working capital	—	(7,037)	—	—	—
Working capital provided from operations	107,919	122,824	133,977	123,564	96,944
Net proceeds from issuance of preferred stock	—	—	—	24,426	—
Proceeds from Industrial Revenue and Pollution Control Bonds	7,450	2,760	1,975	—	900
Issuance of 7% Subordinated Debentures (less original issue discount of $9,146)	—	—	—	65,854	—
Warrants issued in connection therewith	—	—	—	9,146	—
Issuance of 9¾% Notes (less original issue discount of $500)	—	99,500	—	—	—
Other additional long-term borrowings	3,334	33,932	27,701	28,167	1,240
Common Stock held in treasury reissued	—	—	—	841	1,893
Retirement or sale of property not associated with the redeployment program	7,255	2,029	4,700	4,481	3,004
Disposal of property associated with the redeployment program	87	9,721	—	—	—
Net current assets arising from consolidation of subsidiaries previously accounted for by the equity method	—	—	—	9,935	—
Total source of working capital	$126,045	$270,766	$168,353	$266,414	$103,981
Use of working capital					
Additions to property	$ 97,669	$145,644	$105,569	$ 77,730	$ 61,368
Reduction of long-term debt	38,312	34,521	32,470	17,202	72,047
Cash dividends paid	17,982	17,982	16,753	15,229	14,490
Additional investments	5,576	15,985	627	2,990	1,167
Funds held in trust for construction	4,784	—	—	—	—
Common Stock purchased for treasury	—	—	4,758	—	2,811
Decrease in net current assets related to reduction in ownership of a foreign subsidiary now accounted for by the equity method	4,733	—	—	—	—
Acquisition of foreign subsidiary consummated in 1971, less net current assets acquired of $9,799	—	—	—	—	3,153
Other items—net	215	33	4,598	(1,371)	3,363
Total use of working capital	169,271	214,165	164,775	111,780	158,399
Increase (decrease) in working capital	$(43,226)	$ 56,601	$ 3,578	$154,634	$(58,418)

MOUNT VERNON MILLS, INC. (DEC)

Statement of Consolidated Changes in Financial Position

	1975	1974
	($000)	
Working capital provided from:		
Operations:		
Income before cumulative effect of on accounting change	$ 1,044	$3,113
Charges not requiring current outlay of working capital:		
Depreciation	2,755	2,826
Deferred income taxes—non-current	177	190
Total from operations before cumulative effect of an accounting change	3,977	6,130
Cumulative effect of an accounting change	128	
Total from operations	4,106	6,130
Disposition of property, plant, and equipment:		
Closed plant (Note 3)	(459)	1,121
Other	130	243
Total	3,776	7,396
Working capital applied to:		
Plant additions and replacements	5,072	1,952
Other assets	312	
Reduction of long-term debt	215	203
Cash dividends	1,041	1,073
Purchase of treasury stock	170	300
Total	6,812	3,529
Increase (decrease) in working capital	$(3,035)	$3,966

A. C. NIELSEN COMPANY (AUG)

Consolidated Statement of Changes in Financial Position

	1975	1974
	(Thousands of dollars)	
Sources of working capital:		
Net income	$13,205	$10,970
Add (deduct), items not affecting working capital:		
Depreciation of property and equipment	4,460	3,975
Amortization of intangible assets	587	235
Increase in accrued profit sharing payable after one year	2,372	387
Increase in accrued severance and pension obligations payable after one year	1,209	291
Income taxes allocable to future years	(121)	(402)
Other	408	(16)
Working capital provided by operations	22,120	15,440
Sale of property and equipment	738	1,018
Proceeds from life insurance policy loans	515	
Other, net	502	254
	23,875	16,712
Uses of working capital:		
Additions to property and equipment	6,536	8,544
Purchase of subscription lists and data files	4,263	293
Cash dividends paid	3,711	3,287
Excess of cost over net assets of acquired companies	333	44
	14,843	12,168
Increase in working capital	$ 9,032	$ 4,544

PENNWALT CORPORATION (DEC)

Statement of Consolidated Changes in Financial Position

	1975	1974
	(Thousands of Dollars)	
Working capital provided		
Earnings before cumulative effect of a change in accounting principle	$ 31,633	$26,983
Items in earnings not affecting working capital—		
Depreciation, depletion and amortization	21,054	17,732
Deferral of income taxes	6,231	3,666
Equity in net earnings of nonconsolidated companies	(2,543)	(2,733)
Working capital provided from operations exclusive of cumulative effect of a change in accounting principle	56,375	45,648
Working capital provided by cumulative effect of a change in accounting principle	2,555	—
Total working capital provided from operations	58,930	45,648
Acquisition of remaining interest in Ozark-Mahoning	—	7,138
Issuance of 9% Notes	50,000	—
Stock purchase and option plans	1,293	636
Net book value of property, plant and equipment sold or retired	1,360	1,201
Decrease in intangible assets and deferred charges	32	934
Total working capital provided	111,615	55,557
Working capital applied		
Dividends	15,036	13,967
Additions to property, plant and equipment	29,884	41,948
Reduction of long-term debt	4,748	2,182
Acquisition of preference and common stock	—	3,413
Increase (decrease) in investments and other receivables	1,829	(488)
Decrease in deferred Federal income tax	—	1,845
Total working capital applied	51,497	62,867
Increase (Decrease) in working capital	$ 60,118	$ (7,310)

THE SPERRY AND HUTCHINSON COMPANY (DEC)

Consolidated Statement of Changes in Financial Position

	1975	1974
	($000)	
Sources of Working Capital		
Earnings before extraordinary items	$14,019	$13,895
Items entering into determination of earnings not affecting working capital:		
Depreciation and amortization	12,346	12,183
Earnings of unconsolidated subsidiaries, less dividends of $1,907 and $1,589	(1,333)	(2,074)
Decrease in non current liability for stamp redemptions	(2,859)	(9,169)
Provision for non current future Federal tax benefits	1,486	2,222
Working capital provided from operations before extraordinary items	23,659	17,057
Working capital used for extraordinary items	(3,869)	
Working capital provided from operations	19,790	17,057
Reduction of investments in non current marketable securities	2,911	9,939
Disposals of property, improvements and equipment	1,132	1,011
Decrease (increase) in intangible and other assets	806	(789)
Increase in long-term debt and other long-term obligations	37	6,446
	24,676	33,664
Uses of Working Capital		
Dividends declared	10,720	10,753
Increases in property, improvements and equipment	5,571	20,057
Purchases of treasury stock		2,051
Investments in unconsolidated subsidiaries	38	2,166
Reduction in long-term debt and other long-term obligations	4,071	2,859
Increase (decrease) in long-term notes receivable	1,774	(2,848)
Other	10	11
	22,184	35,049
Increase (decrease) in working capital	$ 2,492	($ 1,385)

Calculation Includes Net Loss

LYNCH CORPORATION (DEC)

Consolidated Statement of Changes in Financial Position

	1975	1974
Funds were provided by (used for):		
Operations:		
Income (loss) before extraordinary credit	$ (910)	$ 502
Items not involving working capital:		
Depreciation	282	283
Other	56	18
Funds provided by (used for) operations exclusive of extraordinary credit	(571)	804
Extraordinary credit	—	471
Funds provided by (used for) operations	(571)	1,275
Proceeds from property disposals	139	—
Current installments of long-term debt	(2,300)	(500)
Additions to property, plant and equipment	(189)	(168)
Other	2	
Increase (decrease) in working capital	(2,919)	607
Working capital—Beginning of year	4,971	4,364
Working capital—End of year	$2,052	$4,971

SPENCER COMPANIES, INC. (MAY)

Consolidated Statement of Changes in Financial Position

	1975	1974
	($000)	
Funds provided:		
Operations:		
(Loss) before extraordinary credit	($ 959)	($1,334)
Add (deduct) items not requiring outlays of working capital:		
Depreciation and amortization	466	479
Charge offs:		
Excess of cost over net assets of businesses acquired	792	—
Property and equipment	325	—
Machinery held for sale	179	—
Rent deposits	121	—
Non-current receivables	114	—
Investment in Andrea Shoe Corporation	144	—
Loss on sale of investment	—	432
Gain on disposal of Andrea Shoe Corporation	(1,243)	—
Deferred income tax benefit, non-current portion	(196)	—
Equity in loss of affiliated company	345	2,124
Other, net	41	—
Funds provided from operations	131	1,702
Extraordinary credit	—	693
Collections of non-current receivables	265	459
Proceeds from:		
Sale of property and equipment	84	—
Investment sold	—	135
Life insurance	—	100
Total funds provided	481	3,090
Funds applied:		
Expenditures for property and equipment	455	388
Reduction of long-term debt	664	452
Purchase of treasury stock	64	—
Decrease in deferred installment gain	30	29
Advances to Andrea Shoe Corporation	200	614
Reclassification from current to non-current receivable	—	462
Other, net	42	361
Total funds applied	1,457	2,308
Increase (decrease) in working capital	($ 976)	$ 782

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).

Table 5-4 summarizes sources and uses disclosed in the statements of the survey companies. Examples of sources and uses follow.

TABLE 5-4: SOURCES AND USES

	Number of Presentations			
	1975	1974	1973	1972
Sources				
Sale, disposal, or retirement of property	428	405	509	392
Issuance of capital stock	274	296	339	396
Issuance of long-term debt	483	497	218	221
Investments	108	112	85	86
Other noncurrent liabilities	76	85	83	119
Noncurrent receivables	53	56	45	43
Uses				
Property	615	626	567	559
Long-term Debt	553	566	562	594
Dividends	530	539	524	518
Purchase, redemption, or retirement of capital stock	243	258	288	211
Investments	207	219	187	145
Other noncurrent liabilities	69	76	60	91
Intangibles	46	49	46	48
Noncurrent receivables	34	34	32	33

Property

ELI LILLY AND COMPANY (DEC)

Consolidated Statements of Changes in Financial Position

	1975	1974
	($000)	
Sources of Working Capital		
From operations:		
Net income	$181,273	$178,807
Charges to income not involving working capital:		
Depreciation	30,600	27,694
Amortization of intangible assets	384	385
Deferred taxes	7,475	4,675
Working capital provided from operations	219,732	211,561
Proceeds from sales of common stock under option plans	4,089	6,089
Decrease in other assets	177	—
Disposals of property and equipment	4,786	2,761
Additions to long-term debt	6,200	4,690
Sundry credits to additional paid-in capital	134	363
	235,118	225,464
Use of working capital		
Cash dividends	76,012	66,957
Additions to property and equipment	107,646	82,126
Increase in other assets	—	10,214
Reductions of long-term debt	313	5,577
	183,971	164,874
Increase in working capital	$ 51,147	$ 60,590

GATX CORPORATION (DEC)

Statement of Consolidated Changes in Financial Position

	1975 ($000)	1974
Funds provided		
From operations:		
Net income	$ 44,739	$ 56,745
Add (deduct) income-statement items not requiring or providing funds:		
Provision for depreciation	41,585	36,448
Deferred income taxes	15,641	12,031
Amortization of investment tax credits	(133)	(123)
Equity in undistributed net income of unconsolidated subsidiaries	(1,448)	(9,100)
Other	474	(150)
Total from operations	100,858	95,851
Disposals of property, plant and equipment, including rolling stock	8,097	10,442
Proceeds from issuance of 5¾% Convertible Subordinated Debentures	—	50,000
Proceeds of notes and bonds payable	11,046	5,793
Stock options exercised	—	1,062
Deferred income taxes transferred from GATX Leasing (unconsolidated subsidiary)—Note G	25,000	—
Sundry (net funds applied)	144	(3,640)
Total funds provided	145,145	159,508
Funds applied		
Additions to rolling stock less related financing—Note:		
Cost of new cars and improvements	69,993	78,396
Net decrease in reimbursable cost of new rolling stock	660	21,931
Principal amount of equipment trust certificates sold (deduction)	(60,000)	(90,000)
Nonreimbursable cost of additions to rolling stock	10,653	10,327
Additions to property, plant and equipment, other than rolling stock	67,364	50,510
Additions to capital construction fund, less withdrawals (1975—$20,222; 1974—$7,459)	(1,716)	7,818
Investments in and advances to unconsolidated subsidiaries and other companies	30,336	15,372
Reduction of long-term debt, including purchases of equipment trust certificates for treasury	35,217	35,054
Purchases of Preferred and Common Stock for treasury	690	1,106
Cash dividends	22,890	22,934
Total funds applied	165,434	143,121
Change in funds for the year (decrease)	($ 20,289)	$ 16,387

Note—Equipment trust certificates are sold periodically to reimburse the treasury for approximately 90% of the cost of new cars added to the fleet of rolling stock. Accordingly, the reimbursable cost of new cars not yet so financed represents an additional pool of funds which has been added to working capital, in the conventional sense, in this statement. The total cost of such cars is included in the balance sheet amount for rolling stock.

Investments

PULLMAN INCORPORATED (DEC)

Consolidated Statement of Changes in Financial Position

	1975 ($000)	1974
Working capital was provided by:		
Operations—		
Net income	$ 39,350	$ 41,332
Add (deduct) items included in net income which do not affect working capital:		
Depreciation	13,055	12,382
Equity in undistributed earnings of related companies	(11,100)	(9,181)
Other	896	(2,423)
Provided by operations	42,201	42,110
Issuance of long-term debt	2,548	28,958
Sale of property	2,570	9,754
Proceeds from shares issued on the exercise of stock options	61	663
Capitalization of lease obligations to leasing subsidiary	—	7,514
Miscellaneous—net	909	2,948
	48,289	91,947
Working capital was used for:		
Additions to plant and equipment	31,699	29,204
Reduction of long-term debt	43,947	2,599
Cash dividends	12,720	11,254
Increase in investment in leasing and financing subsidiaries	4,000	—
Increase (reduction) in other investments and long-term receivables	5,464	(2,166)
	97,830	40,891
(Decrease) increase in working capital	(49,541)	51,056
Working capital at beginning of year	210,299	159,243
Working capital at end of year	$160,758	$210,299

Debt

ALPHA PORTLAND INDUSTRIES, INC. (DEC)

Statement of Changes in Consolidated Financial Position

	1975	1974
	($000)	
Working capital provided:		
Net income (loss)	$(1,982)	$ 4,332
Charges not affecting working capital in the current period:		
Depreciation	5,018	4,543
Deferred income taxes and investment tax credit	750	150
Other	87	59
Working capital provided from operations	3,873	9,084
Additions to long-term debt	3,610	
Refinancing of 7.4% notes payable	1,700	
Sales of property	350	228
Total	9,533	9,312
Working capital applied:		
Additions to property	9,363	7,951
Reductions of long-term debt	2,825	4,561
Dividends to stockholders	663	1,342
Purchase of treasury shares		513
Other	409	164
Total	13,260	14,531
Decrease in working capital	$(3,727)	$(5,219)

THE CLEVELAND-CLIFFS IRON COMPANY (DEC)

Statement of Changes in Consolidated Financial Position

	1975	1974
	($000)	
Source of funds		
From operation:		
Net income	$ 30,997	$ 25,796
Charges (credits) to operations not requiring (providing) working capital:		
Depreciation, depletion and amortization, including $3,347,000 (1974—$1,943,000) of certain associates	6,864	5,363
Deferred income taxes	4,616	5,478
Deferred investment tax credit, net of amortization	3,460	3,814
Equity in net income of associates in excess of distributions and other items	(4,495)	(1,240)
Total from operations	41,442	39,211
Proceeds from long-term debt	3,360	—0—
Proceeds received upon exercise of stock options	33	1,733
Increase in other long-term liabilities	—0—	665
Carrying value of listed securities sold—Note 1	—0—	712
Other, including property retirements	1,635	3,759
	46,470	47,080
Application of funds		
Capital expenditures	8,525	10,927
Capital advances to and additional investments in associates	16,779	14,870
Loans to associates in connection with the development of the Tilden Mine	9,100	17,900
Retirement on long-term debt	1,000	1,000
Cash dividends	9,446	8,223
Retirement of Preferred Shares	8,123	1,433
Decrease in other long-term liabilities	609	—0—
Other	676	593
	54,258	54,946
(Decrease) in working capital	$ (7,788)	$ (8,866)

THE MOHAWK RUBBER COMPANY (DEC)

Consolidated Statement of Changes in Financial Position

	1975	1974
	($000)	
Source of funds:		
From operations:		
Net earnings	$ 4,418	$1,376
Expenses not requiring outlay of working capital:		
Depreciation	3,115	3,010
Deferred taxes on income and other	120	789
Total from operations	$ 7,654	$5,177
Proceeds from exercise of stock options	44	3
Issuance of Common Stock upon conversion of Preferred Stock		1
Proceeds from long-term debt		1,000
Net book value of property, plant, and equipment disposals	141	279
	$ 7,840	$6,461
Application of funds:		
Addition to property, plant, and equipment	$ 4,061	$4,086
Reduction of long-term debt:		
Purchase of debentures	68	88
Payments	2,000	
Transferred to current liabilities	1,038	942
Cash dividends paid	1,157	1,154
Preferred Stock converted to Common Stock		1
Increase in other assets	258	85
	$ 8,583	$6,358
Increase (decrease) in working capital	$ (742)	$ 103

ST. REGIS PAPER COMPANY (DEC)

Statement of Changes in Consolidated Financial Position

	1975	1974
	($000)	
Source of funds:		
Operations:		
Net earnings	$ 95,913	$ 99,259
Charges (credits) not requiring current outlays of working capital:		
Depreciation, depletion, and amortization	53,586	48,804
Equity in undistributed earnings of non-consolidated affiliates	(16,585)	(15,728)
Management incentive compensation	1,688	4,825
Deferred income taxes	11,000	2,000
Other non-cash expenses	4,226	15,454
Funds provided from operations	149,828	155,614
Issuance of long-term debt:		
Foreign	5,712	20,624
10% promissory notes	30,000	
Industrial revenue bonds		20,500
Other	1,090	5,385
Total	36,802	46,509
Issuance of common stock	23,326	2,249
Other:		
Property, plant and equipment retirements	2,995	4,585
Proceeds from sales of investments, exclusive of gain	25,575	
Other, net	(7,309)	(72)
Total	21,261	4,513
Total source of funds	$231,217	$208,885
Application of funds:		
Property, plant, equipment, and timberland additions:		
Capital additions, excluding timberlands	$114,966	$ 93,957
Timberlands and cutting rights	2,475	7,678
Total	117,441	101,635
Decrease in unexpended construction funds	(16,971)	(9,364)
Reduction of long-term debt	55,959	22,830
Conversion of long-term debt	21,541	281
Cash dividends	32,056	27,711
Purchase of common shares		50
Additions to investments	940	19,950
Increase in advance payments under timber-purchase contracts	5,894	2,919
Increase in working capital (see below)	14,357	42,873
Total application of funds	$231,217	$208,885

TRW INC. (DEC)

Statement of Changes in Consolidated Financial Position

	1975	1974
	(Dollar amounts in thousands)	
Sources of working capital		
From operations:		
Net earnings	$ 103,899	$ 92,975
Add expenses charged to earnings which did not require outlay of working capital:		
Depreciation of property, plant and equipment.	69,900	66,345
Provision for deferred income taxes	9,826	9,922
Exchange (gains) losses on long-term borrowings	(5,423)	8,780
Earnings of unconsolidated subsidiaries and affiliates net of dividends received	(4,830)	(844)
Working capital from operations	173,372	177,178
Proceeds from long-term borrowings	119,677	193,287
Less portion representing refinancing	(109,800)	(15,200)
	9,877	178,087
Proceeds from sale of equipment manufactured for lease to unconsolidated subsidiary	—	18,497
Property retirements	5,095	4,941
Reduction in intangibles resulting principally from realized tax benefits from loss carryforwards of previously purchased companies	9,521	1,151
Reclassification of deferred income taxes from current to noncurrent	—	7,783
Issuance of Common Stock for purchase acquisition	14,262	—
Other	7,980	7,985
Total sources of working capital	220,107	395,622
Applications of working capital		
Dividends declared	50,766	48,424
Purchase of property, plant and equipment	110,407	127,621
Payments and maturities of long-term debt	51,981	20,720
Purchases of businesses (exclusive of working capital acquired)	7,654	12,578
Investments in unconsolidated subsidiaries and associated companies	2,292	6,542
Cost of equipment manufactured for lease	8,426	10,844
Other	9,087	4,514
Total Applications of Working Capital	240,613	231,243
Increase (decrease) in working capital	$ (20,506)	$164,379

Capital Stock

ALBERTSON'S, INC. (JAN)

Consolidated Changes in Financial Position

	1976	1975
	($000)	
Source of Funds:		
Operations:		
Net earnings	$15,792	$11,701
Add charges (credits) not requiring funds:		
Depreciation and amortization	9,155	7,911
Amortization of deferred costs	1,991	2,078
Increase (decrease) in deferred income taxes.	(300)	1,112
Amortization of deferred investment credit	(575)	(359)
Increase in deferred compensation	714	
Working capital provided from operations	26,779	22,444
Proceeds from long-term borrowings	20,201	6,462
Proceeds from sale of common stock	17,899	
Disposals of land, buildings and equipment	3,891	2,911
Issuance of treasury stock to acquire assets		1,029
Additions to deferred investment credit	2,057	1,015
Proceeds from employee stock options exercised	1,016	86
	71,845	33,950
Disposition of funds:		
Capital expenditures	24,337	26,286
Additions to deferred costs	2,161	3,148
Reduction of long-term debt	13,404	2,375
Cost of treasury shares purchased		413
Increase in other assets	747	746
Cash dividends	4,195	3,331
	44,845	36,302
Increase (decrease) in working capital	$27,000	$(2,352)

CAMPBELL SOUP COMPANY (JUL)

Consolidated Statement of Changes in Financial Position

	1975	1974
	(000 omitted)	
Additions		
Net income	$ 86,973	$ 85,365
Items not requiring the use of working capital		
Depreciation	36,115	33,313
Amortization of intangibles	1,031	1,013
Deferred income taxes	6,297	7,447
Other	154	95
Working capital from operations	130,570	127,233
Sale of plant assets	869	3,220
Conversion of minority interest in Godiva companies at acquisition		1,543
Treasury stock issued for Management incentive and Stock option plans (43,060 shares — 1975; 32,303 shares — 1974), at cost	1,186	895
Long-term debt incurred	8,340	
Other	67	148
Additions to working capital	141,032	133,039
Deductions		
Purchase of plant assets	52,669	50,989
Acquired plant assets		2,127
Dividends	40,813	39,332
Acquired goodwill and other assets	1,078	5,333
Purchase of Company stock (206,600 shares—1975; 2,900 shares—1974)	6,380	89
Decrease in long-term debt	437	
Deductions from working capital	101,377	97,870
Increase in working capital	$ 39,655	$ 35,169

CERTAIN-TEED PRODUCTS CORPORATION (DEC)

Consolidated Statement of Changes in Financial Position

	1974	1975
	($000)	
Funds Provided From:		
Income from continuing operations	$ 13,390	$ 29,647
Add/(deduct) items not affecting working capital:		
Depreciation	13,582	16,268
Amortization of patents and other intangibles	3,131	1,723
Losses/(income) applicable to unconsolidated subsidiaries and associated companies other than those discontinued	1,909	(2,138)
Provision for loss on other investments and advances	4,485	—
Deferred taxes	(591)	1,746
Funds provided from continuing operations	35,906	47,246
Funds provided by discontinued operations—Note 2	14,483	1,842
Sales of Series C Convertible Preferred Stock—Note 9	20,000	—
Sale of Common Stock—Note 9.	3,340	—
Shares of Common Stock issued as the result of the conversion of Series B Convertible Preferred Stock—Note 9	—	832
Increase in long-term debt	35,471	85,875
Disposals of property, plant and equipment	2,994	2,753
Sale of non-current assets of Gustin-Bacon Group, principally property, plant and equipment—Note 3	2,727	—
Decrease in other assets and deferred charges	3,986	1,330
Total funds provided	118,907	139,878
Funds Used For:		
Additions to property, plant and equipment	58,223	30,868
Dividends	7,953	9,355
Conversion of Series B Convertible Preferred Stock—Note 9	—	832
Reduction of long-term debt	16,285	83,040
Investments in and advances to unconsolidated subsidiaries and associated companies (principally those discontinued)	20,604	9,939
Non-current receivable resulting from sale of Gustin-Bacon Group	1,885	—
Other, net	2,382	(791)
Total funds used	107,332	133,243
Increase in Working Capital	$ 11,575	$ 6,635

SUNDSTRAND CORPORATION (DEC)

Consolidated Statement of Changes in Financial Position

	1975	1974	1973 ($000)	1972	1971
Sources of working capital					
From operations					
Earnings before extraordinary items	$ 21,970	$ 17,768	$ 13,118	$ 5,847	$ 3,467
Expenses not requiring working capital					
Depreciation and amortization	21,144	18,198	15,776	14,271	14,153
Deferred income taxes	2,964	3,382	3,551	(67)	3,614
Increase (decrease) in minority interest	619	(483)	191	57	411
Working capital provided from operations exclusive of extraordinary items	46,697	38,865	32,636	20,108	21,645
Extraordinary items	—	—	—	556	253
Effect of extraordinary items on working capital	—	—	—	1,489	(1,707)
Working capital provided from operations	46,697	38,865	32,636	22,153	20,191
Net proceeds from					
Sale of 1,000,000 shares of common stock	15,837	—	—	—	—
Reduction in long-term receivables	3,186	5,434	5,566	5,816	4,734
Issuance of long-term debt	64,896	28,254	33,905	—	60,000
Issuance of stock under various stock plans and for pooled companies	74	1,003	473	1,438	1,889
Sale of product line components	—	—	—	171	292
Treasury shares issued for employee stock plans	18	718	1,023	—	—
	130,708	74,274	73,603	29,578	87,106
Disposition of working capital					
Increase in long-term receivables	—	1,989	716	3,923	1,953
Additions to property, plant and equipment	34,997	4,415	28,189	21,282	20,971
Reduction in long-term debt	59,931	11,620	6,852	5,695	16,800
Cash dividends paid	7,404	7,179	7,090	7,031	6,950
Purchase of treasury stock	32	750	398	305	222
Additions to unamortized value of restricted stock issued	18	1,612	1,245	—	—
Sundry—net	1,977	9	386	(45)	1,663
	104,359	71,574	44,876	38,191	48,559
Increase (decrease) in working capital	$ 26,349	$ 2,700	$ 28,727	$ (8,613)	$ 38,547

F. W. WOOLWORTH CO. (JAN)

Consolidated Statement of Changes in Financial Position

	1976	1975
	(in thousands of dollars)	
Financial resources were provided by:		
Income of consolidated companies	$ 85,025	$ 50,523
Add (deduct):		
Depreciation and amortization (Note 1)	66,860	62,975
Deferred income taxes	3,856	2,313
Elimination of reserve for self-insured risks (Note 4C)	(6,012)	—
Provision for costs of closed stores under lease (Note 4D)	6,007	—
Other	(840)	3,689
Working capital provided by operations	154,896	119,500
Other sources:		
Long-term borrowings (Note 3)	80,991	127,583
Dividends received from F. W. Woolworth and Co., Limited, less related U.S. income taxes	17,886	16,864
Sales of properties, including those leased back (Note 9)	4,074	14,275
Sales of common shares from treasury (Notes 5 and 8)	2,850	1,393
Other	2,494	(555)
Total resources provided	263,191	279,060
Financial resources were used for:		
Cash dividends	38,219	37,983
Additions to properties	83,785	98,054
Reductions of long-term debt	8,298	9,893
Purchases of common shares for treasury (Note 5)	—	1,339
Total resources used	130,302	147,269
Increase in working capital	132,889	131,791
Working capital at beginning of year	557,652	425,861
Working capital at end of year	$690,541	$557,652

Dividends

ALUMINUM COMPANY OF AMERICA (DEC)

Statement of Changes in Consolidated Financial Position

	1975	1974
	(in millions)	
Source of workig capi tal		
From operations:		
Net income	$ 64.8	$ 174.6
Add, charges (credits) to income which did not require working capital:		
Depreciation and depletion.	170.8	164.7
Increase (decrease) in deferred income, investment credit and noncurrent liabilities.	(9.3)	.9
Addition to (reduction of) future taxes on income	(18.9)	28.9
Other, principally equity in undistributed (earnings) losses of entities not consolidated	7.5	(.2)
Total from operations	214.9	368.9
Book value of properties, plants and equipment disposed of	2.6	3.0
	217.5	371.9
Decreases in investments	9.6	9.2
Proceeds from:		
Common stock issued	18.1	12.1
9.45% sinking fund debentures due 2000	150.0	—
9¾% notes payable due 1995	100.0	—
Bank credit agreement	—	47.0
Tax-exempt revenue bonds	11.9	28.2
Other long-term debt	103.4	16.7
	610.5	485.1
Use of working capital		
Additions to properties, plant and equipment	382.2	355.7
Additions to investments	54.4	57.0
Payments on long-term debt	55.9	30.9
Dividends declared:		
Preferred stock	2.5	2.5
Common stock	45.2	44.6
Increase (decrease) in other assets and deferred charges	(5.6)	22.3
Other, principally changes in long-term debt due within one year	1.5	.2
	536.1	513.2
Increase (decrease) in working capital	$ 74.4	$ (28.1)

BEECH AIRCRAFT CORPORATION (SEP)

Consolidated Statements of Changes in Financial Position

	1975	1974
	($000)	
Source of funds		
From operations:		
Net income for the year	$15,611	$12,479
Expenses not requiring use of working capital:		
Depreciation	2,992	2,627
Increase in reserves for insurance claims	930	1,560
Total from operations ...	19,534	16,666
Proceeds from long-term debt...	4	341
Disposals of property, plant, and equipment	331	287
Decrease in investments	4,423	374
Issuance of Common Stock under debenture conversion ($2,000 in 1974) and stock option plans	205	38
Decrease (increase) in other assets........................	175	(74)
	$24,675	$17,634
Application of funds		
Increase in working capital	$15,156	$ 9,526
Additions to property, plant, and equipment	4,412	2,766
Reductions in long-term debt....	211	332
Cash dividends paid	4,431	3,613
Cash payments in lieu of fractional shares in connection with stock dividend and stock split	38	59
Cost of Common Stock purchased for treasury	424	1,336
	$24,675	$17,634

DART INDUSTRIES, INC (DEC)

Statement of Changes in Financial Position

	1975	1974
	($000)	
Working capital provided by:		
Net earnings	$ 78,988	$ 69,297
Items not affecting working capital—		
Depreciation and amortization...	46,228	44,105
Deferred income taxes...........	(2,500)	(2,500)
Loss on sale of resort development project.................		21,356
Loss on marketable securities...		16,145
Provided by operations...........	122,716	148,403
Increase in long term debt..........	27,177	1,392
Sale or reclassification of marketable securities....................	16,806	48,003
Reduction of investment in resort development.....................	12,163	
Sale of properties and other investments	1,553	2,644
Sale of resort developed project ...		4,500
Other	331	765
Total working capital provided	180,746	205,707
Working capital used for:		
Properties and other assets purchased	101,895	74,944
Cash dividends paid—		
Preferred Stock	5,910	5,913
Common Stock	13,041	9,334
Investment in resort development..		12,351
Decrease in long term debt.........	6,424	6,130
Discounted rental obligations	546	1,386
Equity in unconsolidated finance subsidiaries......................	126	73
Total working capital used..........	127,942	110,131
Working capital increase...........	$ 52,804	$ 95,576

ELTRA CORPORATION (SEP)

Consolidated Statement of Changes in Financial Position

	1975	1974
	($000)	
Financial resources provided by:		
Net income	$36,543	$35,397
Income charges (credits) not affecting working capital:		
Depreciation	15,950	13,213
Minority interests	743	638
Amortization of deferred credit	—	(399)
Deferred taxes on income	6,206	7,418
Equity in earnings of equipment leasing companies	(2,464)	(1,361)
Working capital provided by operations	56,980	54,907
Proceeds of long-term borrowings	15,543	16,200
Proceeds from exercise of stock options and purchases	350	33
Disposals of property, plant and equipment	682	1,171
	73,556	72,312
Financial resources used for:		
Additions to property, plant and equipment	28,004	29,488
Advances to equipment leasing companies, principally for current leveraged lease tax deductions and payments for earned investment tax credits	4,086	9,785
Repayment and retirement of long-term debt	21,622	265
Purchase of treasury shares	135	72
Cash dividends	12,055	11,313
Dividends paid by subsidiaries to minority shareholders	527	568
Other	(114)	1,638
	66,319	53,132
Increase in working capital	$ 7,237	$19,179

Discontinued Operations

INTERNATIONAL HARVESTER COMPANY (OCT)

Changes in Financial Position

	1975	1974
	($000)	
Financial resources provided		
Income from continuing operations	$ 115,920	$115,729
Items not affecting working capital:		
Depreciation and amortization	80,334	69,418
Undistributed earnings of nonconsolidated companies	(38,770)	(23,357)
Deferred income taxes	36,040	(423)
Other	628	(2,247)
Financial resources provided from continuing operations	194,152	159,120
Discontinued operation	(44,617)	2,200
Items not affecting working capital:		
Estimated loss on disposal of discontinued operation (less $5,250,000 estimated future costs)	65,708	—
Depreciation and amortization	6,668	6,097
Deferred income taxes	(34,140)	1,059
Financial resources provided by discontinued operation	(6,381)	9,356
Extraordinary income	—	6,124
Cumulative effect on prior years (to October 31, 1974) of change in accounting policy (before deferred income taxes of $7,392,000)	15,443	—
Total financial resources provided from operations	203,214	174,600
Additions to long-term debt	354,378	181,002
Other property disposals	8,457	20,183
Issuance of preferred stock	50,000	—
Total financial resources provided	616,049	375,785
Financial resources applied		
Capital expenditures	173,232	180,578
Cash dividends	49,649	44,447
Reduction of long-term debt	41,469	52,769
Increase in investments	39,638	23,933
Reclassification of working capital to estimated realizable value of assets, discontinued operation	41,576	—
Other	2,879	15,497
Total financial resources applied	348,443	317,224
Increase in working capital	267,606	58,561
Working capital		
At beginning of the year	947,277	888,716
At end of the year	$1,214,883	$947,277

ABERDEEN MANUFACTURING CORPORATION (DEC)

Consolidated Statement of Changes in Financial Position

	1975	1974
	($000)	
Resources provided by:		
Operations:		
Income from continuing operations	$1,491	$1,035
Charges (credits) not requiring the use of resources:		
Depreciation and amortization of deferred charges	608	583
Provision for deferred income taxes	29	(24)
Equity in earnings on nonconsolidated affiliate and inactive subsidiaries	(181)	(94)
Provision for deferred compensation	90	50
Total provided by continuing operations	2,037	1,550
Income (loss) from discontinued operations	(1,425)	26
Charges not requiring the use of resources:		
Depreciation and amortization of deferred charges	110	102
Reduction of fixed assets to net realizable value	306	—
Total provided by discontinued operatons	(1,008)	129
Total provided by operations	1,028	1,679
Disposal of fixed assets, net of mortgage assumed by purchaser	163	94
Long-term financing arising out of capitalized lease obligations	63	60
Mortgage on plant (due after one year)	—	243
Notes on equipment purchases (due after one year)	—	295
Decrease in other assets	94	203
Total Resources Provided	1,350	2,577
Resources applied to:		
Purchases of property, plant and equipment	347	958
Reduction of long-term debt	533	286
Cash dividends	443	422
Payment for fractional shares of stock dividend	2	4
Total resources applied	1,327	1,671
Increase in working capital	$ 23	$ 905

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

Consolidated Statements of Changes in Financial Position

	1975	1974
	($000)	
Funds become available from:		
Earnings from continuing operations before cumulative effect of accounting change	$ 3,558	$ 7,800
Charges (credits) not affecting funds:		
Depreciation and amortization	6,048	5,789
Minority interests in net earnings of consolidated subsidiaries	433	699
Equity in net earnings of unconsolidated foreign subsidiaries and affiliates, net of dividends received	(315)	(2,757)
Funds provided by continuing operations before cumulative effect of accounting change	9,724	11,531
Discontinued operations	(1,526)	(781)
Charges (credits) not affecting funds:		
Depreciation	366	514
Reduction of carrying value of property, plant and equipment to net realizable value	1,345	—
Funds provided (used) by discontinued operations	185	(267)
Cumulative effect of accounting change	—	1,225
Funds provided by operations	9,909	12,489
Proceeds from disposals of property, plant and equipment, net of gains and losses	165	610
Increase in other liabilities	1,433	—
	11,507	13,099
These funds were used for:		
Additions to property, plant and equipment	7,654	7,194
Dividend payments to common shareholders	3,878	3,878
Investments in and advances to unconsolidated foreign subsidiaries and affiliates	752	435
Other, net	(168)	718
	12,116	12,225
Resulting in (decrease) increase in working capital	$ (609)	$ 874

XEROX CORPORATION (DEC)

Consolidated Statements of Changes in Financial Position

	1975	1974
	($000)	
Working capital provided by		
Operations		
Income from continuing operations	$ 341,632	$ 347,877
Charges (credits) not affecting working capital		
Depreciation of rental equipment	460,017	390,957
Depreciation of buildings and equipment	102,315	82,264
Outside shareholders' interests in income	73,389	76,892
Noncurrent deferred income taxes	(34,613)	18,089
Gain on translation of noncurrent assets and liabilities	(30,636)	(3,904)
Deferred investment tax credits	10,311	10,771
Equity in net income of Fuji Xerox Co., Ltd.	(8,997)	(17,921)
Other	32,726	41,724
Working capital provided by continuing operations	949,144	946,749
Loss from discontinued operations	(97,325)	(18,620)
Charge not affecting working capital	5,556	17,545
Working capital used by discontinued operations	(91,769)	(1,075)
Working capital provided by operations	854,375	945,674
New long-term debt	245,145	507,859
Common stock issued upon exercise of stock options	1,322	6,713
Working capital provided	1,100,842	1,460,246
Working capital used for		
Additions to rental equipment and related inventories	581,550	861,836
Additions to land, buildings and equipment	208,273	251,584
Payments made or due within one year on long-term debt	129,057	45,579
Dividends declared—Xerox Corporation shareholders	79,214	79,232
Dividends declared—outside shareholders	33,682	12,576
Reclassification of discontinued operations' current assets to noncurrent assets	58,598	—
Other	35,032	49,834
Working capital used	1,125,406	1,300,641
Working capital increased (decreased)	$ (24,564)	$ 159,605

Purchase Method Business Combination

INTERNATIONAL PAPER COMPANY (DEC)-

Consolidated Statement of Changes in Financial Position

	1975	1974
	In millions of dollars	
Source of funds		
Net earnings	$ 218.0	$262.6
Expenses not requiring outlays of working capital:		
Depreciation	118.6	108.5
Depletion of oil and gas properties	45.1	—
Cost of timber harvested	28.8	26.6
Deferred income taxes—noncurrent	49.1	17.5
Funds provided from operations	459.6	415.2
Issuance of long-term debt	191.2	170.7
Reduction of long-term investments	47.9	24.6
Other sources—net	16.9	(.2)
Total funds provided	715.6	610.3
Application of funds		
Acquisition of General Crude Oil Company:		
Properties acquired	482.6	—
Long-term portion of debt issued and assumed	(288.1)	
Other, net	5.0	—
Working capital required by the acquisition	199.5	—
Cash dividends paid	88.6	77.4
Invested in plants and properties	365.2	196.4
Invested in timberlands	95.7	216.3
Reduction of long-term debt	69.4	26.0
Environmental construction funds held by trustees	(.1)	13.8
Total funds applied	818.3	529.9
Increase (decrease) in working capital	($102.7)	$ 80.4

McCORMICK & COMPANY, INCORPORATED (NOV)

Changes in Financial Position

	1975	1974
	(In Thousands)	
Source of Funds		
Net income	$11,134	$ 9,414
Charges (credits) not affecting working capital		
Depreciation and amortization, including intangibles	5,544	5,216
Deferred income taxes	(85)	(269)
Share of income of unconsolidated subsidiary and affiliates	(837)	(789)
Other		516
Total from operations	15,756	14,088
Company's capital stocks issued under stock option plans	1,041	1,409
Property disposals, less accumulated depreciation	243	132
Issuance of long-term debt		
Instalments to November 30, 1981		22,000
Other	1,383	98
Total	18,423	37,727
Application of Funds		
Property additions	8,999	9,322
Acquisition of purchased business		
Property	2,525	
Excess cost of acquisition	3,143	
Long-term debt	(2,743)	
Dividends paid in cash	3,034	2,492
Investments	2,585	141
Reduction of long-term debt		
Notes due April 30, 1978		12,000
Other	289	647
Company's capital stock reacquired	5	34
Other	121	257
Total	17,958	24,893
Increase in working capital	465	12,834
Working capital, beginning of year	48,264	35,430
Working capital, end of year	$48,729	$48,264

MEDUSA CORPORATION (DEC)

Statements of Changes in Consolidated Financial Position

	1975	1974
	($000)	
Funds provided from:		
Operations:		
Net earnings for the year	$ 4,545	$ 5,799
Items not requiring outlay of current funds:		
Depreciation and depletion.	12,978	)2,223
Income tax and investment credit deferments	1,009	1,562
Other	196	85
Total from operations	18,728	19,669
Long-term debt issued	1,330	7,946
Financing for purchase of businesses:		
Common and preferred shares issued under purchase agreements	300	2,850
Long-term debt issued and assumed	1,020	1,332
Disposal of property	882	382
Sundry sources	332	100
	22,592	32,279
Funds used for:		
Property, plant and equipment expenditures	7,901	13,107
Reduction of long-term debt	7,158	3,848
Cash dividends	3,718	3,678
Purchase of businesses (excluding working capital):		
Property, plant and equipment	1,368	4,340
Cost of businesses in excess of net assets acquired and other	—0—	893
Sundry purposes	443	195
	20,588	26,061
Increase in working capital	2,004	6,218
Working capital at beginning of year	31,698	25,480
Working capital at end of year	$33,702	$31,698

UTAH-IDAHO SUGAR COMPANY (FEB)

Consolidated Statements of Changes in Financial Position

	1975	1974
	($000)	
Funds Provided		
From operations:		
Net earnings for the year.....	$ 5,740	$ 5,433
Earnings-statement items which did not affect working capital:		
Provision for depreciation..	4,168	3,595
Provision for employees' sick leave, deferred income taxes, and other..................	759	1,151
Total from operations ...	10,669	10,181
Increase in long-term debt.......	5,264	5,000
Increase in minority interest in subsidiaries..................	1,429	
Other funds provided............	80	70
	17,443	15,251
Funds Used		
Property, plant, and equipment:		
Purchases during the year....	20,043	7,883
Less undepreciated cost of disposals.................	204	463
	19,839	7,419
Purchase of Gourmet Food Products, Inc., less $1,645,849 of acquired working capital:		
Property, plant, and equipment at net book value .	5,339	
Long-term debt assumed......	(4,815)	
Other assets....................	712	
	1,236	
Cash dividends on Common and Preferred Stock	2,081	1,057
Current maturities and retirement of long-term debt...........	5,316	1,017
Purchase of Common Stock in the treasury, less sales of $16,427 in 1975...........	298	146
Other uses........................	286	178
	29,058	9,819
(Decrease) Increase in Working Capital......	$(11,614)	$ 5,431

Deferred Revenue

GENERAL DYNAMICS CORPORATION (DEC)

Consolidated Statement of Changes in Financial Position

	1975	1974
	($000)	
Sources of Working Capital:		
Earnings before extraordinary items.........................	$ 81,088	$ 50,908
Costs and expenses not requiring the use of working capital:		
Depreciation, depletion and amortization of property, plant and equipment.....	59,706	50,045
Provision for deferred income taxes (non-current)......	7,564	210
Minority shareholders' equity in earnings of subsidiary	4,564	4,807
Other, net.....................	12,575	10,924
Total provided by operations before extraordinary items....	165,497	116,894
Working capital provided by extraordinary items	11,225	1,443
Increase in long-term debt.......	40,454	4,731
Current maturities on receivables not currently due	14,891	5,642
Sale of future coal production...	10,680	1,645
Proceeds from stock options exercised....................	9,574	—
Sale of wholly-owned subsidiary	8,985	—
Sale and retirement of property, plant and equipment.........	1,898	7,776
Other	2,758	(231)
Total provided from other sources	89,240	19,563
	265,962	137,900
Uses of Working Capital:		
Expenditures for property, plant and equipment	167,883	107,628
Current maturities and prepayments on long-term debt....	14,790	25,176
Equipment leased to others......	5,931	4,383
Acquisition of receivables not currently due................	5,080	13,331
Advances to unconsolidated finance subsidiaries...........	(1,781)	20,268
	191,903	170,786
Increase (Decrease) in Working Capital	$ 74,059	$(32,886)

THE STANDARD OIL COMPANY (An Ohio Corporation)

Statement of Changes in Financial Position

	1975	1974
	(Thousands of Dollars)	
Source of Funds		
Operations		
Income before extraordinary item	$ 126,556	$125,911
Items not requiring outlays of working capital		
Depreciation, depletion, and loss on property disposals	87,557	76,879
Deferred income taxes, net of investment credit carryforwards	27,322	(37)
Other	1,383	5,775
Total from operations, excluding extraordinary item	242,818	208,528
Extraordinary item	—0—	21,600
Total from operations	242,818	230,128
Sales of property, plant, and equipment	15,018	14,210
Issuance of long-term debt	1,154,488	395,175
Sales of common stock	141,448	1,974
Sales of future coal, uranium, and crude oil production	83,151	82,392
Pollution-control funds held by trustee	5,399	21,335
Long-term receivables and advances	9,645	(2,676)
Prepaid expenses and deferred charges	4,433	(18,399)
Other transactions—net	3,019	3,509
	1,659,419	727,648
Application of Funds		
Cash dividends	50,464	37,488
Expenditures for property, plant, and equipment		
Alaska	1,477,828	500,681
Other	163,787	199,731
Deposits on contracts	41,978	7,995
Reduction of long-term debt	10,258	3,730
Reduction of deferred revenue	9,722	4,018
	1,754,037	753,643
Working Capital Decrease	$ (94,618)	$ (25,995)

Cash Value of Life Insurance

GIANT FOOD INC. (FEB)

Consolidated Statement of Changes in Financial Position

	1975	1974
	($000)	
Source of funds:		
Net income	$ 6,979	$ 7,437
Add items not requiring working capital:		
Depreciation	8,771	7,837
Amortization	8	19
Noncurrent deferred income taxes	1,170	1,251
Increase in provision for deferred compensation and insurance premiums	17	19
Working capital provided from operations	16,947	16,565
Proceeds from cash value of officers' life insurance	132	
Decrease in real estate for future development		300
Increase in long-term debt	547	10,000
Tax benefit related to employees' stock options		7
	17,628	26,873
Application of funds:		
Purchase of:		
Property, plant and equipment	10,964	12,743
Treasury stock	107	
Increase in:		
Cash value of officers' life insurance	14	18
Real estate for future development	2,083	220
Reduction of long-term debt	28	26
Cash dividends	1,822	1,649
	15,020	14,658
Increase in working capital	$ 2,607	$12,215

GRANITEVILLE COMPANY (DEC)

Consolidated Statement of Changes in Financial Position

	1975	1974
	($000)	
Source of funds:		
Working capital provided from operations:		
Net income	$ 9,218	$13,675
Charges against income which did not reduce working capital:		
Depreciation	4,782	4,347
Deferred income taxes	531	584
Total derived from operations	14,532	18,607
Increase in long-term debt	9,000	—
Issuance of capital stock	198	89
Decrease in cash surrender value of life insurance	35	12
Decrease in other assets	—	3
Unrecovered cost of assets disposed of	—	258
	23,766	18,971
Application of funds:		
Cash dividends	3,257	2,708
Additions to property, plant and equipment	14,006	9,232
Current maturity of long-term debt	—	1,000
Investment in company 50% owned	36	169
	17,300	13,110
Increase in working capital	$ 6,465	$ 5,860

Minority Interest

PFIZER INC. (DEC)

Consolidated Statement of Changes in Financial Position

	1975	1974
	($000)	
Funds provided by		
Net income	$147,715	$135,267
Items not affecting working capital		
Depreciation	50,000	43,700
Deferred taxes on income	8,700	9,700
Minority interests	2,956	3,441
Loss on property abandonments	4,200	—
Gain on sale of surplus properties	(3,700)	(4,600)
Working capital provided from operations	209,871	187,508
Proceeds from long-term debt	231,855	125,727
Proceeds from stock option transactions	3,830	11,628
Retirement of property, plant and equipment	7,648	10,722
	453,204	335,585
Funds applied to		
Additions to property, plant and equipment	177,400	136,800
Investments in long-term marketable securities	41,885	37,000
Reduction in long-term debt	14,313	13,775
Cash dividends	56,858	55,309
Acquired companies	2,853	6,900
Litigation settlements—net of taxes	5,000	10,000
Purchase of portion of minority interests	6,789	—
Other changes—net	2,945	7,220
	308,043	267,004
Increase in working capital	$145,161	$ 68,581

ADAMS-MILLIS CORPORATION (DEC)

Statement of Changes in Consolidated Financial Position

	1975	1974
	($000)	
Additions		
Earnings from continuing operations	$ 564	$ 917
Add (deduct) items not affecting working capital in current period:		
Provision for depreciation	2,101	2,307
Adustment of carrying value of Certron Corp. stock—Note B		311
Deferred income taxes—noncurrent		(316)
Minority interest in net earnings of subsidiary	23	63
Total from continuing operations	2,690	3,283
Earnings (loss) from discontinued operations	337	(6,770)
Add (deduct) items not affecting working capital in current period:		
Provision for depreciation		592
Provision for loss on property disposals		3,500
Deferred income taxes—noncurrent		(291)
Proceeds from property disposals, less gains included in earnings from discontinued operations in 1975	3,761	75
Total (to) from discontinued operations	4,098	(2,893)
Total from operations, excluding extraordinary credit	6,789	389
Extraordinary credit	812	
Total from operations	7,601	389
Other assets of subsidiary sold	227	
Disposition of machinery and equipment, including $316,322 of subsidiary sold in 1975, less gains included in earnings from continuing operations	410	342
Total additions	8,239	732
Deductions		
Cash dividends		341
Acquisition of property, plants and equipment	383	3,362
Reduction in long-term debt	7,829	1,505
Dividends paid to minority interest	30	30
Elimination of minority interest in subsidiary	534	
Miscellaneous	2	15
Total deductions	8,780	5,255
Decrease in working capital	$ (540)	$(4,523)

Transactions Not Affecting Working Capital

INTERCO INCORPORATED (FEB)

Consolidated Statement of Changes in Financial Position

	1975	1974
	($000)	
Working capital provided by:		
Net earnings	$53,603	$49,260
Items not affecting working capital:		
Depreciation	13,405	11,766
Future income tax benefits	71	(163)
Other, net	754	721
Operations	67,833	61,584
Disposal of property, plant and equipment	1,727	1,611
Issuance of common stock for conversion of preferred stock—contra below	305	476
Exercise of stock options	154	94
Issuance of long-term debt	510	4,697
Decrease in funds in escrow for construction	1,106	—
	71,635	68,462
Working capital used for:		
Additions to property, plant and equipment	19,694	24,789
Increase in funds in escrow for construction	—	1,106
Cash dividends	17,033	14,765
Reduction of long-term debt	5,979	3,875
Conversion of preferred stock—contra above	305	476
Purchase of company's stock	—	526
Other, net	433	575
	43,444	46,112
Increase in working capital	$28,191	$22,350

J. B. LIPPINCOTT COMPANY (DEC)

Consolidated Statement of Changes in Financial Position

	1975	1974
	($000)	
Sources of working capital		
Operations		
Net income	$ 1,229	$1,012
Add (deduct) items not requiring (providing) working capital		
Amortization of printing plates	2,441	2,149
Depreciation	135	112
Royalty advances earned and write offs	553	1,023
Provision for unfunded pension liability	108	117
Deferred income taxes	(60)	(65)
Journal subscriptions earned	(3,939)	(3,523)
Total from operations	468	826
Decrease in cash surrender value of life insurance	—	93
Decrease in deferred charges	—	76
Increase in non-current portion of notes and loans payable	7,000	—
Journal subscriptions received	4,236	3,588
Increase in capital contributed arising from 4% stock dividend	224	—
Total working capital provided	11,929	4,585
Use of working capital		
Purchase of printing plates	2,665	2,834
Purchase of property and equipment	290	111
Increase in cash surrender value of life insurance	49	—
Royalty advances to authors	914	1,125
Increase in deferred charges	81	—
Paid cash dividends	288	271
Issued 4% stock dividend	224	—
Total working capital used	4,514	4,344
Net increase in working capital	$ 7,414	$ 241

UNITED NUCLEAR CORPORATION (MAR)

Statements of Consolidated Changes in Financial Position

	1975	1974
	($000)	
Working capital provided from:		
Income (loss) from continuing operations	$ 423	$(1,495)
Charges (credits) not affecting working capital:		
Depreciation, depletion and amortization	4,599	5,254
Deferred income taxes (credit)	25	(300)
Gains on sales of property, plant and equipment	(1,389)	(309)
Equity in net earnings of affiliates	(175)	(319)
Working capital from continuing operations	3,483	2,831
Deposits against delivery of future production	9,600	1,720
Increase in long-term debt	5,714	8,481
Proceeds from sales of property, plant and equipment	3,010	184
Reduction in mortgages and notes receivable	2,408	1,976
Proceeds from disposition of investment in Gulf United including repayment of advances	—	3,200
Results of discontinued operations adjusted for charges and credits not affecting working capital	—	53
Other	2,028	2,224
Total	26,243	20,669
Working capital used for:		
Additions to property, plant and equipment	19,570	9,981
Reduction of long-term debt	2,584	2,752
Purchase of treasury stock	1,637	—
Reduction of deposits against delivery of future production	700	420
Investment in subsidiaries and affiliates	395	1,412
Increase in real estate held for investment or sale	276	—
Increase in other assets	717	2,271
Investments in (reduction of) certificate of deposit held as compensating balance	(400)	1,200
Total	25,479	18,036
Other changes:		
Increase in real estate held for investment or sale on mortgage foreclosures	1,078	—
Represented by:		
Reduction in mortgages and notes receivable	(1,166)	—
Increase in long-term debt	(292)	
	—	
Reduction in deferred income	380	—
Other changes-net	—	—
Increase in working capital	$ 764	$ 2,633

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 5-5: ANALYSIS OF CHANGES IN WORKING CAPITAL ELEMENTS—PRESENTATION

	1975	1974	1973	1972
Analysis included as part of statement of changes in financial position	42	44	43	41
Analysis presented in a tabulation at bottom of statement of changes in financial position	535	536	530	525
Analysis presented in a tabulation apart from statement of changes in financial position	23	20	27	30
Total Companies	**600**	**600**	**600**	**596**

TABLE 5-6: TITLES IDENTIFYING ANALYSIS OF WORKING CAPITAL ELEMENTS

	1975	1974	1973	1972
Change in working capital	247	254	251	228
Increase (decrease) in working capital	246	229	190	186
Analysis of changes in working capital	42	49	65	53
Summary of changes in working capital	15	17	28	29
Other titles	8	7	23	59
Subtotal	**558**	**556**	**557**	**555**
Analysis included in statement of changes in financial position	42	44	43	41
Total Companies	**600**	**600**	**600**	**596**

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 5-5 shows the manner in which the survey companies disclosed details of this information. Table 5-6 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

THE FEDERAL COMPANY (MAY)

Consolidated Statements of Changes in Financial Position

	1975	1974	1973 ($000)	1972	1971
Financial Resources were provided by:					
Operations:					
Net income	$ 8,472	$12,478	$ 8,596	$ 5,519	$ 1,360
Plus expenses not requiring current outlay of funds:					
Depreciation	6,392	6,399	6,681	5,962	5,367
Write-off of plant construction costs (Note 7)			1,018		
Amortization of goodwill	70	70	70	12	
Funds provided from operations	14,934	18,948	16,367	11,493	6,727
Proceeds from additional long-term borrowing			10,000		
Working capital sources:					
Reductions in:					
Cash and cash investments	448		13,797		7,946
Receivables					245
Inventories	6,498				
Other current assets	246	82	58		768
Increases in:					
Notes payable		6,530	2,680	2,336	
Current portion of long-term debt			486	91	19
Dividends payable		722			
Accounts payable and accrued liabilities	2,610	3,602	3,698	3,227	2,121
Total provided	$24,738	$29,885	$47,088	$17,149	$17,828
Financial resources were used for:					
Additions to property, plant and equipment, net	$ 6,513	$ 6,510	$ 7,596	$ 6,667	$ 6,717
Investment in non-current assets of companies acquired (Note 1)				4,159	
Cash dividends	2,888	2,780	2,001	2,522	2,528
Purchase of treasury stock			19,645	187	
Reduction of long-term debt	1,005	1,098	864	326	493
Other	735	223	174	90	639
Working capital uses:					
Increases in:					
Cash and cash investments		3,708		259	
Receivables	362	2,570	6,527	476	
Inventories		12,941	10,277	1,491	1,999
Other current assets				335	
Decreases in:					
Notes payable	13,140				5,448
Current portion of long-term debt	93	51			
Dividends payable				632	1
Total used	$24,738	$29,885	$47,088	$17,149	$17,828

HUDSON PULP & PAPER CORP. (DEC)

Statement of Changes in Financial Position

	1975	1974
	($000)	
Funds provided by:		
Net income	$ 9,039	$14,872
Charges/(credit) to income not affecting funds:		
Depreciation and depletion	7,601	6,501
Deferred Federal income taxes/(credit)	(353)	164
Total from operations	16,288	21,537
Issuance of long-term debt	10,000	—
Construction costs for water pollution treatment facility, reimbursed by trustee	—	91
Decrease in receivables	—	1,951
Decrease in inventories	71	—
Increase in accounts payable and accrued expenses	401	3,644
Increase in current portion of long-term debt	—	2,584
Increase in dividends payable	117	411
Book amount of properties sold	147	73
Other items—net	799	1,136
Total funds provided	27,826	31,431
Funds used for:		
Additions to plant assets and timber resources	33,911	12,114
Dividends	2,076	1,828
Capital stock acquired	772	708
Decrease in long-term debt	2,763	4,631
Decrease in current portion of long-term debt	1,867	—
Increase in receivables	1,895	—
Refundable estimated Federal income tax payments	2,325	—
Increase in inventories	—	5,655
Increase in other current assets	131	420
Decrease in Federal income taxes	4,167	401
Total funds used	49,910	25,760
(Decrease)/increase in cash and short-term investments	(22,083)	5,671
Cash and short-term investments at beginning of year	28,718	23,047
Cash and short-term investments at end of year	$ 6,635	$28,718

NORTHROP CORPORATION (DEC)

Statement of Changes in Consolidated Financial Position

	1975	1974
	($000)	
Factors increasing cash:		
Operations:		
Net income	$ 24,732	$18,136
Add non-cash items:		
Depreciation and amortization of property, plant and equipment	14,642	12,914
Increase in deferred income taxes and deferred credit	8,113	10,603
Cash provided from operations	47,487	41,653
Increase in progress payments received	36,124	49,024
Increase in income taxes currently payable	18,440	(425)
Increase in trade accounts payable, other current liabilities, accrued employees' compensation and minority interest	12,848	(5,259)
Additional long-term borrowings	8,865	8,381
Issuance of common stock	3,224	33
Carrying value of disposals of property, plant and equipment	2,851	3,162
Decrease in prepaid expenses	844	(202)
	130,683	96,367
Factors decreasing cash:		
Increase in inventories	48,981	70,043
Additions to property, plant and equipment	25,074	32,008
Decrease in advances on contracts	23,107	(49,912)
Increase in accounts receivable and unreimbursed costs and accrued profits	22,984	(19,692)
Dividends paid	6,515	5,373
Repayments of senior long-term debt	3,704	6,817
Increase in short-term investments	2,102	24,416
Repayments of notes payable	2,098	3,222
Increase in other assets	917	(592)
Purchase of common shares for treasury	318	4,200
Principal amount of subordinated debt purchased	312	3,233
Decrease in revolving credit borrowings		15,000
	136,112	94,116
Decrease in cash	5,429	(2,251)
Cash balance at beginning of year	14,534	12,283
Cash balance at end of year	$ 9,105	$14,534

SCOVILL MANUFACTURING COMPANY (DEC)

Consolidated Statement of Changes in Financial Position

	1975	1974
	($000)	
Sources of Funds		
Earnings from continuing operations	$12,913	$15,702
Items not affecting working capital in the current period:		
Depreciation	13,449	12,839
Deferred income taxes, undistributed income of 50% owned companies and other—net	(98)	1,746
Total from continuing operations	26,264	30,287
Loss from discontinued operations and operations to be disposed of	(46,109)	(824)
Items not affecting working capital in the current period:		
Depreciation	3,885	4,371
Deferred income taxes	(32,000)	—
Provision for loss on operations to be disposed of	72,000	—
Total from discontinued operations and operations to be disposed of	(2,224)	3,547
Total from operations	24,040	33,834
Issuance of long-term debt	6,854	2,094
Increase in short-term debt	—	9,429
Decrease in inventories	11,170	—
Increase in accounts payable, accrued wages and other expenses	2,275	—
Increase in accrued federal, foreign and state taxes on income	1,093	—
Decrease in current assets of operations disposed of and to be disposed of	1,458	13,343
Disposal of property, plant and equipment:		
Continuing operations	1,593	445
Discontinued operations and operations to be disposed of	5,657	215
Decrease in investments	—	944
Issuance of common stock upon conversion of preferred stock $322,000 in 1975 and $555,000 in 1974	—	—
Other	—	1,487
	$54,140	$61,791
Uses of funds		
Additions to property, plant and equipment:		
Buildings, machinery and equipment:		
Continuing operations	$10,710	$13,860
Discontinued operations and operations to be disposed of	1,145	1,662
Tools and dies:		
Continuing operations	2,602	4,790
Discontinued operations and operations to be disposed of	56	212
Property of acquired companies	2,159	—
Reduction of long-term debt	14,948	2,837
Decrease in short-term debt	2,466	—
Cash dividends	9,444	9,446
Increase in cash	587	2,099
Increase in accounts receivable	7,795	1,375
Increase in inventories	—	16,638
Increase in prepaid expenses, insurance deposits and sundry other assets	388	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	1,076	—
Increase in excess of cost over net tangible assets of businesses purchased	548	466
Other	216	—
	$54,140	$61,791

Analysis Presented in a Tabulation at Bottom of Statement

AMERICAN BILTRITE INC. (DEC)

Statement of Changes in Consolidated Financial Position

	1975	1974
	($000)	
Source of funds		
Earnings before extraordinary credit	$ 1,368	$ 1,881
Add (deduct) items not affecting working capital:		
Depreciation and amortization	4,496	4,154
Provision for deferred income taxes	267	637
Equity interest in (loss) earnings of affiliated companies	364	(289)
Amortization of deferred credits	(169)	(184)
Other	(21)	(26)
Total from operations	6,305	6,172
Proceeds from long-term borrowings	23,780	4,957
Proceeds from sale of investments, less gain included in operations	675	1,613
Sale of equipment	254	153
Decrease in various other noncurrent assets		354
	31,015	13,251
Use of funds		
Reduction in long-term debt	11,842	2,442
Additions to property, plant and equipment	6,432	10,337
Cash dividends declared	1,342	1,372
Purchase of treasury shares	434	188
Increase in various other current assets		597
Decrease in other long-term liabilities		158
	20,649	14,499
Increase (decrease) in working capital	$ 10,366	($ 1,247)
Changes in components of working capital		
Increase (decrease) in current assets:		
Cash	($ 1,540)	$ 1,677
Time deposits and marketable securities	1,486	935
Accounts receivable	(980)	3,641
Recoverable income taxes	(528)	825
Inventories	(5,403)	7,569
Prepaid expenses	(87)	350
	(7,053)	14,998
Increase (decrease) in current liabilities:		
Notes payable to banks	(15,125)	9,390
Accounts payable, accrued expenses and dividends payable	(2,619)	8,051
Federal and state income taxes	420	166
Current portion of long-term debt	(96)	(1,361)
	(17,419)	16,246
Increase (decrease) in working capital	$ 10,366	($ 1,247)

CLARK EQUIPMENT COMPANY (DEC)

Statement of Changes in Financial Position

	1975	1974
	($000)	
Financial resources were provided by:		
Net income for the year	$ 46,618	$ 50,064
Add charges (deduct) credits to income not affecting working capital in the year:		
Net income of finance subsidiaries	(11,287)	(12,130)
Equity in unremitted earnings of minority-owned associated companies	(498)	(2,531)
Provision for depreciation of properties	23,502	18,652
Provision for deferred income taxes	(1,546)	7,660
Working capital provided by operations	56,789	61,715
Addition to long-term borrowings	26,432	133,458
Decrease in investments in and advances to finance subsidiaries and minority-owned companies.	—	16,738
Sales of properties	2,754	3,677
Increase in accrued items, etc.	1,027	1,253
Other items	480	300
Increase in common stock:		
Proceeds from sale of stock under option plans	—	406
Upon conversion of debentures	—	146
	87,482	217,693
Financial resources were used for:		
Cash dividends	21,757	21,753
Additions to properties	60,820	72,428
Increase (decrease) in investments in rental equipment	1,614	(2,693)
Investments in and advances to finance subsidiaries and minority-owned companies	12,056	—
Long-term borrowings paid, converted to common stock, or becoming current liability	86,046	35,387
Decrease in rental equipment installment obligations	13,399	1,318
	195,692	128,193
Increase (decrease) in working capital	$(108,210)	$ 89,500
Accounted for by:		
Increase (decrease) in current assets:		
Cash	$ (8,672)	$ 12,274
Accounts and notes receivable	(82,964)	57,716
Inventories	(54,697)	90,546
Prepaid expenses	(3,009)	4,695
	(149,324)	165,231
Less—Increase (decrease) in current liabilities:		
Notes payable	(23,243)	41,736
Accounts payable	(14,525)	24,116
Accrued payrolls	(5,463)	4,009
Accrued social security and general taxes	(4,075)	6,106
Installment obligations owed to finance subsidiaries	(10,107)	2,601
Taxes on income	15,915	(14,274)
Current installments on long-term debt	384	11,437
	(41,114)	75,731
Increase (decrease) in working capital, as above	(108,210)	89,500
Working capital at beginning of year	366,876	277,376
Working capital at end of year	$ 258,666	$366,876

Analysis Presented in a Tabulation Apart from Statement

GULF OIL CORPORATION (DEC)

Consolidated Statement of Changes in Financial Position

	1975	1974
	(Millions of Dollars)	
Funds provided by:		
Net income	$ 700	$1,065
Income charges (credits) not affecting funds:		
Depreciation, depletion, amortization and retirements.	628	609
Minority interests	60	44
Losses of affiliates and associates including nuclear partnership	49	188
Deferred income taxes	109	(81)
Other	(7)	(28)
Funds from operations	1,539	1,797
Proceeds from sales of properties and investments	226	222
Reduction of investments and long-term receivables	38	56
New financing including production payment proceeds	156	75
Other—net	—	2
	1,959	2,152
Funds used for:		
Properties and business investments	1,229	1,406
Reduction of long-term debt	225	243
Dividends	331	307
Liability to nuclear partnership	138	—
Other—net	11	—
	1,934	1,956
Increase in working capital	25	196
Decrease in noncash working capital (Note 4)	46	514
Increase in cash and marketable securities	$ 71	$ 710

Note 4: Decrease in Noncash Working Capital—An analysis of changes in noncash working capital as reported in the Consolidated Statement of Changes in Financial Position is as follows:

	1975	1974
	Millions of Dollars	
Increase (decrease) in noncash current assets		
Receivables	$(493)	$ 725
Inventories	55	419
Prepaid expense and other current assets	66	2
	(372)	1,146
Decrease (increase) in current liabilities		
Notes payable and current long-term debt	(31)	(67)
Accounts payable	102	(1,107)
Liability to nuclear partnership	(138)	—
Accrued income taxes	224	(241)
Other current liabilities	169	(245)
	326	(1,660)
(Decrease) in noncash working capital	$ (46)	$ (514)

TIME INCORPORATED (DEC)

Consolidated Statement of Changes in Financial Position

	1975	1974
	($000)	
Sources of working capital		
From operations:		
Net income	$ 45,051	$ 50,224
Charges (credits) not affecting working capital:		
Depreciation, amortization, depletion	25,543	22,480
Deferred federal income taxes	3,949	2,403
Provision for losses on investments	1,444	1,968
Share of (income) losses in 20%-50% owned companies	(996)	1,202
Net income from unconsolidated subsidiaries	(780)	(150)
Total from operations	74,211	78,127
Increase in long-term debt	20,414	50,222
Dispositions of property and equipment	4,680	6,207
Increase in other liabilities	4,587	1,156
Dispositions of investments	18,036	14,212
Decrease in notes receivable	3,300	6,450
Increase in unearned portion of paid subscriptions	8,408	6,511
Issuance of common stock and treasury shares sold	1,564	129
Dispositions of goodwill	4,770	—
Miscellaneous	725	355
Total sources	140,695	163,369
Applications of working capital		
Dividends paid to shareholders	19,950	20,001
Purchase of shares for treasury	—	15,822
Purchase of property and equipment	60,738	51,730
Additions to investments	18,406	6,270
Decrease in deferred taxes	4,216	—
Increase in other assets	—	4,016
Repayment of long-term debt	27,164	35,504
Reclassification of marketable equity securities	25,704	—
Total applications	156,178	133,343
Increase (decrease) in working capital	($ 15,483)	$ 30,026

Details of increases and decreases in components of working capital are in the accompanying notes, page 20.

Notes to Financial Statements

Increases (Decreases) in Components of Working Capital

	1975	1974
	($000)	
Cash and marketable securities	($ 3,965)	($ 26,631)
Reclassification of marketable equity securities	($ 25,704)	—
Receivables	6,167	20,693
Notes receivable	(10,484)	8,909
Inventories	(3,010)	30,307
Prepaid expenses and other current assets	3,388	10,883
Increase (decrease) in current assets	(33,608)	44,161
Accounts payable and accrued expenses	6,684	3,964
Employee compensation and profit-sharing contributions	344	728
Taxes on income	(10,621)	(2,923)
Loans and current portion of long-term debt	(14,532)	12,366
Increase (decrease) in current liabilities	(18,125)	14,135
Increase (decrease) in working capital	($15,483)	$ 30,026

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.

TITLE OF AUDITORS' REPORT

Table 6-1 shows the descriptive titles used by the survey companies to identify the Auditors' Report.

TABLE 6-1: TITLE OF AUDITORS' REPORT

	1975	1974	1973	1972
Accountants' report	159	158	160	157
Auditors' report	123	125	122	117
Independent accountants' report	103	106	104	94
Certified public accountants' report	42	42	43	42
Independent certified public accountants' report	28	27	28	22
Accountants' opinion	30	28	29	45
Independent accountants' opinion	15	15	14	36
Auditors' opinion	10	11	10	5
Independent certified public accountants' opinion	9	9	9	10
Other Titles	33	30	31	18
No title	48	49	50	54
Total Companies	**600**	**600**	**600**	**600**

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 summarizes the addressee mentioned in the Auditor's 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 6-2: ADDRESSEE OF AUDITORS' REPORT

	1975	1974	1973	1972
The Directors (Board of Directors) and Stockholders	402	403	398	402
The Directors	93	92	97	96
The Stockholders	82	83	83	81
The Company	18	17	17	18
Other, or no addressee	5	5	5	3
Total Companies	**600**	**600**	**600**	**600**

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 6-3, which summarizes the format of auditors' reports included in the 1975 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.

Appropriate wording for the auditors' standard report follows:

> We have examined the balance sheets of X Company as of (at) December 31, 19xx and December 31, 19x1, 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 (at) December 31, 19xx, and December 31, 19x1, 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.

TABLE 6-3: FORMAT OF AUDITORS' REPORT

	1975	1974	1973	1972
Standard auditors' report ...	301	293	333	324
Variations to standard auditors' report	229	245	185	202
Modified auditors' report ..	70	62	82	74
Total Companies	**600**	**600**	**600**	**600**
Variations to Standard Auditors' Report				
Sentence in scope paragraph referring to:				
Prior year examination...	67	71	92	101
Examination by other accountants	68	67	67	69
Other	25	14	22	27
Middle paragraph between scope and opinion paragraphs referring to:				
Matter for which opinion qualified	99	118	15	26
Other	16	10	12	16
Sentence or paragraph following opinion paragraph	15	21	11	11
Total Variations	***290**	***301**	***219**	***250**

*Some Auditors' reports had more than one variation.

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 10-12 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. One reference to a scope limitation appears in the 1975 survey company annual 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 6-4 summarizes the scope of work done by other auditors as disclosed in the reports of the principal auditors. Examples of such disclosures follow.

TABLE 6-4: REFERENCES TO OTHER AUDITORS

	1975	1974	1973	1972
Examination by Other Auditors Covers:				
Statements for branch or consolidated subsidiary..	41	43	51	51
Statements for investee only	22	18	20	11
Statements for prior years only	3	8	9	15
Total Companies	**66**	**69**	**80**	**77**

Consolidated Subsidiaries

To the Shareholders and Board of Directors of
Dresser Industries, Inc.:

We have examined the consolidated balance sheets of Dresser Industries, Inc. (a Delaware corporation) and subsidiaries as of October 31, 1975 and October 31, 1974, and the related consolidated statements of earnings, capital in excess of par or stated value, retained earnings and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of certain foreign subsidiaries whose assets and net sales and service revenues represent, respectively, approximately 20% of consolidated assets in 1975 and 1974 and approximately 18% of consolidated net sales and service revenues in 1975 and 15% in 1974. 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 those foreign subsidiaries, is based solely upon the reports of other auditors. The opinion of the other auditors calls attention to a change in 1975 in accounting for translation of foreign currency financial statements for those foreign subsidiaries to conform with the Statement of Financial Accounting Standards No. 8; however, in our opinion, this matter is not material to the consolidated financial statements.

In our opinion, based upon our examination and the reports of other auditors referred to above, the consolidated financial statements referred to above present fairly the financial position of Dresser Industries, Inc. and subsidiaries as of October 31, 1975 and October 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 applied, except for the change (with which we concur) to the last-in, first-out method of determining costs of certain inventories as discussed in Note D to the consolidated financial statements, on a consistent basis during the periods.—*Auditors' Report*.

To the Shareholders and the Board of Directors of
General Dynamics Corporation:

We have examined the consolidated balance sheets of General Dynamics Corporation (a Delaware corporation) and subsidiaries as of 31 December 1975, and 31 December 1974, and the related consolidated 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. We did not examine the financial statements of Asbestos Corporation Limited, 54.6% owned consolidated subsidiary, which statements reflect approximately 14% and 15% of the total consolidated assets as of 31 December 1975, and 1974, respectively. 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 Asbestos Corporation Limited, is based solely upon the reports of the other auditors.

In our opinion, based upon our examination and the reports of other auditors referred to above, the accompanying financial statements present fairly the financial position of General Dynamics Corporation and subsidiaries as of 31 December 1975, and 31 December 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 periods.—*Auditors' Report*.

Shareowners and Board of Directors
Medusa Corporation, Cleveland, Ohio

We have examined the consolidated balance sheets of Medusa Corporation and subsidiaries as of December 31, 1975, and December 31, 1974, and the related statements of consolidated earnings, shareowners' equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements of certain consolidated subsidiaries (representing less than 11% of consolidated assets and sales for 1975 and 1974) were examined by and reported upon by other independent accountants, and, as to such subsidiaries, we have relied solely upon the reports of other independent accountants.

In our opinion, based upon our examinations and the aforementioned reports of other independent accountants, the financial statements referred to above present fairly the consolidated financial position of Medusa Corporation and subsidiaries at December 31, 1975, and December 31, 1974, and the consolidated results of their operations and the changes in their financial position for the years ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Accountants' Report*.

To The Board of Directors and Shareholders of
National Starch and Chemical Corporation

We have examined the consolidated balance sheet of National Starch and Chemical Corporation and subsidiary companies as of December 31, 1975 and 1974, 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. We did not examine the financial statements of certain subsidiaries, which statements reflect total assets, sales and net income constituting approximately 13%, 16% and 10% (1975) and 14%, 15% and 15% (1974), of the related consolidated totals. These statements were examined by other independent auditors whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for such subsidiaries, is based solely upon the reports of the other auditors.

In our opinion, based upon our examinations and the reports of other auditors, such statements present fairly the consolidated financial position of National Starch and Chemical Corporation and subsidiary companies at December 31, 1975 and 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 applied on a consistent basis—*Accountants' Report*.

To the Shareholders of
United Technologies Corporation

We have examined the consolidated balance sheets of United Technologies Corporation and subsidiary companies at December 31, 1975 and 1974, and the related consolidated statements of income, changes in shareholders' equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the consolidated financial statements of Otis Elevator Company, a consolidated subsidiary acquired in 1975, which statements reflect total assets and revenues constituting 30 percent and 7 percent, respectively, of the related consolidated totals at December 31, 1975 and for the year then ended. 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 Otis Elevator Company, is based solely upon the report of the other auditors.

In our opinion, based upon our examinations and the report of other auditors, the accompanying consolidated financial statements present fairly the financial position of United Technologies Corporation and subsidiary companies at December 31, 1975 and 1974, 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.—*Opinion of Independent Accountants*.

The Board of Directors and Shareholders
United Nuclear Corporation:

We have examined the consolidated balance sheets of United Nuclear Corporation and subsidiaries as of March 31, 1975 and 1974 and the related consolidated statements of earnings (loss) and retained earnings and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of United Nuclear-Homestake Partners for the year ended March 31, 1975 and Summit Mortgage Investors for the year ended March 31, 1974 which statements reflect total assets constituting 6% in 1975 and 11% in 1974 and revenues constituting 5% in 1975 and 3% in 1974 of the related consolidated totals in the accompanying financial statements. 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 United Nuclear-Homestake Partners and Summit Mortgage Investors for the years indicated above, is based solely upon the reports of the other auditors.

In our opinion, based on our examination and the reports of the other auditors, the aforementioned consolidated financial statements present fairly the financial position of United Nuclear Corporation and subsidiaries at March 31, 1975 and March 31, 1974 and the results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Accountants' Report*.

Investees

To the Shareholders and Board of Directors
Jewel Companies, Inc.

We have examined the consolidated statement of financial position of Jewel Companies, Inc. as of January 31, 1976 and February 1, 1975 and the related statements of earnings, shareholders' equity, and changes in financial position for the fifty-two week periods then ended appearing on pages 19 through 26, herein. 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 not examined the financial statements of Aurrera, S.A., a Mexican company in which Jewel has a 48.9% interest. Jewel's investment in Aurrera, S.A. constitutes 5.1% and 5.2% of Jewel's total assets as of January 31, 1976 and February 1, 1975, respectively. Jewel's equity in the net earnings of Aurrera for the fifty-two weeks ended January 31, 1976 and February 1, 1975 constituted 26.3% and 17.8% of Jewel's consolidated net earnings, respectively. The consolidated financial statements of Aurrera, S.A. for its fiscal years ended July 31, 1975 and 1974 were examined by other auditors whose report thereon has been furnished to us.

In our opinion, which as to amounts with respect to Aurrera, S.A. for its fiscal years ended July 31, 1975 and 1974 is based on the report of other auditors described above, the aforementioned financial statements present fairly the consolidated financial position of Jewel Companies, Inc. at January 31, 1976 and February 1, 1975, the results of its operations and the changes in its financial position for the fifty-two week periods 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
Phelps Dodge Corporation

We have examined the accompanying statements of consolidated financial position of Phelps Dodge Corporation and its subsidiaries as of December 31, 1975 and 1974, and the related statements of consolidated income and retained earnings and of changes in consolidated financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The 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, 1975 and 1974 amounted to 3.5% and 4.6%, respectively, of the Corporation's consolidated total assets; equity in net earnings amounted to a loss of $11,360,000 in 1975 and income of $18,970,000 in 1974.

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, 1975 and 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.—*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 January 3, 1976 and December 28, 1974 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 6% and 5% of consolidated assets and 21% and 24% of consolidated earnings for 1975 and 1974, 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.

In our opinion, based upon our examinations and the report of other auditors, the financial statements identified above present fairly the consolidated financial position of The Sperry and Hutchinson Company and subsidiaries consolidated at January 3, 1976 and December 28, 1974 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 stating marketable equity securities as described in the accompanying summary of significant accounting policies.—*Report of Independent Certified Public Accountants.*

Prior Year Statements

The Board of Directors and Stockholders
Rohm and Haas Company:

We have examined the consolidated balance sheets of Rohm and Haas Company and consolidated subsidiaries as of December 31, 1975 and 1974, and the related statements of consolidated earnings and changes in consolidated financial position for the respective years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. In 1974 we did not examine the financial statements of certain consolidated foreign subsidiaries, which statements reflect total assets and net sales constituting 14% and 9%, respectively, of the related consolidated totals for the year ended December 31, 1974. These statements were examined by other auditors whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for such subsidiaries in 1974, is based solely upon the reports of the other auditors.

In our opinion, based upon our examination and in 1974 the reports of other auditors, the aforementioned financial statements present fairly the financial position of Rohm and Haas Company and consolidated subsidiaries at December 31, 1975 and 1974, and the results of their operations and changes in their financial position for the respective years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

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 paragraphs 27), he should not refer to this information in the opinion paragraph of his report.

Table 6-5 shows the various reasons for which the auditor's opinions included in the survey company annual reports were qualified. One of the survey company annual reports included an auditors' opinion qualified because of a departure from generally accepted accounting principles.

TABLE 6-5: QUALIFIED OPINIONS

	1975	1974	1973	1972
Uncertainties				
Litigation	40	32	25	32
Valuation or realization of assets	13	16	13	18
Tax or renegotiation liability	8	11	10	8
Discontinued operations	8	9	6	14
Contract claims	4	4	6	2
Other	4	4	3	6
Total Uncertainties	**77**	**76**	**63**	**80**
Total Companies	**60**	**62**	**52**	**61**
Accounting Changes				
Translation Policy	72	N/C	N/C	N/C
LIFO adopted	50	192	7	—
Interperiod tax allocation	16	N/C	N/C	N/C
Marketable securities	12	—	—	—
Loss contingencies	12	—	—	—
Inventory other than LIFO adoption	12	4	2	5
Research and development expenditures	8	22	N/C	N/C
Classification of accounts to conform with APB Opinion No. 30	4	14	10	—
Consolidation policy	3	8	10	15
Depreciation	2	4	3	6
Other	34	25	55	78
Total Changes	**225**	**269**	**87**	**104**
Total Companies	**183**	**239**	**74**	**88**

N/C—Not Compiled.

DEPARTURE FROM A GENERALLY ACCEPTED ACCOUNTING PRINCIPLE

Statement on Auditing Standards No. 2 states in part:

15. *General.* When financial statements are materially affected by a departure from generally accepted accounting principles and the auditor has examined the statements in accordance with generally accepted auditing standards, he should express a qualified or an adverse opinion (see paragraphs 29 and 41). The basis for such opinion should be stated in his report.

16. In deciding whether the effects of a departure from generally accepted accounting principles are sufficiently material to require either a qualified or an adverse opinion, one factor to be considered is the dollar magnitude of the effects. However, materiality does not depend entirely on relative size: the concept involves qualitative as well as quantitative judgments. The significance of an item to a particular enterprise (e.g., inventories to a manufacturing company), the pervasiveness of the misstatement (e.g., whether it affects the amounts and presentation of numerous financial statement items), and the impact of the misstatement on the financial statements taken as a whole are all factors to be considered in making a judgment regarding materiality.

17. *Inadequate disclosure*. Information essential for a fair presentation in conformity with generally accepted accounting principles should be set forth in the financial statements. If the client declines to disclose essential data in a financial statement, the auditor should provide it in his report if practicable and should express a qualified or adverse opinion because the information has been omitted from the financial statements. (See SAS No. 1, sections 430.01-430.06 regarding the adequacy of informative disclosure, and sections 545.04-545.05 regarding the omission of a statement of changes in financial position.)

An example of a qualification because of a departure from a generally accepted accounting principle follows.

The Board of Directors
Doyle Dane Bernbach Inc.

We have examined the consolidated balance sheets of Doyle Dane Bernbach Inc. and its subsidiary companies at October 31, 1974 and December 31, 1975 and the related consolidated statements of income, retained earnings, additional paid-in capital and changes in financial position for the years then ended, together with the schedules listed in the accompanying index. 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 of December 31, 1975, the Registrant has not reduced the provision for decline in market value to reflect market appreciation during 1975. If the adjustment were made, the investment in marketable securities, current assets, total assets, working capital and retained earnings would increase by $350,924 at December 31, 1975. For the two months ended December 31, 1974, net income and earnings per share for the year ended December 31, 1975 would have been $3,370,033 or $1.86 per share (Note D).

In our opinion, except for the effects of not reducing the provision for decline in market value, as discussed in the preceding paragraph, the aforementioned consolidated financial statements present fairly the consolidated financial position of Doyle Dane Bernbach Inc. and its subsidiary companies as at October 31, 1974 and December 31, 1975 and the consolidated results of operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied; and the supporting schedules present fairly the required information.—*Report of Independent Certified Public Accountants.*

Notes to Consolidated Financial Statements

Note B: Change in Fiscal Year–In 1975, the Registrant changed its fiscal year from October 31 to December 31. The results of operations for the two months ended December 31, 1974, which have been credited to retained earnings, are summarized below:

Gross advertising billings	$59,223,101
Income from commissions and fees	$ 9,204,454
Dividends, interest, purchase discounts, etc.	230,525
	9,434,979
Expenses (including depreciation and amortization of $156,627)	7,081,111
Net income before taxes on income	2,353,868
Provision for taxes on income (net of deferred tax credits of $80,831)	1,150,200
Net income ($.66 per share)	1,203,668
Retained earnings—November 1, 1974	20,183,807
Retained earnings—December 31, 1974	$21,387,475

(Reference is made to Note D—Marketable Securities)

Note D: Marketable Securities—Because of the unfavorable market conditions which developed throughout fiscal 1974, management deemed it appropriate to provide a loss of $1,800,000, reducing the cost of marketable securities to their approximate market value at October 31, 1974. During 1974, the Registrant realized $238,672 of capital losses from the sale of marketable securities. The total of $2,038,672 is shown in the statement of consolidated income as provision for loss on marketable securities. The $1,800,000 provision for decline in value established as of October 31, 1974 has been reduced during 1975 by $17,763, to reflect sales of securities.

At December 31, 1975, the Registrant has not reduced the provision for decline in market value to reflect market appreciation during 1975. If the adjustment had been made, The Registrant's investment in marketable securities, current assets, total assets, working capital and retained earnings would have increased by $350,924 at December 31, 1975. For the two months ended December 31, 1974, net income credited directly to retained earnings (Reference is made to Note B) would have been $1,103,245 or $.60 per share. Net income and earnings per share for the year ended December 31, 1975 would have been $3,370,033 or $1.86 per share.

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.

Litigation

To the Stockholders and Board of Directors of
The Amalgamated Sugar Company:

We have examined the consolidated balance sheet of The Amalgamated Sugar Company and subsidiary as of September 29, 1975 and the related consolidated statements of income and retained earnings and changes in financial position for the year (52 weeks) then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the financial statements of the company for the year (53 weeks) ended September 30, 1974.

As described in the second paragraph of Note 6 to the financial statements, the company is the defendant in several lawsuits alleging violation of the antitrust laws and seeking damages. The ultimate outcome of this litigation is not presently determinable and no provision has been made in the consolidated financial statements for the effect, if any, of these matters.

In our opinion, subject to the financial effect, if any, of the matters discussed in the preceding paragraph, the aforementioned financial statements present fairly the consolidated financial position of The Amalgamated Sugar Company and subsidiary at September 29, 1975 and the consolidated results of their operations and changes in financial position for the year (52 weeks) then ended and the financial position of the Amalgamated Sugar Company at September 30, 1974 and the results of its operations and changes in financial position for the year (53 weeks) then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Auditors' Report*.

Notes to Financial Statements

Note 6: Litigation—On December 19, 1974, the Department of Justice filed an indictment against the Company and four other sugar companies alleging violation of an antitrust law. On July 31, 1975, the Company pled nolo contendere —that is, no contest—to the indictment and was fined $50,000.

Since December 19, 1974, a number of private suits, most of which are alleged to be class actions, have also been filed against the Company. In each of these cases, plaintiffs allege certain violations of the antitrust laws by the Company and other sugar sellers and seek treble damages in an unspecified, undetermined, but substantial amount. The outcome of this litigation is uncertain; however, the Company has denied the allegations contained in each of these complaints.

In addition, the Company is a defendant in other lawsuits arising in the ordinary course of business. In the opinion of management, no material liability exists with respect to these other lawsuits.

To the Shareholders and Board of Directors of
Bausch & Lomb Incorporated

We have examined the consolidated financial statements appearing on pages 17 through 28 of this 1975 annual report of Bausch & Lomb Incorporated. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described in the note on litigation in the accompanying consolidated financial statements, the company is involved in three actions relating to a sublicense agreement. These actions have not yet come to trial and their outcome cannot now be determined with certainty.

As described in the accounting change note in the accompanying consolidated financial statements, in 1975 the company changed its method of translating the foreign currency financial statements of consolidated subsidiaries into U.S. dollar equivalents.

In our opinion, subject to the effect, if any, of the litigation referred to above, the accompanying consolidated financial statements present fairly the financial position of Bausch & Lomb Incorporated and its consolidated subsidiaries at December 28, 1975 and December 29, 1974 and the results of their operations and changes in financial position for the fifty-two weeks then ended in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, referred to in the preceding paragraph.—*Report of Independent Accountants*.

Notes to Financial Statements

Litigation—Late in 1975, during the course of pre-trial discovery proceedings in the patent infringement suit brought in Denver in 1974 by National Patent Development Corporation, the Czechoslovak Academy and Bausch & Lomb against Automated Optics, Inc, Inc., the company was advised by its attorneys that they had learned of important facts reflecting on the enforceability of the patents. Those facts had been in the possession of National Patent but never disclosed to Bausch & Lomb. Based on that information, Bausch & Lomb concluded that it could no longer continue as a plaintiff against Automated Optics in that case. Accordingly, the company has filed a cross claim against National Patent and the Czechoslovak Academy challenging the patents.

After Bausch & Lomb advised National Patent in January of 1976 that it could no longer continue as a plaintiff against Automated Optics in the Denver case, National Patent commenced an action against the company claiming antitrust law violations and treble damages of $294,000,000, and also claiming patent infringement and continuing treble damages of $525,000 per week. The company believes these claims have no merit.

During 1975, National Patent served a second amended complaint in an action commenced by it against the company in 1972. The complaint alleges that, in determining the amount payable to National Patent under the company's license for hydrophilic soft contact lenses in the Western Hemisphere, the company has understated sales by excluding therefrom items which are not properly excludable and has overstated expenses by including therein items not properly includable. It demands judgment against the company for an amount in excess of $23,000,000 as well as a judgment terminating the license. The company believes that it has paid National Patent all amounts due under the license. In January 1976, the company amended its answer in that case by adding the defense that the patents are unenforceable.

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, 1975 and 1974, 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.

An order of the Reorganization Court approving a settlement agreement which may result in the resolution of claims and counterclaims related to the production of railcars delivered in 1968 and 1969 is appealable until April 13, 1976, as described fully in Note 10. The final disposition of the matter is pending the outcome of the appeal process and the execution of all releases. The effect, if any, on the financial statements is not determinable and no related provisions have been made.

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 consolidated financial statements present fairly the financial position of The Budd Company and its consolidated domestic and Canadian subsidiaries at December 31, 1975 and 1974 and the results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Accountants' Report.*

Notes to Consolidated Financial Statements

Note 10 (in part): Litigation and Claims

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, 1975 and 1974, there was approximately $5 million due from customers on the delivered and accepted cars including spare parts. The Company instituted suit against Lease Financing Corporation, to which the cars were sold, to recover a substantial portion of that amount. Penn Central, a joint and several obligor with Lease Financing under the contracts on which the suit has been brought, is in reorganization. Lease Financing 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.

There are potential claims and counterclaims against the Company based upon performance deficiencies and delays in certain systems, including sub-systems purchased by the Company from other suppliers. Effective February 11, 1976, a settlement agreement submitted by the Trustees of Penn Central to the Reorganization Court was approved. The order is appealable until April 13, 1976. The settlement agreement, when effective, provides to the Company a contingent right of recovery of up to $5 million. Should such order of the Reorganization Court not be appealed or, if an appeal is taken and the order of the Reorganization Court is affirmed it is contemplated that the claims and counterclaims among the Company, the Trustees, Lease Financing and the suppliers will be released and all relevant litigation dismissed with prejudice.

To the Shareholders and Board of Directors
Consolidated Packaging Corporation

We have examined the balance sheet of Consolidated Packaging Corporation and Subsidiaries as of December 31, 1975 and the related statements of operations and accumulated 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. We previously examined and reported upon the financial statements of the Company and its subsidiaries for the year 1974.

As discussed further in Note 10 of Notes to Financial Statements, the Company is involved in lawsuits alleging violation of antitrust laws. Since the outcome of the litigation cannot presently be determined, no provision for liability, if any, which may result has been made in the financial statements.

In our opinion, subject to the effects, if any, of the ultimate resolution of the litigation discussed in the preceding paragraph, the financial statements referred to above present fairly the financial position of Consolidated Packaging Corporation and Subsidiaries as of December 31, 1975 and 1974, 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.—*Auditors' Report*

Notes to Financial Statements

Note 10: Antitrust Litigation—An indictment and civil action were filed by the Federal Government in February, 1976, in the United States District Court in Chicago charging the Company and 22 other companies (along with a number of individual corporate executives, including one of the Company's former directors and officers) with violations of the Sherman Act in connection with folding carton prices during the approximate period of 1960 through 1974. The Government is seeking to impose upon the Company a fine of $50,000 in the criminal case and injunctive relief in the civil action. The Company has also been named in various treble damage complaints filed by certain folding carton customers, based on essentially the same allegations set forth in the Government action. Some of these complaints purport to be class actions seeking treble damages, litigation expenses, attorneys' fees and injunctive relief.

The Company is not aware of any wrongdoing on its part, and intends to vigorously defend against the Government cases and private lawsuits. However, since it is impossible to predict the outcome of the litigation at this stage of the proceedings, management cannot predict the likelihood or amount of liability, if any, the Company may incur by reason of the matters involved in these proceedings, or the effect, if any, on the accompanying financial statements.

To the Shareholders and the 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, 1975 and 1974 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 with generally 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 14, a legal action has been instituted against the company alleging slander. Although the company is contesting this action, the ultimate outcome is not presently determinable.

In our opinion, subject to the effect, if any, of the litigation referred to 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, 1975 and 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 periods.—*Auditors' Report.*

Notes to Consolidated Financial Statements

Note 14: Litigation—The company is a defendant in an action in which the plaintiff seeks general damages in the amount of $250,000 and punitive and exemplary damages in the amount of $2,000,000 for alleged slanderous statements made by the company and its employees. The company has filed an answer to this complaint denying liability and asserting affirmative defenses.

The Shareholders and Board of Directors
St. Regis Paper Company

We have examined the consolidated balance sheet of St. Regis Paper Company and consolidated subsidiaries as of December 31, 1975 and 1974, 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.

As indicated in the note to the financial statements captioned "Other matters," 23 companies, including St. Regis, were indicted by a Federal grand jury which charged violation of Section 1 of the Sherman Act by conspiring to fix, raise, maintain and stabilize the price of folding cartons. Private treble damage actions are typically filed after indictments of this sort. St. Regis cannot now assess the probability of being held liable in such actions or the extent of its exposure for damages. Accordingly, no provision has been made for any liability that may result.

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 consolidated financial statements present fairly the financial position of the companies at December 31, 1975 and 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 applied on a consistent basis after restatement for the change, with which we concur, in the method of accounting for translation of foreign currency transactions and foreign currency financial statements as described in the note to the financial statements captioned "Accounting change."—*Auditors' Opinion.*

Notes to Financial Statements

Other matters—On February 18, 1976, 23 companies, including St. Regis and Michigan Carton Co. (acquired in 1974 and thereafter merged), were indicted by a Federal grand jury which charged violation of Section 1 of the Sherman Act by conspiring to fix, raise, maintain, and stabilize the price of folding cartons. Private treble damage actions are typically filed after indictments of this sort. St. Regis cannot now assess the probability of being held liable in such actions or the extent of its exposure for damages. Accordingly, no provision has been made for any liability that may result.

To the Shareholders and the Board of Directors
Sun Chemical Corporation:

We have examined the consolidated balance sheet of Sun Chemical Corporation (a Delaware corporation) and subsidiaries as of December 31, 1975 and 1974 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 consolidated financial statements of Ault & Wiborg Group, Limited (A&W), a 40%-owned affiliate, the investment in which is reflected in the accompanying financial statements using the equity method of accounting. Sun's equity in earnings (losses) of A&W for 1975 and 1974 was $(48,000) and $601,000, respectively (see Notes 6 and 13 to the financial statements). The financial statements of A&W 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 A&W, is based solely upon the report of the other auditors.

In January 1976, a judgment was entered against the company in connection with certain litigation as described in Note 13. The company is appealing the judgment. Management and counsel are not in a position to predict the outcome. Accordingly, no provision has been made at December 31, 1975 for damages, if any, which may ultimately be payable.

In our opinion, based upon our examination and the report of other auditors referred to above, and subject to effects, if any, on the consolidated financial statements of the ultimate resolution of the matter discussed in the preceding paragraph, the consolidated financial statements referred to above present fairly the financial position of Sun Chemical Corporation and subsidiaries as of December 31, 1975 and 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 periods.—*Auditors' Report.*

Notes to Financial Statements

Note 13: Sundstrand and A&W Litigation—The company and others are defendants in an action brought by Sundstrand Corporation in which Sundstrand alleges that it was wrongfully induced by Standard Kollsman Industries Inc. (SKI) and others to purchase shares of the common stock of SKI in 1969. Sun assumed responsibility for this action when SKI was merged into Sun in December, 1972. On January 23, 1976 the court issued a decision awarding damages of $4,400,000 and interest of $1,800,000. The company has appealed this decision. Management and counsel are not in a position to render an opinion as to the ultimate outcome of the appeal.

A subsidiary of the company's 40%-owned affiliate, Ault & Wiborg Group, Limited (A&W), was a defendant in a lawsuit in which substantial damages were alleged. On April 5, 1976, the court rendered a decision favorable to such subsidiary dismissing the lawsuit. It is not yet known whether claimants will appeal this judgment. In the event an appeal is taken, and in the further event that such appeal is successful, the ultimate settlement would not have a material adverse effect on the financial position of Sun.

Pursuant to Statement No. 5 of the Financial Accounting Standards Board, the company has made no provision for the outcome of the aforementioned litigation in its financial statements.

Valuation or Realization of Assets

The Board of Directors and Shareholders
American Electronic Laboratories, Inc.

We have examined the accompanying consolidated balance sheet of American Electronic Laboratories, Inc. at February 28, 1975 and February 22, 1974 and the related consolidated statements of operations, 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. With respect to the Company's investment in and advances to A.E.L. Israel Limited aggregating $1,761,008 and $1,733,002 and equity of $66,552 and $54,727 in its net income and with respect to the Company's investment in Butler International, Inc. aggregating $3,083,379 and $2,899,713 and equity of $522,653 and $989,102 in its net income at and for the years ended February 28, 1975 and February 22, 1974, respectively, we have received the reports of other independent public accountants on their examination of the financial statements of these companies. Our opinion expressed herein, insofar as it relates to the amounts included for A.E.L. Israel Limited and Butler International, Inc. indicated above, is based solely upon the reports of the other auditors.

As discussed in Note 3 to the consolidated financial statements, excess quantities and potential obsolescence exist in the inventories of a wholly-owned subsidiary. The ultimate realizable value of such inventories are dependent upon factors which are not determinable at this time.

In our opinion, based on our examination and the reports of other independent auditors referred to above, subject to the effects of such adjustments, if any, as might have been required had the outcome of the uncertainty referred to in the preceding paragraph been known, the statements mentioned above present fairly the consolidated financial position of American Electronic Laboratories, Inc. at February 28, 1975 and February 22, 1974 and the consolidated results of operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the period subsequent to the change, with which we concur, made as of February 24, 1973 in the method of allocating indirect costs to inventories as described in Note 4 to the consolidated financial statements.—*Auditors' Statement*.

Notes to Consolidated Financial Statements

Note 3: Provision for Inventory Losses—During the year ended February 28, 1975, a wholly-owned subsidiary engaged in the manufacture of CATV equipment and the construction of CATV systems experienced a significant decline in operations. During the fourth quarter of the year ended February 28, 1975, management evaluated the operations of this subsidiary to determine the existence of excess and potentially obsolete inventory.

As a result of this evaluation, the Company has recorded a $500,000 provision to cover excess and obsolete inventories. The ultimate costs applicable to this matter are not determinable at the present time, however, in management's opinion, the effect of subsequent adjustments, if any, on the consolidated financial position of the Company would not be material.

Note 4: Change in Accounting Method—During the year ended February 22, 1974, the Company changed its method of allocating indirect costs to inventories. Under the new method, certain indirect costs which were previously included in the overhead pool and accordingly, allocated to the manufacturing costs of inventories are now included in general and administrative expenses. The reason for the change in policy was to conform with prevailing practice in the defense contracting industry. The effect of the change in 1974 was to increase income before equity in income of unconsolidated affiliates and extraordinary items by approximately $52,000 ($.03 per share). The cumulative effect of the new accounting method results in an adjustment of $91,000 (after income tax benefit of $84,000) which was charged to income in 1974.

To the Board of Directors and Shareholders of
The Anaconda Company

We have examined the consolidated balance sheets of The Anaconda Company as of December 31, 1975 and 1974 and the related statements of consolidated income, retained earnings and changes in consolidated financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The status of the company's claims for indemnification by Overseas Private Investment Corporation (OPIC) for its Chilean investments which were expropriated in 1971 is explained on page 29 of this Annual Report. As indicated, the aggregate amount the company may ultimately receive in realization of its Chilean investments, which are reflected in the accompanying Consolidated Balance Sheet under the caption "Chilean notes and OPIC insurance claims," cannot be determined at this time.

As described on page 34, in the fourth paragraph of the litigation note, Anamax Mining Company (Anamax), a partnership in which the company has a fifty percent interest, has been named one of several defendants in litigation that, if resolved adversely, could result in Anamax being deprived of or severely restricted in the use of ground water essential to its operations. The outcome of this litigation cannot now be determined.

In our opinion, subject to the effects, if any, of the ultimate resolution of the uncertainties referred to in the preceding two paragraphs, the accompanying consolidated financial statements present fairly the financial position of The Anaconda Company and its consolidated subsidiaries at December 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.—*Report of Independent Accountants*.

Notes to Financial Statements

Chilean Notes and OPIC Insurance Claims—On July 17, 1975, a panel of three independent arbitrators held Overseas Private Investment Corporation (OPIC) liable to Anaconda under two contracts insuring against the expropriation of Anaconda's investments in the Chuquicamata and El Salvador Chilean mining properties. The arbitrators' award did not specify the amount OPIC must pay Anaconda, but left this matter to be determined by further proceedings. OPIC has since moved in federal court to have the award set aside, on the basis of an alleged appearance of partiality in the arbitration panel. In September 1975 one member of the three-man panel became associated with a law firm that in the previous winter had assisted Anaconda's trial lawyers with respect to the preparation of an affidavit about foreign law—an affidavit that ultimately was not used in presenting its case. While the arbitrator in question has stated that he had no knowledge of these circumstances until after he became associated with the firm, OPIC nevertheless argues that the impartiality of the panel has been placed in question. In the company's view, OPIC's contentions are without merit, and the company has moved to have the award confirmed.

The July 17, 1975, award was the outgrowth of the binding arbitration of Anaconda's 1972 claims against OPIC for $159 million. In connection with the ultimate recovery by Anaconda against OPIC, OPIC will have the right to succeed under the insurance contracts to a percentage of the proceeds of the 1974 settlement with the Government of Chile of approximately U.S. $253 million, of which $65 million was received in cash and $188 million in U.S. dollar promissory notes of Corporacion del Cobre (Codelco), a Chilean public corporation. The notes, which after Chilean income tax yield six percent, are payable in equal semi-annual payments from February 1975 through 1984, and are guaranteed by the Central Bank of Chile. The precise nature and amount of OPIC's interest, the dollar value of which would be less than the dollar value of Anaconda's recovery from OPIC, is not now determinable, since it is included among the issues to be determined by further proceedings. Accordingly, at December 31, 1975 and 1974, Anaconda valued its Chilean investment at no less than the amount of the currently outstanding Codelco notes together with accrued interest less Chilean income taxes.

In 1974 extraordinary income included $93.6 million (before $44.9 million of related tax effects), representing the excess of the 1974 settlement with the Chilean government over the aggregate amount of insurance claims pending against OPIC.

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, 1975 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, 1974.

As described in Note 13, 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. A decision of a lower court favorable to the Company has been appealed by the plaintiffs and the ultimate liability, if any, cannot now be determined.

As explained in Note 2, the Company holds subordinated debentures of Meridian Industries, Inc. and has guaranteed certain of Meridian's debt obligations. Collection of the debentures and avoidance of liabilities under the guarantees are dependent upon Meridian's ability to sustain profitable operations and/or obtain additional financing.

In our opinion, subject to the effect of the matters referred to in the preceding paragraphs, the aforementioned financial statements present fairly the consolidated financial position of Armada Corporation and Subsidiaries at December 31, 1975 and 1974, and the consolidated results of operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles which, except for the change in the last-in, first-out (LIFO) method of valuing certain inventories as described in Notes 1 and 6, with which we concur, were applied on a consistent basis.—*Accountants' Report*.

Notes to Consolidated Financial Statements

Note 2. Investment in; Transactions With and Guarantees of Debt of Meridian Industries, Inc., (Meridian) an Affiliated Company:

Ownership of Meridian Securities

Debentures

Armada Corporation (Armada) owns no common shares of Meridian. Armada holds $850,000 principal amount of convertible subordinated debentures, issued in 1974, due July 31, 1977, which were acquired together with the warrants referred to below on May 6, 1975 at par plus accrued interest at 1 percent above prime from Lafayette Steel Company (Lafayette) ($750,000) and Jerry D. Luptak ($100,000). Mr. Leonard Friedman, Vice-President and Director of Armada, is the sole shareholder of Lafayette and Mr. Luptak is President and a Director of Armada. The debentures may be converted to 850,000 common shares of Meridian until July 31, 1979. The debentures are junior to all debt and, as stated elsewhere in this note, are by agreement subordinate to all obligations of a subsidiary of Meridian to Commercial Credit Business Loans, Inc.

Conversion Rights and Warrants

Armada holds rights to acquire 2,483,000 Meridian shares at a conversion price of $1.00 per share. The transactions giving rise to the rights and the expiration dates are:

	Shares	Expiration
Debenture conversion	850,000	July 31, 1979*
Warrants issued with debentures ..	1,133,000	July 31, 1979*
Warrants issued in consideration for debt guarantee	500,000	July 31, 1979
	2,483,000	

*extended from original expiration date of July 31, 1977.

Based on the number of Meridian common shares currently outstanding, 1,717,789, if all warrants were exercised and debentures converted, Armada would own 2,483,000 shares of Meridian or 59 percent of the 4,200,789 shares of Meridian common stock, assuming no further issuance of common shares by Meridian. Management of Armada has no present intention of converting the debentures or exercising the warrants.

Guarantees of Debt and Subordination

Armada Corporation has guaranteed $1,500,000 of the $2,811,000 term debt of a subsidiary of Meridian, Formed Tubes, Inc., to Commercial Credit Business Loans, Inc. (Commercial). The term debt is payable $35,000 monthly plus interest with a final payment of $1,271,000 due September 15, 1979. Formed Tubes, Inc. is also indebted to Commercial in respect to accounts receivable and inventory financing. Armada has agreed to subordinate repayment by Meridian of the debentures due July 31, 1977 until all indebtedness of Formed Tubes, Inc. to Commercial is repaid in full.

The Company is obligated under letters of credit or continuing guarantees to suppliers issued for the benefit of Meridian or its wholly-owned subsidiary, Formed Tubes, Inc., in the aggregate amount of $650,000. At December 31, 1975 no amounts were outstanding against this obligation.

Officers and Directors of Meridian

Four of the seven directors of Meridian were nominated by Armada. Messrs. Friedman, Luptak and Roy C. Trouteaud are officers and directors of both Armada and Meridian.

In addition, Lafayette assigned to the Company its rights under powers of attorney given to Lafayette by Basil M. Briggs, a director of Meridian, and certain members of his family, ("Briggs Family") which provided Lafayette a proxy to vote the shares of common stock of Meridian owned by the Briggs Family to elect directors of Meridian at Meridian's annual meetings of stockholders in 1975 and 1976. Members of the Briggs Family who have signed such powers of attorney control approximately 25 percent of the shares of common stock of Meridian presently outstanding.

Data Regarding Meridian

As disclosed by unaudited internal statements of Meridian at December 31, 1975, total liabilities exceeded total assets by $2,944,000 and current liabilities of $6,792,000 exceeded current assets by $3,120,000. Dividends in arrears on cumulative preferred shares ($25,669 each quarter) aggregated $205,350 at December 31, 1975.

Shareholder Approval Sought

By agreement with the New York Stock Exchange in September 1975, Mr. Luptak, Lafayette and Mr. Friedman agreed to obtain shareholder approval for the purchase of the Debentures by the Company and hold the Company harmless against any loss incurred prior to shareholder approval. In addition, they agreed to repurchase the Debentures and warrants plus any accrued interest, in the event the shareholders do not approve the purchase. The guarantee of Formed Tubes debt of $1,500,000 and supplier guarantees would continue in effect as would the related stock warrants for 500,000 shares of Meridian in the event shareholder approval is not obtained for the purchase of the Debentures.

In Note 14 (unaudited) are shown the pro forma effects of certain assumptions as to the shareholders' approval or disapproval of the debenture and warrant purchase and further assumptions as to the value of the investment in Meridian.

Note 14: Pro Forma Data Regarding Investment in Meridian (unaudited):

Shown in the following summary tabulation are the effects on the historical 1975 financial statements of the assumptions stated:

(a) Shareholders vote disapproval of the purchase of the Meridian debentures and warrants.
(b) Shareholders approve the debenture and warrant purchase, which investment is considered to have a continuing value of $850,000, the purchase price.
(c) Shareholders approve the debenture and warrant purchase, the cost of which is ultimately charged to operations as a loss.

	Historical Data	Shareholder Rejection(a)	Shareholder Approval Assuming Full Value (b)	Shareholder Approval Assuming Charge-off (c)
Data as at December 31, 1975:				
Current assets	$15,378,000	$16,228,000	$15,378,000	$15,378,000
Investment in Meridian Industries, Inc.	$ 850,000	—	$ 850,000	—
Increase in working capital (cash)	—	$ 850,000	—	—
Shareholders' equity	$22,518,000	$22,518,000	$22,518,000	$21,668,000
Net income	$ 1,412,000	$ 1,412,000	$ 1,412,000	$ 562,000(1)
Earnings per share	$.87	$.87	$.87	$.35

(1) Assumes for pro forma purposes that the $850,000 investment in Meridian Industries, Inc. is charged to 1975 income as a capital loss resulting in no tax benefit.

Directors and Shareholders
Caesars World, Inc.
Los Angeles, California

We have examined the consolidated balance sheets of Caesars World, Inc. and Subsidiaries as at July 31, 1975 and 1974, and the related 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 described in Note 6, the Company has a substantial investment in land in Florida for which development plans are in the process of being formulated. As described in Note 4, the Company holds $2,882,000 in notes from a company which has not yet attained profitable operations. The ultimate realizability of these investments is dependent upon the success of future operations and is not determinable at this time.

In our opinion, subject to the effects, if any, on the financial statements of the amounts ultimately realized on the investments referred to in the preceding paragraph, the financial statements referred to above present fairly the consolidated financial position of Caesars World, Inc. and Subsidiaries at July 31, 1975 and 1974 and the consolidated results of their operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Report of Certified Public Accountants*.

Notes to Consolidated Financial Statements

Note 6: Land held for development and deferred development costs—At July 31, 1975, the Company held approximately 420 acres of developable land in North Miami Beach, Florida, with an aggregate cost of $30,815,000. This includes development costs, and interest and taxes on the property since its acquisition. The Company is in the process of developing plans which provide for the construction of a substantial number of residential rental units on the property over a term of several years.

Development costs, and interest and taxes incurred in connection with the property through July 31, 1975, were capitalized until the property became revenue-producing. Because the Company is now contemplating developing the property primarily for rentals, development costs after July 31, 1975 will be charged to income as incurred.

In 1974 and 1975, the real estate industry was adversely affected by unfavorable economic conditions, high interest rates, and rising construction costs. These unfavorable factors contributed to a depressed real estate market, especially in Southern Florida. While management believes the aggregate cost of the land is recoverable, realization of the Company's investment will require a substantially longer period of time than originally anticipated.

If interest related to the North Miami Beach property and the Thunderbird property (see Note 3), net of income tax benefits, had not been capitalized, net income for the years ended July 31, 1975 and 1974 would have been reduced by approximately $2,079,000 and $1,619,000, respectively.

The Company is a participant in a joint venture which substantially completed construction of a 106 unit residential condominium and a 106 unit rental apartment building during the year ended July 31, 1975, Financing for the project was provided by $7,250,000 in mortgage loans and $1,263,000 in advances from the Company. The mortgage loan balance, which had been reduced to $5,713,000 by July 31, 1975, was originally due on October 1, 1975; preliminary agreement has been reached for a two year extension of the loan. The Company is required to provide 50% of any additional funds required by the joint venture. During the year ended July 31, 1975, the Company's deferred gain from the sale of land to the joint venture was reduced by $108,000, the Company's share of the joint venture's net operating loss for the year.

The Board of Directors and Stockholders
Continental Copper & Steel Industries, Inc.

We have examined the balance sheet of CONTINENTAL COPPER & STEEL INDUSTRIES, INC. and CONSOLIDATED SUBSIDIARIES as of June 30, 1975 and the related statements of income and retained earnings and of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the financial statements of the Company and Consolidated Subsidiaries for the year ended June 30, 1974.

As described more fully in Note 3 to the financial statements, Minera Sagasca, S.A., (Chile) (Sagasca), 59% owned by the Company, is operating its copper mine on a standby basis due principally to the present low selling price of copper and high operating costs. Until these and other factors are satisfactorily resolved there is uncertainty as to the Company's ultimate realization of its investment in and loans to Sagasca ($12,137,000 at June 30, 1975).

In our opinion, subject to the effects, if any, on the financial statements of the Company not realizing its investment in the loans to Sagasca as indicated in the preceding paragraph, the aforementioned financial statements present fairly the financial position of Continental Copper & Steel Industries, Inc. and Consolidated Subsidiaries at June 30, 1975 and 1974 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.—*Auditor's Report.*

Notes to Financial Statements

Note 3 (in part): Investment in and Loans to Minera Sagasca, S.A.—Sagasca is a mixed mining company which operates a copper mine in Chile under a 20 year governmental decree, dated September 24, 1968, and since all mines are state owned it is considered a concessionaire under the present provisions of the Chilean Mining Code. The Chilean government has indicated to Management that it intends to assist in developing Sagasca to its full potential and has no intention to nationalize the mine.

As a result of the substantial decline in the price of copper on the London Metal Exchange during 1974 and significant capital and operating expenditures during the year, it was determined not economically feasible to operate the mine on a full-time basis. Reduced operations went into effect in December, 1974 and the mine is currently operating at approximately 30% of capacity.

In April, 1975, Sagasca began certain tests to determine whether production improvements could be made to increase the recovery of copper, while decreasing the production cost per pound of copper. The Company employed an independent engineering firm to observe and evaluate the tests conducted; to observe the metallurgical and mechanical condition of the plant and mine; and make recommendations for improvements which will allow the plant to operate at its expected capacity. The engineering firm reported in August, 1975 that the results of the tests were favorable, and subject to implementation of their recommended improvements and further testing, the necessary production cost reductions and desired capacity could be attained. The report indicates that in order to attain full capacity it is expected that additional expenditures of approximately $3,300,000 for improvements will have to be incurred over a two to three year period.

Sagasca is presently attempting to arrange technical and financial meetings with its long-term creditors and stockholders. The purpose of the technical meeting is to evaluate the aforementioned report and reach agreement on its findings and recommendations. The financial meeting will consider the revision of Sagasca's long-term debt obligations (which are currently in default and have been classified as current liabilities in Sagasca's balance sheet) to eliminate fixed principal and interest payments and to substitute a repayment schedule related to Sagasca's operations and profitability, and financing of the improvement expenditures referred to above. It is expected that the meetings will begin in the latter part of September, 1975.

In the opinion of Management, based on an estimated selling price on the London Metal Exchange of copper of $.60 per pound and the present level of expenses, it is expected that Sagasca will continue to operate at a loss at least through December, 1975. However, it is expected that operations will provide sufficient funds to meet current operating expenses and effect a reduction in outstanding indebtedness to suppliers, including the Company. Prior to January, 1976 a final determination is expected to be made as to the technical and financial matters discussed above.

At June 30, 1975 the Company wrote down its investment and loans by $4,000,000 to $12,137,000 which represents the Company's share of its equity in Sagasca, including loans, interest, etc. payable to the Company.

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, 1975 and 1974 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. In 1974 we did not examine the financial statements of Foster Grant Co., Inc., whose results of operations constitute the entire amount of income from discontinued operations for that year. 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 Foster Grant Co., Inc., is based solely upon the report of the other independent accountants.

As described in Note 8, the Company has initiated a review 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. The effect of the conclusions of this review on the financial position of the Company cannot be determined at this time.

In our opinion, based on our examinations and the previously mentioned report of other independent accountants and subject to the effect, if any, of the review referred to in the preceding paragraph, the consolidated financial statements present fairly the financial position of United Brands Company and subsidiary companies at December 31, 1975 and 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.—*Report of Independent Accountants*.

Notes to Consolidated Financial Statements

Note 8: Intangibles—The excess of cost of investment over fair value of net assets of businesses acquired prior to 1971 (relating principally to the Company's acquisition of the United Fruit Company) of $269,386,000 has not been amortized. The Company has initiated a review of the continuing value of the excess of cost over the fair value of net assets acquired in connection with its acquisition of the United Fruit Company. This review is expected to be completed during 1976.

The excess of equity over cost of net assets acquired in a 1966 acquisition is being credited to income over 10 years at $641,000 annually.

The excess of cost of investment over fair value of net assets of businesses and trademarks acquired subsequent to 1970 of $4,600,000 are being amortized over 10 to 40 years; $200,000 was charged to income from continuing operations in 1975 and 1974 for such amortization.

Discontinued Operations

Board of Directors and Stockholders
Scovill Manufacturing Company

We have examined the consolidated balance sheet of Scovill Manufacturing Company and consolidated subsidiaries as of December 28, 1975, and December 29, 1974, and the related consolidated statements of earnings, stockholders' equity and changes in financial position for the fiscal 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 B the Company has made a provision for loss on disposition of its Metals and General Products division. While such provision reflects management's best estimate of the expected loss on disposition of these divisions, the ultimate loss is dependent upon factors which are not presently determinable.

In our opinion, subject to the effect on the financial statements of the ultimate result of disposition of operations discussed in the preceding paragraph, the financial statements referred to above present fairly the consolidated financial position of Scovill Manufacturing Company and consolidated subsidiaries at December 28, 1975, and December 29, 1974, and the consolidated results of their operations and changes in financial position for the fiscal years then ended in conformity with generally accepted accounting principles applied on a consistent basis.—*Report of Independent Accountants*.

To the Shareholders and Board of Directors of
The Singer Company

We have examined the balance sheet of The Singer Company and consolidated subsidiaries as of December 31, 1975 and 1974 and the related statements of income, retained earnings, additional paid-in capital, and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As more fully described under Discontinued Operations in the Notes to Financial Statements, in December 1975, the Company decided to withdraw from the manufacture and sale of its Business Machines Division product lines and, accordingly, recorded a provision for the estimated expenses and write-downs to be incurred in connection therewith. We reviewed the procedures followed and the documentation prepared by management in determining the provision and, in our opinion, such provision represents a reasonable determination of the expenses and write-downs to be incurred. However, the actual amount of such expenses and write-downs will not be determinable until the discontinuance is completed.

In our opinion, subject to the effect, if any, on the financial statements of the final determination of the expenses and write-downs to be incurred in connection with the discontinuance discussed in the preceding paragraph, the aforementioned financial statements present fairly the financial position of The Singer Company and consolidated subsidiaries at December 31, 1975 and 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 applied on a consistent basis.

Income Tax Liability

To the Shareholders and Board of Directors of
California Computer Products, Inc.

We have examined the consolidated balance sheets of California Computer Products, Inc. and its subsidiaries as of June 30, 1975 and 1974, and the related consolidated statements of operations, 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.

As discussed in Note 6 to the consolidated financial statements, the Company's federal income tax return for fiscal year 1971 was originally examined during 1973 by the Internal Revenue Service and accepted as filed. However, in connection with the examination of the 1972 federal income tax return, in March 1975 the Company was formally advised by the Internal Revenue Service that a subsidiary, Century Data Systems, Inc., should not have been included in either the consolidated federal income tax return for the fiscal year ended June 30, 1971 or the first nine months of the consolidated federal income tax return for the fiscal year ended June 30, 1972. As a result, the Internal Revenue Service has proposed a tax deficiency of $8,662,000, including interest and penalty. The Company intends to diligently defend its position, the resolution of which may take several years. Inasmuch as a reasonable determination of the ultimate liability cannot be made pending resolution of the proposed adjustments, no reserve has been included in the accompanying financial statements for such contingent liability.

In our opinion, subject to the effects of such adjustments which would have been required had the outcome of the uncertainty referred to in the preceding paragraph been known, the consolidated financial statements examined by us present fairly the financial position of California Computer Products, Inc. and its subsidiaries at June 30, 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.—*Report of Independent Accountants*.

Notes to Consolidated Financial Statements

Note 6 (in part): Income taxes—The Company's federal income tax return for fiscal year 1971 was originally examined during 1973 by the Internal Revenue Service and accepted as filed. However, in connection with the examination of the 1972 federal income tax return, in March 1975 the Company was formally advised by the Internal Revenue Service that a subsidiary, Century Data Systems, Inc., should not have been included in either the consolidated federal income tax return for the fiscal year ended June 30, 1971 or the first nine months of the consolidated federal income tax return for the fiscal year ended June 30, 1972. The Company had filed consolidated income tax returns for these periods on advice received from its special tax counsel that the stock of Century Data Systems, Inc. owned by certain employees of Century, which was restricted and subject to options held by the Company, could be excluded in determining the Company's 80 percent of "voting control" requirement. The Internal Revenue Service has proposed a tax deficiency of $8,662,000, including interest and penalty. Management believes, however, and has been so advised by its special tax counsel that the Company has meritorious defenses to the IRS position on the basic issue of consolidation, and further, that the amount of the proposed deficiency is excessive since the IRS has not given the Company any benefit for substantial amounts of expenses incurred on behalf of Century during these periods. The Company had made no intercompany charges for these expenses since it intended to file consolidated returns and, accordingly, such charges would have had no effect on consolidated taxable income.

Management believes that should the IRS prevail in its position, the maximum eventual tax effect could be limited to interest and penalties, if any, provided the tax, which would otherwise be payable on future taxable income, is at least equal to the proposed deficiency. As a result of the Company's profitable operations in fiscal years 1973 and 1974, it has earned taxable income of all but approximately $3,000,000 to offset the amount of operating losses attributable to the Company if the IRS were successful in their position. If the allocation of expenses incurred by the Company on behalf of Century is considered, management estimates that all loss carryovers generated by the IRS position would be offset. Assuming no allocation of expenses, the remaining $3,000,000 would be available to offset any future taxable income through 1977 and the estimated taxable loss of $8,500,000 for the year ended June 30, 1975 will be available to offset any future taxable income earned through 1980.

The Company intends to diligently defend its position, the resolution of which may take several years. Inasmuch as a reasonable determination of the ultimate liability cannot be made pending resolution of the proposed adjustment, no reserve has been included in the accompanying financial statements for such contingent liability. If material, the deficiencies arising from the final disposition of this matter which are not 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.

The Board of Directors and Shareholders
Food Fair Stores, Inc.

We have examined the consolidated balance sheet of Food Fair Stores, Inc. and Subsidiaries as at August 2, 1975 and August 3, 1974, and the related consolidated statements of income (loss), retained earnings and changes in financial position for the fifty-two and fifty-three weeks, respectively, 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's investment in Amterre Development Inc. at August 2, 1975, stated on the equity basis, aggregated $9,420,000. The accountants' report on the examination of the consolidated financial statements of Amterre for the year ended December 31, 1974 was qualified with respect to the ultimate realization of Amterre's investment in certain property. The realization of the Company's investment in Amterre is subject to the material uncertainty described in Note 4.

As described in Note 10, the Federal income tax returns of the Company and certain subsidiaries have been examined by Internal Revenue Service for the fiscal years 1964 through 1968. The Service has proposed adjustments which would result in additional taxes of approximately $9,000,000, exclusive of interest. Since the material issues may be litigated, it is not presently possible to estimate the ultimate outcome of the tax controversies.

In our opinion, subject to the effect of the matters discussed in the preceding paragraphs, the aforementioned financial statements present fairly the consolidated financial position of Food Fair Stores, Inc. and Subsidiaries at August 2, 1975 and August 3, 1974, and the consolidated results of their operations and changes in their financial position for the fifty-two and fifty-three weeks, respectively, then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Accountants' Report*.

Notes to Consolidated Financial Statements

Note 10: Income taxes—The provision for income taxes or tax benefits is comprised of the following:

	1975	1974
	(000's omitted)	
Federal:		
Current	($1,232)	$4,067
Deferred	(3,142)	1,099
Investment tax credit		(2,541)
State	323	1,540
	($4,051)	$4,165

For the fiscal year 1974, the financial income subject to tax includes approximately $1,350,000 taxable at capital gains rates.

For the fiscal year 1975, unused investment tax credits available for financial reporting purposes at August 2, 1975 ($3,500,000) have been applied in reduction of deferred income taxes.

The Company and its subsidiaries file a consolidated Federal income tax return. At August 2, 1975, the Company has available for Federal income tax purposes net operating loss and investment tax credit carryforwards of approximately $3,000,000 and $5,600,000, respectively. The net operating loss carryforward expires in 1980; the investment tax credit carryforwards expire as follows:

Fiscal year end	Amount
1978	$ 500,000
1979	1,400,000
1980	1,700,000
1981	900,000
1982	1,100,000
	$5,600,000

The Federal income tax returns of the Company and certain subsidiaries have been examined by Internal Revenue Service for the fiscal years 1964 through 1968. The Service has proposed adjustments which would result in additional taxes of approximately $9,000,000, exclusive of interest. Since the material issues may be litigaged, it is not presently possible to estimate the ultimate outcome of the tax controversies.

Renegotiation Refund

To the Shareholders and Directors
Standard Container Company

We have examined the consolidated balance sheet of Standard Container Company and subsidiaries as of September 28, 1975 and the balance sheet of Standard Container Company as of September 29, 1974 and the related statements (consolidated in 1975) 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 renegotiation refunds under the Renegotiation Act of 1951 as explained in Note 9a 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 matter referred to in the preceding paragraph, the financial statements referred to above present fairly the financial position of Standard Container Company and subsidiaries as of September 28, 1975 and Standard Container Company as of September 29, 1974 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 3a to the financial statements.—*Auditors' Report*.

Notes to Financial Statements

Note 9: Contingencies

a. Renegotiation

A portion of the Company's sales are subject to the Renegotiation Act of 1951. The Company has received clearance through 1966 and for 1970 and 1971. With respect to four fiscal years ending September 30, 1975, it is management's opinion that a refund should not be required. With respect to the 1967, 1968 and 1969 periods, the Renegotiation Board has requested refunds (after adjustment for income taxes) of $75,000, $248,000 and $164,000, respectively. The Company has petitioned the United States Court of Claims for a reversal of the Board's findings. These matters are still pending in that Court.

Inasmuch as the amount of refunds, if any, which may ultimately become payable is not presently determinable, no provision for such refunds has been made in the accompanying financial statements.

b. Federal Income Tax

The Federal income tax returns of the Company have not been examined in recent years.

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 does not need to refer to an extension or adoption of LIFO occurring in 1974.

Translation of Foreign Currency Accounts

Brown & Sharpe Manufacturing Company
North Kingstown, Rhode Island

We have examined the consolidated balance sheet of Brown & Sharpe Manufacturing Company at December 27, 1975 and the related consolidated statements of income (loss) and earnings employed in the business and of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the consolidated financial statements for the year ended December 28, 1974.

In our opinion, the aforementioned financial statements present fairly the consolidated financial position of Brown & Sharpe Manufacturing Company at December 27, 1975, and December 28, 1974, and the consolidated results of its operations and the changes in its financial positions 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 its method of translation of the accounts of foreign subsidiaries as described in Note 2. to the financial statements.—*Report of Independent Certified Public Accountants.*

Notes to Consolidated Financial Statements

Note 2: Accounting Change—In 1975, the Company changed its policy with respect to translating financial statements of subsidiaries located outside the United States to conform to the Financial Accounting Standards Board's Standard No. 8, "Accounting for the Translation of Foreign Currency Transactions and Foreign Currency Financial Statements." Prior to 1975, the Company translated assets and liabilities of subsidiaries located outside the United States at year end exchange rates except for property, plant, and equipment, accumulated depreciation, mortgage loans relating to property, deferred charges and deferred income taxes which were translated at exchange rates prevailing at dates acquired or incurred. Revenue and expense accounts were translated at average rates. Unrealized translation gains (losses) were deferred except that should losses exceed deferred gains, the excess was charged to income currently and subsequent gains credited to income to the extent of such net losses previously charged to income.

As a result of the change to the new accounting policy (see Note 1) the financial statements for 1974 have been restated to apply the new method retroactively and earnings retained in the business has been adjusted for the effect of retroactive application of the new accounting policy. The change to the new accounting policy increased income from continuing operations and net income $526,000 in 1974 ($.23 per share; $.20 per share on a fully diluted basis).

The effect of the accounting change in 1975 was to decrease the loss from continuing operations and the net loss $315,000 ($.13 per share).

To the Board of Directors and Stockholders of
Chicago Pneumatic Tool Company

We have examined the accompanying consolidated statements of financial position of Chicago Pneumatic Tool Company at December 31, 1975 and 1974 and the related statements of consolidated current and retained earnings and changes in financial position for the years then ended. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described in the accompanying financial summary on page 19, during 1975 the company changed its method of accounting for translation of foreign currency financial statements, in accordance with Financial Accounting Standards Board Statement No. 8.

In our opinion, the aforementioned financial statements present fairly the consolidated financial position of Chicago Pneumatic Tool Company and its subsidiary companies at December 31, 1975 and 1974, the results of their operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, referred to in the preceding paragraph.—*Report of Independent Accountants*.

1975 Financial Summary

Consolidated Financial Statements (in part)—The method of accounting for the translation of foreign currency financial statements into U.S. dollars was changed during 1975 in accordance with Financial Accounting Standards Board Statement No. 8. This accounting method required elimination of the company's reserve for foreign currency fluctuations, and translation of inventories of foreign subsidiaries into U.S. dollars at historical rates rather than at current rates.

This change in accounting principle increased 1975 net earnings by $1,795,000 ($.33 per share) and decreased 1974 net earnings by $1,277,000 ($.23 per share). The accompanying financial statements have been restated to reflect these changes.

Gains from translation of foreign currency financial statements, except for the effect on earnings of inventory cost of products sold and other accounts translated at historical rates, included in net earnings approximated $1,300,000 ($.24 per share) in 1975. These amounts were not material in 1974. These amounts were determined in accordance with the provisions of Financial Accounting Standards Board Statement No. 8.

Net assets of foreign operations included in the Statement of Financial Position at December 31, 1975 amounted to $59,700,000 including net current assets of $39,070,000. Net earnings applicable to foreign operations included in the Statement of Current and Retained Earnings for the year ended December 31, 1975 amounted to $7,095,000.

The Board of Directors and Stockholders
Continental Can Company, Inc.

We have examined the consolidated balance sheet of Continental Can Company, Inc. and subsidiaries as of December 31, 1975 and 1974 and the related statements of consolidated earnings, changes in consolidated stockholders' equity and of changes in consolidated financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the consolidated financial position of the companies at December 31, 1975 and 1974 and the results of their consolidated operations and the changes in their consolidated financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the period after restatement for the change, with which we concur, in the method of translating foreign currency transactions and financial statements described in the Foreign Currency note to the financial statements. —*Accountants' Opinion*.

Notes to financial statements

Foreign Currency—During 1975, the Financial Accounting Standards Board (FASB) revised the accounting procedure relating to the translation of foreign currency transactions and financial statements. The principal changes relate to the exchange rates used to translate inventories and noncurrent liabilities and the recognition of all foreign exchange gains and losses in net earnings. This new accounting standard became effective January 1, 1976 but, in accordance with the FASB's recommendation, the Company complied with the new requirement in 1975 and prior years' financial statements have been restated. This change, which had the effect of increasing net earnings by $9.8 million ($.33 per share) in 1975 and reducing net earnings by $8.7 million ($.30 per share) in 1974, is included within the item captioned "Foreign Exchange Loss (Gain)" in the accompanying Statement of Consolidated Earnings.

To the Board of Directors and Shareholders
Square D Company—Park Ridge, Illinois

We have examined the consolidated balance sheet of Square D Company and subsidiaries as of December 31, 1975 and 1974, and the related consolidated statements of net 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.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Square D Company and subsidiaries at December 31, 1975 and 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 applied on a consistent basis after restatement for the change, with which we concur, in the method of translating the accounts of foreign subsidiaries and accounting for foreign currency exchange gains and losses as described in Note B to the consolidated financial statements.

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

Note B: Foreign subsidiaries— In the fourth quarter of 1975 the Company changed its method of translating the accounts of foreign subsidiaries and accounting for foreign currency exchange gains and losses to conform to Statement No. 8 of the Financial Accounting Standards Board. Financial statements for prior periods have been restated to apply the new method retroactively. The effect of the change, resulting primarily from translating inventories at historical rates under the new method, was to increase 1975 net earnings by $241 ($.01 per share). The effect of the change on the first three quarters of 1975 was to decrease first quarter net earnings by $144 ($.01 per share) and to increase second and third quarter net earnings by $1,036 ($.05 per share) and $434 ($.02 per share) respectively.

The Company's equity in subsidiaries outside the U.S. and Canada is:

	1975	1974
Net assets at December 31.........	$22,691	$19,188
Net earnings for the year...........	3,966	4,217

Foreign currency exchange losses of $377 and $200 are included in 1975 and 1974 earnings respectively.

Change to LIFO

To the Board of Directors and Stockholders
American Maize-Products Company

We have examined the consolidated balance sheet of AMERICAN MAIZE-PRODUCTS COMPANY and its Subsidiaries as of December 31, 1975, and the related consolidated statements of income and retained earnings and of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the consolidated financial statements of the Company and its subsidiaries for the year 1974.

In our opinion, the aforementioned financial statements present fairly the consolidated financial position of American Maize-Products Company and its subsidiaries at December 31, 1975 and 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 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 of Notes to Financial Statements.—*Auditors' Report*.

Notes to Financial Statements

Note 2: Change in Accounting Method for Certain Inventories—In 1975, two of the Company's subsidiaries adopted the LIFO method for determining the cost of raw material content, tobacco and coffee, of their respective inventories. The cost of these inventories previously had been determined utilizing the average and the first-in, first-out cost methods. The change was made 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 1975 net income by $1,134,000 ($.24 per share). For this type of accounting change, pro forma effects of retroactive application are not determinable, and there is no cumulative effect on retained earnings at December 31, 1974.

To the Stockholders and Directors of
Campbell Soup Company

We have examined the consolidated balance sheet of Campbell Soup Company and its subsidiaries at August 3, 1975 and July 28, 1974, and the related consolidated statements of income and income retained in the business and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As explained in note 2 to the consolidated financial statements, in 1975 the company changed to the LIFO method of determining cost for the material content of domestic container inventories.

In our opinion, the accompanying consolidated financial statements examined by us present fairly the financial position of Campbell Soup Company and its subsidiaries at August 3, 1975 and July 28, 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 except for the change, with which we concur, referred to in the preceding paragraph.—*Report of Independent Accountants*.

Notes to Consolidated Financial Statements
(000 omitted from dollar amounts)

Note 2: Inventories—

Raw materials, containers and supplies...........................	$155,154	$202,807
Finished products....................	99,659	120,014
	$254,813	$322,821

In 1975 the Company adopted the last-in, first-out (LIFO) method of accounting for the cost of domestic container inventories representing 14% of consolidated inventories and including tinplate, aluminum, labels, cartons, cases and overlays as well as the same components of finished product inventories. The LIFO method of accounting will result in a more accurate presentation of income because of an improved matching of costs against revenues. This change reduced net income by $4,338, or 13 cents per share.

If inventories at the end of 1975 had been priced at the average cost method instead of LIFO, they would have been $8,342 higher.

The Stockholders and the Board of Directors
General Mills, Inc.

We have examined the consolidated balance sheets of General Mills, Inc. and subsidiaries as of May 25, 1975 and May 26, 1974 and the related consolidated statements of results of operations, earnings employed in the business and changes in financial position for the fiscal years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of General Mills, Inc. and subsidiaries at May 25, 1975 and May 26, 1974 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 except for the change, with which we concur, in the method of determining cost for certain domestic inventories as described in Note 4 to the consolidated financial statements.—*Accountants' Report*.

Notes to Consolidated Financial Statements

Note 4: Inventories—Following is a comparison of year-end inventories:

	May 25, 1975	May 26, 1974
	(in thousands)	
Grain, family flour and bakery flour	$ 29,442	$ 44,122
Raw materials, work in process, finished goods and supplies as follows:		
Valued at LIFO	124,413	—
Valued primarily at FIFO	192,052	309,189
Total Inventories	$345,907	$353,311

If the FIFO method had been used for the above LIFO inventories, total inventories would have been $15,884,000 higher than reported at May 25, 1975. See Note 1 for a description of inventory valuation policies.

In fiscal 1975, the company changed from the lower of cost, determined on a First-in, First-out (FIFO) method, or market, to the lower of cost, determined on a Last-in, First-out (LIFO) method, or market, basis of accounting for a substantial portion of its domestic inventories (approximately 36% of total inventories). This change was made to obtain better matching of current costs and revenues since current costs (including materials, labor and other manufacturing expenses) will be reflected in current earnings rather than being deferred in inventory valuations. The effect on reported net earnings for the year was a decrease of $7,773,000, or $.32 per common share and common share equivalent. It is not possible to determine the cumulative effect, or pro forma results, for this change as related to prior years.

The unaudited effects of the change in net earnings of the first three quarters of fiscal 1975 are as follows:

	Quarter Ended—unaudited *(in thousands, except per share amounts)*		
	August 25, 1974	November 24, 1974	February 23, 1975
Net earnings as originally reported	$21,156	$29,019	$16,362
Effect of change to LIFO	(1,924)	(2,458)	(1,634)
Net earnings as restated	$19,232	$26,561	$14,728
Per share amounts:			
Net earnings as originally reported	$ .89	$ 1.22	$ .68
Effect of change to LIFO	(.08)	(.11)	(.06)
Net earnings as restated	$ .81	$ 1.11	$ .62

The amounts of opening and closing inventories as used in determining costs of sales are as follows (*in thousands*):

May 27, 1973	$242,909
May 26, 1974	353,311
May 25, 1975	345,907

To The Board of Directors and Shareholders of
Giant Food Inc.

We have examined the consolidated balance sheet of Giant Food Inc. and subsidiaries as at February 22, 1975 and February 23, 1974 and the related consolidated statements of income, shareholders' equity and changes in financial position for the fifty-two week periods then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Giant Food Inc. and subsidiaries at February 22, 1975 and February 23, 1974 and the consolidated results of their operations and changes in financial position for the fifty-two week periods then ended, in conformity with generally accepted accounting principles applied on a consistent basis, except for the change in the current year, with which we concur, in the method of valuing certain inventories as described in Note 2 to the consolidated financial statements.—*Accountants' report*.

Notes to consolidated financial statements

Note 2: Accounting change to LIFO method of grocery inventories valuation—Effective with the year ended February 22, 1975, the Company adopted the LIFO (last-in, first-out) method of valuing grocery inventories, which amounted to $25,940,858, or 46% of total inventories. This change was made because management believes that the LIFO method more clearly matches current costs with current revenues and had the effect of reducing inventories at February 22, 1975 by $4,612,000 and net income by $2,234,000 ($.67 per share).

There is no cumulative effect of the change on prior years, since the February 23, 1974 grocery inventories, as previously stated using the FIFO method, is treated as the amount of the beginning grocery inventories for the current year under the LIFO method.

Interperiod Tax Allocation

To the Shareholders and Board of Directors of
Gulf Oil Corporation

We have examined the accompanying consolidated statement of financial position at December 31, 1975 and 1974, the related consolidated statements of income and retained earnings and changes in financial position for the years then ended, and the supplemental schedules on pages 62 and 63. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the consolidated financial statements of Gulf Oil Canada Limited and its subsidiaries which constitute no more than 12% of total revenues in each of the two years ended December 31, 1975 and 14% of total assets at December 31, 1975 and December 31, 1974. Our opinion, insofar as it relates to the amounts included for these companies, is based solely upon the report of other independent accountants.

As described in Note 16, the Company has begun to practice interperiod tax allocation on differences in book and tax accounting for intangible drilling and development costs and has applied this change retroactively as described in Note 17.

In our opinion, based on our examinations and the report of other independent accountants mentioned above, the aforementioned consolidated financial statements and supplemental schedules present fairly the financial position of Gulf Oil Corporation and its subsidiaries at December 31, 1975 and December 31, 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 applied on a consistent basis after restatement for the change, with which we concur, referred to in the preceding paragraph.—*Report of Independent Accountants*.

Notes to Financial Statements

Note 16 (in part): Taxes—Prior to January 1, 1975 the company did not practice interperiod tax allocation for the differences in amortization of intangible drilling and development costs as included in the financial statements and as deducted for tax purposes, as the interrelationship between these items and percentage depletion created a permanent difference between book and tax investments. The Tax Reduction Act of 1975, however, virtually eliminated percentage depletion and made such differences temporary and, therefore, subject to interperiod tax allocation. Accordingly, the Company is currently practicing interperiod tax allocation for these differences and has applied this change retroactively. The effect of the retroactive application of this change is described in Note 17.

Note 17: Restatement—As indicated in Note 16, the virtual elimination of percentage depletion has caused the differences in amortization of intangible drilling and development costs, as included in the financial statements and as deducted for tax purposes, to change from permanent to temporary timing differences. As a result of this change, the Financial Accounting Standards Board issued Statement No. 9 which requires interperiod tax allocation to be practiced on these differences effective January 1, 1975. The Statement also permits retroactive application of this practice.

In view of these events, the Company has begun to practice interperiod tax allocation for these items. The effect of this change during 1975 was a charge of approximately $16 million against 1975 net income. To reflect the effects of this change in both the Consolidated Statement of Income and Retained Earnings and the Consolidated Statement of Financial Position, the Company has implemented this change on a retroactive basis.

The retroactive effect of adopting this change has resulted in a decrease in beginning retained earnings of $240 million. The effect of the change in the individual years 1974 through 1971 would have been an increase in net income of $1, $8, $3 and $1 million, respectively. Due to the immaterial effect of these amounts on the respective years' net income, the Company has not restated prior year income statements, but has reflected the $240 million by restating beginning retained earnings and the liability for deferred income taxes in each of the prior four years.

The Stockholders
Quaker State Oil Refining Corporation

We have examined the consolidated balance sheet of Quaker State Oil Refining Corporation and subsidiaries as of December 31, 1975 and the related statements of income, additional capital 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 the year 1974.

In our opinion, the above-mentioned financial statements present fairly the consolidated financial position of Quaker State Oil Refining Corporation and subsidiaries at December 31, 1975 and 1974, 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 after restatement for the change, with which we concur, in applying interperiod tax allocation with respect to deferred taxes on intangible development costs as described in Note 10 of Notes to the Financial Statements.—*Report of Independent Certified Public Accountants*.

Notes to Financial Statements

Note 10: Change in Accounting—Effective January 1, 1975, the Company adopted the Financial Accounting Standards Board's Statement No. 9, "Accounting for Income Taxes—Oil and Gas Producing Companies" by retroactively providing interperiod tax allocations with respect to the differences between financial accounting and tax accounting for intangible development costs. The prior financial statements have been restated to reflect increased deferred taxes of $8,789,000 and accordingly, net income for 1974 was decreased by $2,775,000 ($.20 per share) and retained earnings at January 1, 1974 were reduced by $6,015,000. The effect on 1975 was to reduce net income by $1,775,000.

Research and Development Costs

The Board of Directors and Stockholders
Sperry Rand Corporation

We have examined the accompanying consolidated balance sheet of Sperry Rand Corporation at March 31, 1975 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 have previously made a similar examination of the financial statements for the prior year.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Sperry Rand Corporation at March 31, 1975 and March 31, 1974 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 after restatement for the change, with which we concur, in the method of accounting for certain engineering costs as described in Note 1 to the financial statements.—*Report of Certified Public Accountants*.

Notes to Financial Statements for 1975 and 1974

Note 1 (in part): Engineering, Research and Development—Company-funded research and development costs are expensed as incurred. Costs related to customer engineering, research and development contracts are included in inventory and charged to costs of sales upon recognition of related revenue. In 1975, pursuant to the provisions of Standard No. 2 of the Financial Accounting Standards Board, a change was made in the accounting for engineering costs related to computer systems previously included in inventory or capitalized cost of rental machines whereby such costs are charged to income in the year incurred and prior years' financial statements have been restated accordingly. The effect of this accounting change was to decrease or (increase) net income as follows: 1975, $1,437,000, $.04 per share; 1974, ($3,851,000), ($.11) per share; 1973, $2,607,000, $.07 per share; 1972, $7,164,000, $.21 per share; 1971, $6,481,000, $.19 per share; and in addition, decrease retained earnings at the beginning of 1971 by $13,986,000.

Loss Contingencies

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 December 31, 1975 and 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 13) 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 18 percent in 1975 and 1974 of consolidated assets and its equity in Unicoa's net income, after allocated expenses and income tax credits as described in Note 12, was 8 percent in 1975 and 51 percent 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 position of Teledyne, Inc. and subsidiaries as of December 31, 1975 and 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. In our opinion, except for the change (with which we concur) by Teledyne's unconsolidated insurance subsidiaries in the method of valuing their investments in marketable equity securities, as described in Note 2 to the consolidated financial statements, the accounting principles were applied on a basis consistent with that of the preceding year, after giving retroactive effect to the change (with which we concur) in the method of accounting for loss contingencies, as explained in Note 2 to the consolidated financial statements.—*Auditors' Report*.

Notes to Consolidated Financial Statements

Note: Changes in Accounting Principles—In 1975, the Company and its unconsolidated subsidiaries discontinued self-insurance accounting and the use of catastrophe reserves in compliance with Statement of Financial Accounting Standards No. 5. Financial statements for 1974 have been restated to reflect the retroactive application of this principle. In 1975, the effect of this change was to increase income of consolidated companies by $538,000, increase equity in net income of unconsolidated subsidiaries by $645,000, and increase net income by $1,183,000, or $0.07 per share. The effect in 1974 was to increase income of consolidated companies by $874,000, increase the equity in net loss of unconsolidated subsidiaries by $506,000 and increase net income by $368,000 or $0.02 per share.

In accordance with Statement of Financial Accounting Standards No. 12, the Company's unconsolidated insurance subsidiaries now record certain marketable equity securities at the lower of aggregate cost or market. These securities were previously carried at cost. Teledyne's equity in this reduction to the lower of cost or market is reflected in the consolidated financial statements as a reduction of $11,050,000 in the investments in unconsolidated subsidiaries and in shareholders' equity. This change had no effect on net income.

To the Stockholders,
Texaco Inc.

We have examined the consolidated balance sheet of Texaco Inc. (a Delaware Corporation) and subsidiary companies as of December 31, 1975 and 1974, and the related statements of consolidated income, retained earnings and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of Texaco Inc. and subsidiary companies as of December 31, 1975 and 1974, 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, after giving retroactive effect to the accounting changes (with which we concur) referred to in Note 1 to the consolidated financial statements, on a consistent basis during the years.—*Auditors' Report.*

Notes to Consolidated Financial Statements

Note 1: Revisions in Accounting Policies—During the fourth quarter of 1975, the Company revised its accounting policies involving accounting for exploratory costs, for translation of foreign currencies into U.S. dollar amounts, and for contingencies. Financial statements for prior periods have been restated to reflect these accounting changes.

The Company adopted the policy of charging all exploratory expenditures to expense as incurred and discontinued its previous modified full cost accounting policy. This accounting change was made in recognition of changing operating and economic conditions affecting the petroleum industry in many areas of the world. Governments of producing countries have increasingly permitted petroleum companies to obtain access to petroleum reserves only through purchase or contractor arrangements.

The revision in the policy for translation of foreign currencies into U.S. dollar amounts relates principally to the recognition of unrealized currency translation gains or losses on convertible debentures. The Company previously amortized such gains or losses over the life of the debentures, except for nonrecognition of gain or loss on those likely to be converted. Such amounts are now being reflected currently in net income under the recently issued Financial Accounting Standards Board (FASB) Statement No. 8 requiring this change beginning in 1976.

With respect to accounting for contingencies, a $55,000,000 reserve was established in 1974 for possible nonrecovery of investments in Libya and Colombia. Of this reserve, $28,200,000 was provided by a charge to earnings during 1974 and the remaining $26,800,000 represented a reserve established in prior years. The reserve for nonrecovery of the foreign investments is no longer required inasmuch as the investments in Libya and Colombia had included capitalized exploratory costs eliminated by the discontinuance of full cost accounting. In accordance with FASB Statement No. 11, these reserves were restored to net income of the years in which originally established.

The respective revisions in accounting policies increased (decreased) net income for 1975 and 1974 as follows:

	1975	1974
Discontinuance of full cost accounting	$(26,028,000)	$(46,624,000)
Changes in translation of foreign currencies	24,767,000	(23,272,000)
Accounting for contingencies	—	28,200,000
Total	$ (1,261,000)	$(41,696,000)
Net income per share	$ —	$(.16)

Consolidated retained earnings at January 1, 1974, were decreased $566,863,000 for the cumulative effect of these accounting changes on net income of prior years.

Inventory Overhead

To the Shareholders and Board of Directors of
Fairchild Camera and Instrument Corporation

We have examined the consolidated balance sheets of Fairchild Camera and Instrument Corporation and its subsidiaries as of December 28, 1975 and December 29, 1974, 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.

The method of inventory costing was changed in 1975 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 Fairchild Camera and Instrument Corporation and its subsidiaries at December 28, 1975 and December 29, 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 except for the change, with which we concur, referred to in the preceding paragraph.—*Report of Independent Accountants.*

Notes to Consolidated Financial Statements

Note 2: Accounting Change—During 1974, the Company adopted an improved method of inventory costing under which certain elements of manufacturing overhead, which were previously charged to operations as period costs, were included in inventory. In addition, certain elements of manufacturing overhead (primarily depreciation) previously included in inventory were charged to operations as period costs. During 1975, the Company made further improvements in its method of inventory costing. As a result, the overhead content of inventory was increased and now includes certain elements of manufacturing overhead (primarily depreciation) which had been excluded from inventory in connection with the 1974 accounting change. The effect of these changes resulted in an increase in the amount of overhead included in inventory in both years. In the opinion of Management, these accounting changes represent adoption of preferable accounting methods and also comply with the

Internal Revenue Service inventory costing regulations referred to in Note 3 below.

The cumulative effect of the 1974 accounting change, as of the beginning of 1974, was not material. The cumulative effect of the 1975 accounting change, as of the beginning of 1975, in the amount of $2,649,000 ($.51 per share) after related income taxes of $2,117,000, is included in income for the year. The effect of the 1975 accounting change on 1975 income before cumulative effect of change in accounting method was not material. The 1975 accounting change did not have a material effect on 1974 net income as reported.

International Harvester Company,
its Directors and Stockholders

We have examined the financial statements of International Harvester Company and subsidiaries as of October 31, 1975 and 1974 and for the years then ended. We have made a similar examination of the financial statements of the Company's nonconsolidated sales finance subsidiaries. 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 (pages 4 through 15) present fairly (a) the financial position of International Harvester Company and subsidiaries at October 31, 1975 and 1974 and the results of their operations and changes in their financial position for the years then ended, and (b) the financial position of the Company's nonconsolidated sales finance subsidiaries at October 31, 1975 and 1974, in conformity with generally accepted accounting principles which, except for the change, with which we concur, in the method of valuing domestic inventories as described in the Financial Review (page 9) of the financial statements, have been consistently applied.—*Auditors' Opinion*.

Financial Review

Change in Accounting Policy—In the first quarter of fiscal year 1975, the Company modified its method of valuing domestic inventories to the full absorption method, pursuant to recent Internal Revenue Service regulations, by changing the composition of elements of overhead costs included in inventory. This modification constitutes a refinement of the basis of valuation and more nearly reflects current inventory values. The cumulative effect of this change on prior years of $8.1 million, after reduction for income taxes of $8.2 million, was credited to income in the first quarter of 1975. The effect of this change for the year ended October 31, 1975 was to decrease income before cumulative effect of change in accounting policy by $6.5 million or 23 cents per common share.

Pro forma data on income before extraordinary item and net income are not provided as the effect of this change applied retroactively to the year ended October 31, 1974 is not material.

Consolidation Policy

Board of Directors and Stockholders
Fairchild Industries, Inc.
Germantown, Maryland 20767

We have examined the consolidated balance sheet of Fairchild Industries, Inc. and subsidiary companies as of December 31, 1975 and 1974, and the related statements of earnings, stockholder's 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 Fairchild Industries, Inc. and subsidiary companies at December 31, 1975 and 1974, 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 consolidation policy as described in Note 2.—*Accountants' Report*.

Notes to Financial Statements

Note 2: American Satellite Corporation—American Satellite Corporation (ASC), a wholly-owned subsidiary, has established a domestic communications system utilizing leased satellite capacity and ASC-owned earth segments.

Prior to 1975, the Corporation accounted for its investment in ASC on the equity basis. In 1975 the Corporation changed its policy to report its investment in ASC on a fully consolidated basis in recognition of the subsidiary becoming operational and its significance to the consolidated financial statements taken as a whole. Accordingly, the accompanying Consolidated Financial Statements for the year ended December 31, 1974 have been restated to consolidate ASC. This change in policy has had no effect on net earnings or stockholders' equity for 1974 as originally reported.

At December 31, 1975, the Corpration's net investment in and advances to ASC aggregated $12,833,000. During 1975, operating losses before income taxes aggregated $8,366,000. It is anticipated that ASC will become profitable on an operational basis during 1978.

Development Stage Subsidiary

The Board of Directors and Stockholders of
Commonwealth Oil Refining Company, Inc.

We have examined the consolidated balance sheet of Commonwealth Oil Refining Company, Inc. ("Corco") and its subsidiaries and joint ventures as of December 31, 1975 and 1974 and the related statements of consolidated operations, consolidated stockholders' equity 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.

During 1975, certain claims and litigation relating to prior years' transactions, which had caused us to express our opinions on the financial statements for the related years subject to the effects, if any, on such financial statements of the ultimate disposition of these matters, were settled or sufficient information became available for Corco to estimate their ultimate outcome. In addition, during 1975, Corco and several of its subsidiaries were assessed additional Puerto Rico income taxes for certain years up to 1973, which assessments were settled on October 15, 1975. The outcome of such existing claims together with the settlement of such tax assessments have been recorded as adjustments of the previously reported net earnings for the prior years, as more fully described in the last paragraph of Note G, the first paragraph of Note M, and Note N to the consolidated financial statements. Accordingly, our qualifications with respect to the financial statements for the applicable years are no longer necessary.

In our opinion, the financial statements identified in the first paragraph above present fairly the financial position of the companies and Corco's equity in the joint ventures at December 31, 1975 and 1974 and the related results of operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied, after restatement for the change, with which we concur, in the method of accounting for preoperating expenses as described in Accounting Policies and Note N to the consolidated financial statements.—*Auditors' Opinion*.

Accounting Policies

Preoperating Expenses—In accordance with a pronouncement of the Financial Accounting Standards Board, "Statement of Financial Accounting Standards No. 7—Accounting and Reporting by Development State Enterprise," Corco changed its method of accounting for preoperating expenses. Prior to this change, Corco had followed the practice of capitalizing and amortizing such preoperating expenses, which included interest, insurance, payroll and other expenses, incurred by Corco's 50%-owned joint ventures after the completion of their plants but prior to the commencement of their commercial operations. Preoperating expenses are now charged to operations as they are incurred unless their recoverability is assured. This method was applied retroactively (See Note N).

Notes to Consolidated Financial Statements

Note N (in part): Restatement and Prior-Period Adjustments—The previously reported net earnings for the year ended December 31, 1974 were adjusted as follows:

Net earnings, as previously reported	$10,726,000
Add (deduct) adjustments (see below):	
Effect of accounting change	903,000
Settlement of claims	(2,490,000)
Net earnings, as adjusted	$ 9,139,000
Earnings per share of common stock:	
Primary:	
Net earnings, as previously reported	$ .60
Add (deduct) adjustments:	
Effect of accounting change	.06
Settlement of claims	(.17)
Net earnings, as adjusted	$ .49
Fully diluted—anti-dilutive.	

As described more fully in Accounting Policies, Corco's consolidated financial statements for prior years were restated for the change in the method of accounting for preoperating expenses. The previously reported balance of retained earnings as of January 1, 1974 was reduced by $6,445,000 as a result of the write-off of unamortized preoperating expenses as of that date. The effect of the change in the method of accounting for preoperating expenses for the year ended December 31, 1975 was to reduce the net loss which otherwise would have been reported by $907,000 ($.06 per common share).

Prior Year Change

The Board of Directors and Shareholders
Burlington Industries, Inc.

We have examined the consolidated balance sheets of Burlington Industries, Inc. and subsidiary companies as of September 27, 1975 and September 28, 1974, and the related consolidated statements of earnings, shareholders' equity and changes in financial position for the 52 week periods then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Burlington Industries, Inc. and subsidiary companies at September 27, 1975 and September 28, 1974, and the results of their operations and the changes in their financial position for the 52 week periods then ended, in conformity with generally accepted accounting principles consistently applied during the period subsequent to the change, with which we concur, made during 1974, in the method of accounting for the conversion privilege of subordinated debentures as described in Note B to the consolidated financial statements.—*Report of Independent Certified Public Accountants.*

Notes to Consolidated Financial Statements
(All amounts in thousands, except per share data)

Note B: Change in Accounting Policy—During 1974, under the provisions of APB No. 14, the Company changed its accounting for the conversion privilege of the 5% convertible subordinated debentures by eliminating $5,717 recorded in 1966 as capital in excess of par value and the related $3,678 unamortized portion of debt discount. The cumulative effect of this change increased 1974 net income $885 (equal to $0.03 per share). Prior years have not been restated since the amount is not material.

To the Stockholders and Board of Directors of
Metro-Goldwyn-Mayer Inc.

We have examined the consolidated balance sheets of Metro-Goldwyn-Mayer Inc. (a Delaware corporation) and subsidiaries as of August 31, 1975 and 1974, and the related consolidated statements of income, stockholders' equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Metro-Goldwyn-Mayer Inc. and subsidiaries as of August 31, 1975 and 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 consistently applied during the periods subsequent to the change in the reporting of results of operations (with which we concur) made as of September 1, 1973, in accordance with Accounting Principles Board Opinion 30, as described in Note 1 of Notes to Consolidated Financial Statements.—*Auditors' Report.*

Notes to Consolidated Financial Statements

Note 1 (in part): Nonrecurring Gains and Discontinued Operations—In accordance with the criteria established by Accounting Principles Board Opinion 30 relating to the reporting of results of operations and extraordinary items, and, effective for transactions occurring since September 1, 1973, any gains and losses from disposals of segments of the Company's business and certain other transactions (as defined) will no longer be reported as extraordinary items and instead will be included as a part of income before extraordinary items.

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 Shareholders and Board of Directors
Purolator, Inc.

We have examined the consolidated statements of financial condition of Purolator, Inc. and subsidiaries as of December 31, 1975 and 1974 and the related consolidated statements of earnings and retained earnings and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Our previous opinion dated February 4, 1975 on the 1974 consolidated financial statements was qualified subject to the effects, if any, of the ultimate resolution of the Company's appeal of a judgment entered against it. As set forth in note 2 of Notes to Consolidated Financial Statements, this matter was settled on July 1, 1975 and the 1974 consolidated financial statements have been restated to reflect the cost of settlement as a prior period adjustment. Accordingly, the qualification in our previous opinion on the 1974 consolidated financial statements is hereby removed.

In our opinion, the aforementoned consolidated financial statements present fairly the financial poeition of Purolator, Inc. and subsidiaries at December 31, 1975 and 1974, and the results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Accountants' Report.*

Losses of an Operating Segment

The Board of Directors and Stockholders
Chock Full O'Nuts Corporation

We have examined the consolidated balance sheets of Chock full o' Nuts Corporation and subsidiaries as of July 31, 1975 and July 31, 1974 and the related statements of operations and retained earnings and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As indicated in note 2, the Company's brewery operations have incurred substantial losses with a resultant adverse effect on working capital. Various alternatives are currently being evaluated to improve future operating results of these subsidiaries. The Company currently believes that any alternative, which may include the closing of a facility (see note 11), would not materially affect the consolidated financial position of the Company at July 31, 1975.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Chock full o' Nuts Corporation and subsidiaries at July 31, 1975 and July 31, 1974 and the results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Accountants' Report.*

Future Adoption of Statement No. 8

To the Shareholders' of
The Carborundum Company

We have examined the consolidated balance sheet of The Carborundum Company as of December 31, 1975 and 1974 and the related consolidated statements of income, of 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.

In 1975 the Financial Accounting Standards Board issued Statement No. 8 "Accounting for the Translation of Foreign Currency Transactions and Foreign Currency Financial Statements" which is effective in 1976 and will require retroactive application. The effect of the provisions of this Statement on the consolidated financial statements for 1975 and 1974 as estimated by the Company is described on page 29.

In our opinion, the consolidated financial statements examined by us present fairly the financial position of The Carborundum Company and its subsidiaries at December 31, 1975 and 1974, the results of their operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied.—*Report of Independent Accountants.*

1975 Financial Review

Working Capital (in part)—In 1975 the Financial Accounting Standards Board issued Statement No. 8 "Accounting for the Translation of Foreign Currency Transactions and Foreign Currency Financial Statements." Under the provisions of this Statement, which is effective in 1976 and will require retroactive application, the Company will be required to adopt the temporal method for translation of the accounts of foreign subsidiaries and to record in income currently foreign exchange translation adjustments as well as gains or losses attributable to foreign currency exchange contracts.

The estimated effect of the retroactive application of this Statement would increase reported net income for 1975 by $0.3 million or $.07 per share and reduce reported net income for 1974 by $4.1 million or $1.07 per share. The estimated cumulative effect on net income for the five years ending December 31, 1975 would be a reduction of $.14 per share. It is estimated that the retroactive application of the Statement would not have a material effect on the balance sheets at December 31, 1975 and 1974.

REFERENCES TO OTHER STATEMENTS AND SCHEDULES

Table 6-6 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 6-6 shows also that in a very few instances an annual report will present both an auditors' report covering the financial statements and schedules of a company and an auditors' report covering a subsidiary or the company's pension plan. Examples of references to other schedules and statements and of separate auditors' reports for a subsidiary follow.

Auditors' Reports Refer to Separate Statements of Subsidiaries

The Board of Directors
Anderson, Clayton & Co.

We have examined the consolidated balance sheets of Anderson, Clayton & Co. and Consolidated Subsidiaries and the combined balance sheets of the Nonconsolidated International Subsidiaries of Anderson, Clayton & Co. as of June 30, 1975 and June 30, 1974, 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, 1975 and June 30, 1974, 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 were applied on a consistent basis.—*Accountants' Report.*

Board of Directors and Shareholders
Associated Dry Goods Corporation
New York, New York

We have examined the consolidated balance sheet of Associated Dry Goods Corporation and consolidated subsidiaries as of January 31, 1976 and February 1, 1975, and the related statements of earnings, shareholders' equity and changes therein and changes in financial position for the years then ended. We have also examined the balance sheet of Associated Dry Goods Credit Corporation as of January 31, 1976 and February 1, 1975. 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.

TABLE 6-6: REFERENCES TO OTHER STATEMENTS AND SCHEDULES

	1975	1974	1973	1972
Auditors' Report Refers to:				
Financial statements of finance-related subsidiaries	20	23	25	24
Financial statements of other subsidiaries	5	5	5	9
Historical summary	11	7	6	6
Pro forma statements, etc.	6	8	3	4
Total	**42**	**43**	**39**	**43**
Separate Auditors' Report for:				
Financial statements of finance-related subsidiaries	6	9	6	5
Financial statements of other subsidiaries	3	3	2	1
Financial statements of pension fund etc.	3	3	3	3
Total	**12**	**15**	**11**	**9**

In our opinion, the aforementioned financial statements present fairly the financial position of Associated Dry Goods Corporation and consolidated subsidiaries at January 31, 1976 and February 1, 1975, and the results of their operations and changes in their financial position for the years then ended, as well as the financial position of Associated Dry Goods Credit Corporation at January 31, 1976 and February 1, 1975, in conformity with generally accepted accounting principles applied on a consistent basis.—*Accountant's Report.*

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, 1975 and 1974, 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.

In our opinion, the aforementioned financial statements present fairly the financial position of Evans Products Company and Consolidated Subsidiaries and the combined financial position of the Company's Finance and Leasing Subsidiaries at December 31, 1975 and 1974, 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.*

The Board of Directors and Stockholders
Fedders Corporation

We have examined the accompanying consolidated balance sheet of Fedders Corporation at October 31, 1975 and August 31, 1974 and the related consolidated statements of operations, retained earnings and changes in financial position for the years then ended. We have also examined the consolidated balance sheet of Fedders Financial Corporation at October 31, 1975 and August 31, 1974 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:

1. the consolidated financial position of Fedders Corporation at October 31, 1975 and August 31, 1974 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 after restatement of 1974 for the changes, with which we concur, in the method of accounting for warranty costs and in the presentation of the gain on the exchange of debentures as described in Notes 1 and 9, respectively, and

2. the consolidated financial position of Fedders Financial Corporation at October 31, 1975 and August 31, 1974 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.

In our report dated October 16, 1974 relating to the consolidated financial statements of Fedders Corporation at August 31, 1974 and for the year then ended mentioned above, our opinion was qualified with respect to the sufficiency of the reserve for estimated costs of phasing out certain products as described in Note 2. In fiscal 1975 the Company completed the phase-out program and the qualification of our opinion as to this matter is removed.—*Report of Certified Public Accountants.*

To the Stockholders and Board of Directors of
Maremont Corporation

We have examined the consolidated balance sheet of Maremont Corporation (a Delaware corporation) and Consolidated Subsidiaries as of December 31, 1975 and December 31, 1974 and the related statements of income, earnings retained in business and changes in financial position for the years then ended. We have also examined the balance sheet of Maremont Acceptance Corporation (a Delaware corporation) and wholly owned unconsolidated finance subsidiary of Maremont Corporation as of December 31, 1975 and December 31, 1974 and the related statements of income, earnings retained in 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. We did not examine the financial statements of the 64% owned Canadian subsidiary, which statements reflect, as of December 31, 1975, total assets and net sales constituting approximately 12% and 9%, respectively, of the related consolidated totals. These statements were examined by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for such company, is based solely upon the report of the other auditors.

In our opinion, (1) based upon our examination and the report of other auditors referred to above, the accompanying financial statements of Maremont Corporation and Consolidated Subsidiaries present fairly their financial position as of December 31, 1975 and December 31, 1974 and the results of their operations and changes in their financial position for the years then ended and (2) the accompanying financial statements of Maremont Acceptance Corporation present fairly its financial position as of December 31, 1975 and December 31, 1974 and the results of its operations and changes in its financial position for the years then ended, all in conformity with generally accepted accounting principles consistently applied during the periods.—*Auditors' Report.*

Auditors' Report Refers to Historical Summary

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, 1975 and 1974, and the related consolidated statements of income, stockholders' equity and changes in financial position for the two years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements (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, 1975 and 1974, 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 after restatement for the changes, with which we concur, in the methods of accounting for translation of foreign currency transactions and financial statements, contingencies, and costs of development state companies, as described in Note 2 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, have compared it with data taken from audited consolidated financial statements, subjected it to audit procedures, and verified its mathematical accuracy. In our opinion, such information, which has been restated for the changes in the methods of accounting described above, is fairly stated in relation to the audited consolidated financial statements for the respective years.—*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, 1975 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 1974.

In our opinion, the above-mentioned financial statements present fairly the consolidated financial position of G.C. Murphy Company and subsidiaries at December 31, 1975 and 1974, 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 of 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 18 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.—*Report of Independent Certified Public Accountants.*

To the Stockholders and Board of Directors of
Union Carbide Corporation

We have examined the accompanying consolidated financial statements (pages 28 through 35) of Union Carbide Corporation and subsidiaries as of December 31, 1975 and 1974 and the Ten-Year Summary (page 27). Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Union Carbide Corporation and subsidiaries at December 31, 1975 and 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 applied on a consistent basis after restatement for the change, with which we concur, in the method of translation of foreign currencies as explained in Note 1. Also, in our opinion, the Ten-Year Summary presents fairly the financial information included therein.—*Report of Independent Certified Public Accountants.*

Separate Auditors' Reports for Other Statements

To the Stockholders and Board of Directors of
Hartford Fire Insurance Company:

We have examined the consolidated financial statements of Hartford Fire Insurance Company (a Connecticut corporation and a subsidiary of International Telephone and Telegraph Corporation) and subsidiaries consolidated as of December 31, 1975 and 1974, as set forth on pages 36 through 40 of this report. 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 Hartford Fire Insurance Company and subsidiaries consolidated as of December 31, 1975 and 1974, and the results of their operations and the source and application of funds for the years then ended, in conformity with generally accepted accounting principles which, except for the changes (with which we concur) in accounting for catastrophe reserves and marketable equity securities as described in the notes to the financial statements, were consistently applied during the periods.—*Auditors' Report.*

The Board of Directors and Shareholders of
Pullman Incorporated

We have examined the accompanying combined balance sheet of the leasing and financing subsidiaries of Pullman Incorporated at December 31, 1975 and 1974 and the related combined statements of income and retained earnings and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The leasing and financing subsidiaries engage in significant transactions with their parent as described in Note 1 of the Notes to Combined Financial Statements.

In our opinion, the statements mentioned above present fairly the combined financial position of the leasing and financing subsidiaries of Pullman Incorporated at December 31, 1975 and 1974 and the combined 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 on Combined Financial Statements of Leasing and Financing Subsidiaries.*

To Weyerhauser Real Estate Company:

We have examined the consolidated balance sheets of Weyerhaeuser Real Estate Company (a Washington corporation and a wholly owned subsidiary of Weyerhaeuser Company) and subsidiaries as of December 28, 1975 and December 29, 1974, the related statements of consolidated earnings, shareholder's interest and changes in financial position (included on pages 17 through 22) for the five years ended December 28, 1975, and the supporting schedules listed in the accompanying index. 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 Weyerhaeuser Real Estate Company and subsidiaries as of December 28, 1975 and December 29, 1974, and the results of their operations and the changes in their financial position for the five years ended December 28, 1975 and the supporting schedules present fairly the information required to be set forth therein, all in conformity with generally accepted accounting principles consistently applied during the periods—*Report of Auditors.*

CHANGE IN ACCOUNTANTS

During 1975, seventeen of the survey companies changed CPA firms. Examples of disclosures made in connection with changing CPA firms follow.

Reports of Independent Accountants

To the Board of Directors and Stockholders of
The Grand Union Company

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income and reinvested earnings and of changes in financial position present fairly the financial position of The Grand Union Company and Subsidiaries at March 1, 1975, the results of their operations and the 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. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

To the Stockholders and Board of Directors
The Grand Union Company
Elmwood Park, N.J.

We have examined the consolidated balance sheet of The Grand Union Company and Subsidiaries as of March 2, 1974 and the related statements of income and reinvested earnings and changes in financial position for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As originally issued, our opinion on the financial statements was qualified with respect to the adjustment that might result from the future disposition of certain general merchandise units described in Note 11 to the financial statements.

We have been informed by the successor accountants that subsequent to such issuance this uncertainty has been substantially resolved and, accordingly, we no longer qualify our report with respect to this matter.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of The Grand Union Company and Subsidiaries at March 2, 1974, and the results of their operations and the changes in their financial position for the fiscal 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, in the method of determining income before extraordinary items as described in Note 11 to the financial statements.

Newark, New Jersey
May 24, 1974, except for the matter described in the second paragraph as to which the date is April 11, 1975.

Accountants' Reports

The Board of Directors
Great Western United Corporation

We have examined the consolidated balance sheet of Great Western United Corporation and consolidated subsidiaries as of May 31, 1975 and the related consolidated statements of earnings, stockholders' equity and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The consolidated financial statements for 1974 were examined by other certified public accountants whose report thereon appears herein.

The Company and its subsidiaries are defendants in several lawsuits which claim substantial damages as more fully described in note 10. The ultimate amount of any liabilities that may be incurred in connection with this litigation, in addition to the amount already recorded, is not presently determinable.

In May, 1975, the Company adopted a plan to dispose of its real estate subsidiaries, all of which have significant commitments and contingencies. As discussed in note 9, the amounts estimated for the proposed disposition, including the commitments and contingencies, may require adjustment.

In our opinion, subject to the effects, if any, on the consolidated financial statements of the final determination of the matters discussed in the two preceding paragraphs, the aforementioned consolidated financial statements present fairly the financial position of Great Western United Corporation and consolidated subsidiaries at May 31, 1975, 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 changes, with which we concur, in the method of valuing inventories and accruing payments to sugar beet growers as described in note 2 to the consolidated financial statements, have been applied on a basis consistent with that of the preceding year.

Great Western United Corporation

Under date of July 26, 1974 (August 9, 1974 as to amendment of loan agreement), we reported that we had examined the consolidated balance sheet of Great Western United Corporation and subsidiaries as of May 31, 1974 and the related consolidated statements of operations, stockholders' equity, and changes in financial position for the year then ended; that our examination had been made in accordance with generally accepted auditing standards and, accordingly, had included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances; and that in our opinion, subject to liabilities, if any, arising from a grand jury investigation and class action litigation described in a referenced note to the financial statements, such financial statements together with their notes presented fairly, at the date of our report, the financial position of Great Western United Corporation and subsidiaries at May 31, 1974 and the results of their operations and changes in their financial positions for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination has not extended to any period subsequent to May 31, 1974.

You have informed us that the above-mentioned financial statements are being included as part of the annual report of Great Western United Corporation and subsidiaries for the year ended May 31, 1975. After the date of our above-mentioned opinion on such financial statements, it has come to our attention that in May, 1975, as disclosed in Note 9 to financial statements, Great Western United Corporation adopted a plan to dispose of its real estate subsidiaries, Great Western Cities, and during the year ended May 31, 1975 certain claims have been asserted, as disclosed in Notes 9 and 10 to financial statements, which relate to periods prior to May 31, 1974.

Our opinion expressed above with respect to the consolidated financial statements of Great Western United Corporation and subsidiaries as of May 31, 1974 and for the year then ended is still applicable, subject now, however, to the effects, if any, of the matters referred to in the preceding paragraph.

To the Board of Directors
SMC Industries, Inc.

We have examined the consolidated balance sheet of SMC Industries, Inc. and subsidiaries as of August 31, 1975, and the related 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.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of SMC Industries, Inc. and subsidiaries at August 31, 1975, and the results of their operations and the changes in their financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The financial statements for the prior year were examined by other certified public accountants.—*Accountants' Report*.

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-Ninth (1975) edition. Eighteen companies included in the 1975 edition have been eliminated and their numbers left unused. The companies selected as replacements have been assigned numbers 778 to 792, 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*	
	ASARCO Incorporated—*see 43*	
	ASG Industries, Inc.—*see 40*	
	ATI, Inc.—*see 602*	
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
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
25	American Biltrite Inc.	12
	American Brands, Inc.—*see 45*	
	American Building Maintenance Industries—*see 605*	
26	American Can Company	12
28	American Cyanamid Company	12
29	The American Distilling Company	9
30	*Akzona Incorporated*	12
	American Electronic Laboratories, Inc.—*see 701*	
	American Garden Products, Inc.—*see 778*	
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	*ASARCO Incorporated*	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
53	Anchor Hocking Corporation	12
55	Anderson, Clayton & Co.	6
56	Anheuser-Busch, Incorporated	12
	The Ansul Company—*see 607*	
57	Apco Oil Corporation	12
58	Archer Daniels Midland Company	6
59	Arden-Mayfair, Inc.	12
	Armada Corporation—*see 67*	
60	Armco Steel Corporation	12
62	Armstrong Cork Company	12
64	The Arundel Corporation	12
65	Arvin Industries, Inc.	12
66	Ashland Oil, Inc.	9
67	*Armada Corporation*	12
68	Associated Dry Goods Corporation	1
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	*Congoleum Corporation*	12
79	Bausch & Lomb Incorporated	12
80	Bayuk Cigars Incorporated	12
81	Beatrice Foods Co.	2

*Months numbered in sequence, January through December

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
	The Duplan Corporation—*see 201*	
	Dynamics Corporation of America—*see 785*	
	ELTRA Corporation—*see 213*	
	ERB Lumber Co.—*see 745*	
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*	
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*	
	F & B/CECO Industries, Inc.—*see 747*	
	FDI, Inc.—*see 733*	
	FMC Corporation—*see 231*	
221	Fairchild Camera and Instrument Corporation	12
222	Fairchild Industries, Inc.	12
224	Fansteel Inc.	12
225	Fedders Corporation	10
226	Federated Department Stores, Inc.	1
	Fields Plastics and Chemicals, Inc.—*see 786*	
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*	
	GATX Corporation—*see 239*	
	Gamble-Skogmo, Inc.—*see 724*	
	Gearhart-Owen Industries, Inc.—*see 758*	
239	*GATX 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
	General Recreation, Inc.—*see 787*	
252	General Refractories Company	12

Co. No.		*Month in which fiscal year ends
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
269	The Great Atlantic & Pacific Tea Company, Inc.	2
	Great Western United Corporation—*see 150*	
	The Greyhound Corporation—*see 735*	
271	Gruen Industries, Inc.	3
272	Grumman Corporation	12
273	Gulf Oil Corporation	12
	Gulf & Western Industries, Inc.— *see 624*	
	Gulton Industries, Inc.—*see 788*	
	HMW Industries, Inc.—*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
	Hampton Industries, Inc.—*see 703*	
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
	Heublein, Inc.—*see 789*	
288	Hewlett-Packard Company	10
290	Hobart Corporation	12
291	Hoffman Electronics Corporation	12
292	Holly Sugar Corporation	3
	Homasote Company—*see 666*	
293	Honeywell Inc.	12
295	The Hoover Company	12
296	Geo. A. Hormel & Company	10
297	Houdaille Industries, Inc.	12
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

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
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
	King Optical Corporation—*see 790*	
	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
347	Lone Star Industries, Inc.	12
	Louisville Cement Company—*see 630*	

Co. No.		*Month in which fiscal year ends
	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*	
	MWA Company—*see 635*	
350	The Macke Company	9
352	R. H. Macy & Co., Inc.	7
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
376	Meredith Corporation	6
377	Metro-Goldwyn-Mayer Inc.	8
378	Midland-Ross Corporation	12
	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
	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

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
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
419	Outboard Marine Corporation	9
420	Owens-Illinois, Inc.	12
	Oxford Industries, Inc.—*see 640*	
	PPG Industries, Inc.—*see 443*	
	Pall Corporation—*see 709*	
	The Pantasote Company—*see 641*	
423	Parker-Hannifin Corporation	6
424	The Parker Pen Company	2
	Paxall, Inc.—*see 135*	
	Penn Traffic Company—*see 683*	
427	J. C. Penney Company, Inc.	1
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
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
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*	
	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

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
	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
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
	J. Walter Thompson Company—*see 791*	
	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 Technologies Corporation*	12
	United Brands Company—*see 601*	
	United Foods, Inc.—*see 649*	

Co. No.		*Month in which fiscal year ends
560	United Merchants and Manufacturers, Inc.	6
	United Nuclear Corporation—*see 792*	
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
	United Technologies Corporation—*see 555*	
574	Universal Leaf Tobacco Company, Incorporated	6
575	Utah-Idaho Sugar Company	2
576	Varian Associates	9
577	Veeder Industries Inc.	12
	Velvet-O'Donnell Corporation—*see 754*	
578	The Vendo Company	12
	Victor Comptometer Corporation—*see 697*	
580	Walgreen Co.	8
	Jim Walter 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	ATI, Inc.	9
603	*Albertson's, Inc.*	1
605	*American Building Maintenance Industries*	10
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.*	12
617	*Electric Hose & Rubber Company*	8
618	*Food Fair Stores, Inc.*	7

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
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

Co. No.		*Month in which fiscal year ends
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

ADDED FOR 1970 EDITION

701	*American Electronic Laboratories, Inc.*	2
702	*Humana Inc.*	8
703	*Hampton Industries, Inc.*	12
704	*LaBarge, Inc.*	12
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
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*	6

ADDED FOR 1972 EDITION

733	*FDI, Inc.*	4
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
747	*F & B/CECO Industries, Inc.*	5
749	*Levi Strauss & Co.*	11
750	*J. B. Lippincott Company*	12

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
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
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

ADDED FOR 1976 EDITION

Co. No.		*Month in which fiscal year ends
778	*American Garden Products, Inc.*	10
779	*Caesars World, Inc.*	7
780	*Castle & Cooke, Inc.*	12
781	*Combined Communications Corporation*	12
782	*Day Mines, Inc.*	12
783	*Den-Tal-Ez, Inc.*	12
784	*Dun & Bradstreet Companies, Inc.*	12
785	*Dynamics Corporation of America*	12
786	*Fields Plastics and Chemicals, Inc.*	4
787	*General Recreation, Inc.*	12
788	*Gulton Industries, Inc.*	2
789	*Heublein, Inc.*	6
790	*King Optical Corporation*	12
791	*J. Walter Thompson Company*	12
792	*United Nuclear Corporation*	3

Companies Included in Twenty-Ninth Edition Not Included in this Edition of the Survey

27	American Chain & Cable Company, Inc.
154	Commercial Solvents Corporation
210	ESB Incorporated
223	Falstaff Brewing Corporation
238	Garlock Inc.
268	W. T. Grant Company
298	Howmet Corporation
353	The Magnavox Company
379	Midwest Rubber Reclaiming Company
391	MSL Industries, Inc.
418	Otis Elevator Company
428	Penn Fruit Co., Inc.
439	The Pillsbury Company
459	The Rath Packing Company
606	Anchor Coupling Co. Inc.
705	Loews Corporation
717	American Beef Packers, Inc.
760	The Hubinger Company

*Months numbered in sequence, January through December

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