1977

Accounting trends and techniques, 31st annual survey, 1977 edition

American Institute of Certified Public Accountants

Thirty-First Edition **1977**

Accounting Trends & Techniques

Annual Survey of Accounting Practices Followed in 600 Stockholders' Reports

AICPA

American Institute of Certified Public Accountants

1977 Accounting Trends & Techniques

AICPA

Thirty-First Edition 1977

Accounting Trends & Techniques

Thirty-first 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 no later than January 31, 1977.

Edited by:

George Dick, CPA
Research Administrator,
Technical Information Department

Richard Rikert
Research Assistant, Accounting Trends & Techniques

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

Library of Congress Catalog Card Number: 48-2517

PREFACE

Accounting Trends & Techniques—1977, Thirty-first 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 27, 1976 and January 31, 1977.

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. 425 of the companies were listed in the twenty-first (1967) edition and each retained the number assigned in that edition. The other 175 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 808 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 Information Department 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 acknowledgement is due to James D. Blum, CPA; J. Richard Chaplin, CPA; Gregory Frydman, CPA; William A. Godla, CPA; Phyllis C. Johnson, CPA; Kevin J. McGrath; 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.

George Dick, Research Administrator, Technical Information Department
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Table of Contents

Section 1: General

Section 2: Balance Sheet

Section 3: Income Statement

Section 4: Stockholders' Equity

Section 5: Statement of Changes in Financial Position

Section 6: Auditors' Report

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 1-1: INDUSTRY CLASSIFICATIONS

	1976	1975	1974	1973
Foods:				
Meat products	9	9	11	11
Dairy products	5	5	5	5
Canning, etc.	9	10	9	9
Packaged and bulk	19	19	21	22
Baking	5	5	5	5
Sugar, confections, etc.	7	7	6	7
Beverages	6	6	6	7
Tobacco products	7	7	8	8
Textiles	29	30	29	29
Paper products	16	16	16	16
Printing, publishing	8	8	7	7
Chemicals	25	25	25	25
Drugs, cosmetics, etc.	20	19	19	19
Petroleum	27	27	27	25
Rubber products, etc.	9	9	10	10
Shoes - manufacturing, merchandising, etc.	8	8	8	8
Building:				
Cement	4	4	5	5
Roofing, wallboard	11	12	12	12
Heating, plumbing	7	7	7	7
Other	17	18	16	17
Steel and iron	23	23	23	22
Metal - nonferrous	18	19	18	18
Metal fabricating	9	11	13	12
Machinery, equipment and supplies	37	37	39	39
Electrical equipment, appliances	17	17	17	17
Electrical, electronic equipment	37	37	38	37
Business equipment and supplies	15	13	13	14
Containers - metal, glass, etc.	8	8	8	8
Autos and trucks (including parts, accessories)	23	23	21	21
Aircraft and equipment, aerospace	16	16	16	16
Railway equipment, shipbuilding, etc.	7	7	7	7
Controls, instruments, medical equipment, watches and clocks, etc.	16	14	13	13
Merchandising:				
Department stores	12	12	12	12
Mail order stores, variety stores	2	3	4	4
Grocery stores	15	15	16	17
Other	10	10	9	10
Motion pictures, broadcasting	6	6	6	6
Widely diversified, or not otherwise classified	81	78	75	73
Total Companies	**600**	**600**	**600**	**600**

TABLE 1-2: REVENUE OF SURVEY COMPANIES

	1976	1975	1974	1973
Less than $100,000,000	106	101	93	124
Between 100,000,000 and $500,000,000	159	178	199	194
Between $500,000,000 and $1,000,000,000	97	98	89	95
Between $1,000,000,000 and $2,000,000,000	113	102	114	97
More than $2,000,000,000	125	121	105	90
Total Companies	**600**	**600**	**600**	**600**

INFORMATION REQUIRED BY RULE 14c-3 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.

Examples of items 2, 3, 4, and 7 follow. Examples of line of business breakdown disclosures are presented on pages 13-23.

Five Year Summary of Operations

ASHLAND OIL, INC. (SEP)

Summary of Operations

	1976	1975	1974	1973	1972
	(Millions of dollars, except shares and per-share amounts)				
Income					
Sales and operating revenues*	$4,348	$3,882	$3,510	$2,351	$2,055
Equity income	14	16	13	6	3
Interest and other income	38	38	38	25	18
	4,400	3,936	3,561	2,382	2,076
Costs and expenses					
Cost of sales and operating expenses	3,376	3,021	2,770	1,646	1,439
Excise taxes on products and merchandise	261	245	236	244	225
Selling, administrative and general expenses	283	260	244	215	201
Depreciation, depletion and amortization	107	92	81	74	66
Exploration expenses, including dry hole costs and lease amortization	59	46	21	25	14
Interest on long-term debt	38	34	30	26	20
	4,124	3,698	3,382	2,230	1,965
Income before income taxes	276	238	179	152	111
Income taxes					
United States	97	80	47	62	44
Foreign	43	39	22	7	5
	140	119	69	69	49
Net income**	$ 136	$ 119	$ 110	$ 83	$ 62
Income per share***					
Primary	$ 5.03	$ 4.42	$ 4.18	$ 3.16	$ 2.32
Fully diluted	$ 4.40	$ 3.85	$ 3.63	$ 2.82	$ 2.14
Preferred dividend requirements	$ 11	$ 11	$ 9	$ 7	$ 7
Average shares outstnading (millions)	25	25	24	24	24
Dividends per share of common stock	$ 1.65	$1.475	$1.375	$1.225	$ 1.20

*Includes excise taxes but excludes sales of crude oil.

**During 1974, Ashland changed to the LIFO method for additional petroleum product inventories and for substantially all chemical inventories which were previously valued in the first-in, first-out, or average cost methods. This change, which was made to better match current costs with revenues, reduced 1974 net income by $34,700,000 ($1.43 per share).

***In 1972, primary and fully diluted income per share amounts include a $.01 effect due to extraordinary income of $283,000.

COOPER INDUSTRIES, INC. (DEC)

Five Year Review

	1976	1975	1974	1973	1972
		(thousands of dollars where applicable)			
Operating Results					
Revenues	$554,453	$478,066	$402,911	$324,802	$228,732
Cost of sales and services	389,447	346,291	291,738	230,823	167,885
Depreciation and amortization	11,294	9,571	8,039	6,431	4,425
Selling and administrative expenses	66,714	54,848	50,335	45,777	30,847
Interest expense	5,784	7,439	7,015	4,110	2,800
Total costs and expenses	473,239	418,149	357,127	287,141	205,957
Income before income taxes	81,214	59,917	45,784	37,661	22,775
Income taxes	39,380	28,783	22,234	18,673	11,200
Net income	41,834	31,134	23,550(2)	18,988	11,575
Preferred dividends	283	791	1,462	1,899	1,084
Net income applicable to common stock	$ 41,551	$30,343	$ 22,088	$ 17,089	$ 10,491
Net income per share:(1)					
Primary	$ 3.79	$ 3.03	$ 2,244(2)	$ 2.02	$ 1.26
Fully diluted	$ 3.66	$ 2.80	$ 2.15(2)	$ 1.73	$ 1.20
Dividends per common share(1)	$ .84	$ .72	$ .52	$ .43	$ .40
Average common shares outstanding:(1)					
Primary	10,959,611	10,020,946	9,065,378	8,450,414	8,311,964
Fully diluted	11,422,680	11,121,064	10,968,156	10,958,562	9,620,402
Other Data					
Revenues by business line:					
Hand Tools	35%	35%	41%	50%	38%
Aircraft Services	25	24	24	17	12
Energy Services	40	41	35	33	50
Operating income by business line:(3)					
Hand Tools	39%	39%	63%	70%	65%
Aircraft Services	11	12	8	8	6
Energy Services	50	49	29	22	29
Working capital	$151,536	$135,889	$106,797	$100,497	$ 91,891
Capital expenditures	14,397	17,817	24,225	11,528	5,187
Net plant and equipment	126,581	102,843	96,428	83,652	62,352
Total assets	452,544	369,196	318,690	280,835	214,470
Long-term debt	84,112	71,030	63,609	66,671	37,142
Shareholders' equity	211,220	177,150	151,555	133,797	123,669
Book value per common share(1)	18.98	16.00	13.40	11.30	9.83
Number of shareholders	9,431	9,856	9,250	9,406	9,809
Number of employees	12,250	11,262	12,482	11,627	9,653
Return on revenues	7.5%	6.6%	5.9%	5.9%	5.1%
Return on shareholders' equity	21.5%	18.9%	16.5%	14.6%	10.5%

(1)Amounts reported for 1975 and prior years were restated to give effect to the two-for-one common stock split of March 4, 1976.

(2)Includes a reduction in net income of $1,479,000 ($.16 per share primary and $.13 per share fully diluted) from extension of LIFO accounting to substantially all domestic manufacturing inventories.

(3)Before interest expense, unallocated administrative expense and federal income taxes.

THE FIRESTONE TIRE & RUBBER COMPANY (OCT)

Five-Year Summary of Operations and Financial Data

	1976	1975	1974	1973	1972
	Dollars in millions, except per share amounts shares in thousands)				
Summary of Operations					
Net sales	$3,939	3,724	3,675	3,155	2,691
Cost of goods sold	$3,142	2,909	2,834	2,373	1,923
Interest and debt expense	$ 78	77	64	46	40
Taxes on income	$ 90	95	118	121	114
Net income	$ 96	134	154*	165	136
Net income as a percent of sales	2.4%	3.6%	4.2%	5.2%	5.0%
Cash dividends	$ 63	63	58	51	48
Average number of shares outstanding	57,250	57,020	56,891	57,023	57,597
Per share of common stock					
Net income	$ 1.68	2.36	2.71*	2.89	2.36
Cash dividends	$ 1.10	1.10	1.025	.898	.832
Financial Data					
Wages, salaries and employee benefits	$1,198	1,172	1,137	1,010	879
Taxes deducted from income	$ 263	275	293	267	244
Working capital	$ 912	908	783	788	808
Current ratio	2.0 to 1	2.1 to 1	2.0 to 1	2.2 to 1	2.3 to 1
Total assets	$3,261	3,181	2,998	2,669	2,475
Properties, plants and equipment					
Net value at year end	$1,387	1,393	1,347	1,158	1,001
Additions during year	$ 170	200	330	278	189
Depreciation	$ 165	152	136	120	105
Long-Term Debt	$ 678	720	633	522	502
Stockholders' equity	$1,568	1,529	1,453	1,357	1,252
Book value per share of common stock	$27.33	26.79	25.54	23.85	21.86
Shares outstanding at October 31	57,373	57,062	56,907	56,887	57,258
Number of stockholders	47,910	49,778	50,337	45,984	41,222
Number of employees	113,000	111,000	120,000	117,000	109,000

*Change to LIFO method of inventory valuation reduced net income by $42.2 ($.74 per share).

HOBART CORPORATION (DEC)

Five Year Financial Summary

All amounts expressed in thousands except per share data (in dollars), number of employees and shareholders.

	Years Ended December 31				
	1976	1975	1974	1973	1972
Summary of Operations					
Net sales	$430,614	$393,614	$363,350	$323,336	$263,957
Other credits (net)	1,934	3,230	2,826	2,497	1,707
Cost of products sold	273,719	259,135	237,443	202,971	167,186
Interest expense	7,376	8,147	6,652	3,804	3,064
Income before taxes	42,788	35,242	35,725	42,297	34,146
Income taxes	20,453	16,443	17,198	19,979	17,037
Net income for the year	22,335	18,799	18,527	22,318	17,109
Net income per share	1.96	1.65	1.63	1.97	1.51
Cash dividends	10,130	9,098	8,414	7,722	6,902
Cash dividends per share	.89	.80	.74	.68	.61
Average shares outstanding	11,379	11,371	11,370	11,348	11,301
Statistical Data					
Working capital	164,766	158,335	158,174	116,148	109,976
Receivables	95,502	88,943	88,212	71,866	61,540
Inventories	129,884	121,174	130,876	97,918	79,963
Ratio of current assets to current liabilities	2.9-1	3.1-1	3.1-1	2.7-1	3.3-1
Shareholders' equity	164,288	151,846	142,071	131,959	116,659
Number of employees	12,000	11,500	11,600	11,000	10,400
Number of shareholders	7,648	7,684	7,574	7,083	6,355
Property, plant, and equipment—at cost	105,806	97,531	86,794	77,228	66,917
Property, plant, and equipment—additions	10,900	13,478	11,031	12,324	5,593
Depreciation provision	8,013	6,618	5,664	4,717	4,200

*For the year ended December 31, 1975, the Company changed its method of determining cost of domestic inventoreis from the first-in, first-out (FIFO) method to the last-in, first-out (LIFO) method. The effect of the change in 1975 was to reduced inventories by approximately $5,295,000 and net income by $2,753,000 or $.24 per share.

Amounts reported for the years 1972 through 1975 have been restated to reflect the accounting change and restatement outlined in the notes to consolidated financial statements. None of the changes had a material effect either individually or in the aggregate on net income for any of the years presented.

Management's Analysis of Summary of Operations

COOPER INDUSTRIES, INC. (DEC)

Management's Analysis of Operating Results

1976. The 16% increase in revenues was attributable to all three business segments in approximately equal proportions. In hand tools, revenue gains principally were due to increased volume as demand improved domestically and market penetration was achieved internationally. The acquisition of J. Wiss & Sons in December had an insignificant effect on 1976 hand tools operations. Aircraft services revenues rose because of higher demand for overhaul and repair services in airline and corporate markets as well as expanded distribution activities resulting from the acquisition of new branch locations and product lines the previous year. Both hand tools and aircraft services contributed increases in gross profit proportionate to revenue gains. Growth in energy services' revenues resulted from existing product lines, as sales of approximately $25 million gained from the inclusion of Superior (acquired in July, 1976) offset those lost from the discontinuance of our marginally profitable compressor packaging activities in late 1975. This favorable change in sales mix combined with effective cost controls accounted for improved gross profits in energy services.

Increases in selling and administrative expense reflect higher employment costs, while depreciation charges rose partially because of new hand tool facilities placed in service during 1975 and 1976. In addition, increases in both of these expense categories were attributable to the inclusion of Superior in 1976 results. Interest expense was 22% lower than in 1975, primarily due to lower average borrowing levels, and to a lesser extent, lower interest rates.

The gain in primary earnings per share was less than the gain in net income and fully diluted share earnings because of conversions of preferred stock to common during the past two years.

1975. All of the 19% revenue gain reported was attributable to energy services and aircraft services operations. Revenue increases of these business segments were 43% and 17%, respectively, and resulted from both higher volume and prices. Hand tools revenues were essentially unchanged from the prior year's level. The increase in net income of 32% was larger than that of revenues because selling and administrative expenses increased only moderately. In addition, relatively lower interest rates experienced in 1975 compared with 1974 limited the increase in interest expense to 6%. Cost of sales rose at approximately the same rate as sales.

Depreciation expense increased by 19% reflecting significant capital expenditures for more efficient production facilities during 1974 and 1975. Primary earnings per share rose proportionately less than net income and fully diluted earnings due to increased average common shares outstanding as a result of conversions of preferred stock into common during 1975.

1974-1972. Of the 24% increase in revenues in 1974, approximately half was provided by growth in existing businesses and the remainder from the inclusion of a full year's sales of Southwest Airmotive (compared with five months' sales following acquisition in 1973). Net income also increased by 24% in 1974. Excluding the results of Southwest Airmotive, total costs and expenses (after giving effect to the extension of LIFO accounting to substantially all domestic manufacturing inventories) increased at approximately the same rate of sales.

The operating results of 1973 compared with 1972 reflect the first full year of the inclusion of Nicholson File, acquired in late 1972. Nicholson earnings, which benefited from efficiency programs initiated immediately following acquisition, contributed two-thirds of the increase in net income in 1973. The remaining increase in net income was due to a more profitable revenue mix of existing businesses. The increase in revenues reported in 1973 primarily resulted from the inclusion of Nicholson operations for a full year and the inclusion of Southwest Airmotive sales for half the year.

EATON CORPORATION (DEC)

Financial Review

Management Review and Analysis of Operations

Net sales for 1976 were $1,808.1 million, an increase of 16% from 1975 sales of $1,558.3 million. Sales in 1975 decreased 11% from sales of $1,759.7 million in 1974. Net income increased to $90.9 million which was a 93% improvement over 1975 net income of $47.0 million, and a 1% improvement over the $89.9 million in 1974. Earnings per share were $5.23 compared to $2.66 in 1975 and $5.19 in 1974.

A recovery from the low level of 1975, in most of the North American markets served by the Company, resulted in new dollar highs in sales in 1976. Generally speaking, unit shipments were not as high as in 1974 and therefore the higher dollar level in 1976 is partially attributable to the effect of worldwide inflation. The Company's sales to customers in the heavy truck and passenger car markets were particularly strong in 1976 compared to 1975. These same markets were off in 1975 compared to 1974.

Gross margins increased to $480.2 million (26.6%) in 1976 from the 1975 level of $381.3 million (24.5%) which was a decline from $456.0 million (25.9%) in 1974. Gross margins, although reduced by $16.1 million in losses due to currency fluctuations in 1976, improved as a result of higher unit sales, price adjustments reflecting inflationary pressures, and cost reduction programs instituted throughout the Company in 1975. Lower margins in 1975 were primarily caused by lower unit sales and unrecovered cost increases in the early part of that year.

Selling and administrative expenses at 13.6% of sales increased in dollar amount in 1976, but decreased as a percent of sales due to the higher sales dollars. In 1975, the expenses had remained approximately constant to the 1974 dollar amount but had increased as a percent of sales due to the business decline in 1975. Research and development expenses for 1976 increased in dollar amount but were comparable to the 1975 level as a percent of sales. The 1975 level of such expenditures had been reduced from 1974 by careful pruning of selected programs.

Interest expense of $39.2 million exceeded 1975 expense of $36.6 million by 7%. Although short-term debt was reduced substantially in the second half of 1975 and throughout 1976, additional long-term debt was incurred in December, 1975, and July, 1976, causing total interest expense for 1976 to increase. In 1974, interest expense was $33.9 million, as high interest rates prevailed during that year for short-term borrowings required to fund additional accounts receivable and inventories.

The increase in interest income reflects the higher level of short-term securities during 1976 compared to 1975.

Other income-net was $11.8 million in 1976, compared to $13.5 million in 1975, primarily because losses in connection with the divestiture of certain operations exceeded gains realized on the disposal of other businesses. These disposals will not have a material effect upon Eaton's future sales and earnings. Other major items included in this classification are royalty income, income from unconsolidated finance subsidiaries and associate companies, and the net gain or loss from the sale of assets. The amounts in 1976 were comparable with those of 1975. 1975 had increased over 1974 principally due to finance subsidiaries' increased earnings, increased royalty income, and gains on disposals of assets.

As we commented earlier, the effect of currency exchange flucutuations on cost of products sold in 1976, as now required by FAS No. 8 was $16.1 million (see "International"). The exchange gain was $.1 million for a net charge to income before income taxes of $16.0 million. The income statement was charged with an exchange loss of $14.9 million in 1975, compared to an exchange loss of $7.8 million in 1974. An additional exchange loss of $2.7 million was charged in 1974 to a reserve for operations outside the United States.

Income taxes in 1976 of $93.1 million increased 85% from 1975 taxes of $50.4 million; the effective tax rate was 50.6% as compared to 51.7% in 1975. Taxes in 1974 were $82.8 million for an effective tax rate of 48%. The increase in the effective tax rate in the last two years is due primarily to currency exchange fluctuations as discussed in the preceding paragraph, the majority of which are not deductible for tax purposes.

EVANS PRODUCTS COMPANY (DEC)

Management's Discussion and Analysis of Results of Operations

The decline in the economy, the unfavorable conditions in the building products and mobile home markets, the unsettled mortgage money market, and high interest costs had a major adverse impact on Evans' operating results in 1974. Consequently, the Company initiated affirmative action to divest itself of selected business activities in which markets served had declined dramatically, or economic conditions had prompted changes in operating emphasis. This divestiture activity continued in 1975 and, to a lesser extent in 1976, with the sale of several operations.

The sale and permanent closure of certain activities were largely responsible for the declines in total revenues in 1975 and 1976. However, since the majority of these activities were marginal or unprofitable, their severance had a favorable impact on overall profitability. In addition, proceeds from the sales of assets have contributed to significant debt reduction which, coupled with lower interest rates, has resulted in substantially reduced interest costs.

These factors, together with strength in the railcar and steel castings operations, elimination of Forest Products and Homes Groups losses, and stringent cost controls were chiefly responsible for the return to profitability in 1975. Substantial improvement continued in 1976 principally as a result of sharp earnings gains experienced by all the operating groups engaged in building products activities, and higher earnings from the production of steel castings and truck trailers and the leasing of railcars and truck trailers.

To facilitate more meaningful analysis and a better understanding of the impact of divestiture activities, revenues and results of operations have been segregated between ongoing and severed activities in the accompanying schedule.

Retail: The number of retail stores in operation at the end of each year increased from 239 in 1974 to 240 in 1975 and 247 in 1976. The limited number of store openings in 1975 was in keeping with curtailed capital spending. Store openings accelerated in 1976, with 15 new outlets, most of which were opened in the fourth quarter. Net additions for the year were reduced as the result of 8 closures attributable to an ongoing evaluation program designed to improve return on investment by eliminating or upgrading marginal stores.

The decline in revenues in 1975 resulted from the adverse impact of the depressed housing market on sales to building contractors. While aggressive promotional activities stimulated direct consumer sales gains, partially offsetting the decline in contractor sales, the high cost of promotions in conjunction with aggressive competitive pricing resulted in a decline in earnings in 1975. The strength in consumer spending for home repairs and remodeling, stimulated by promotional activities, and the pickup in new residential construction resulted in a gain in revenues in 1976. More favorable pricing and cost controls contributed to an improvement in profit margins. Thus, earnings rose 36% on a 14% increase in revenues.

Homes: As revenues increased from higher average selling prices in 1975, the Group returned to a profitable level of operations with a more efficient operating base and a decrease in the cost of carrying home financing contracts. In 1976, revenues increased as the number of homes delivered rose to 3,061 from 2,893 in 1975. Higher unit sales and continued operating efficiencies contributed to the significant earnings gain. Additionally, lower interest rates and reduced debt associated with a smaller mortgage portfolio enhanced the profitability of the home finance subsidiary.

Shelter Products: Declines in the Group's major markets contributed to lower revenues and earnings from ongoing activities in 1975. In 1976, revenues and earnings were favorably affected by the improvement in the housing and automotive markets. The principal contributors to the Group's higher operating results were kitchen cabinets and motor vehicle products.

Fiber Products: Increased demand for battery separators and effective cost controls were the chief factors contributing to revenue and earnings gains in 1975. The continued improvement in 1976 was principally attributable to the stronger demand for battery separators and the more favorable pricing and product mix for hardboard.

Forest Products: Revenues were adversely affected by weak lumber and plywood prices and production curtailments during the early part of 1975. Improved prices and volume in the second half of the year and effective cost controls were the major elements responsible for the elimination of operating losses. The pickup in demand for lumber and plywood, associated with the steady recovery in new residential construction, stimulated important gains in prices in 1976. With higher prices and operating rates and an increased emphasis on specialty products, 1976 revenues were well above the previous year, and earnings returned to a more favorable level.

Transportation Systems and Industrial: Earnings over the past two years have benefited from the expansion and upgrading of the lease fleet along with increased profitability associated with the fleet's maturation. In addition, manufacturing activities reported higher revenues and earnings in 1975 chiefly as the result of the strength in the railcar and steel castings operations. In 1976, weaker market conditions led to a decline in operating results from railcar and railcar component manufacturing. However, the steel castings operations continued to experience record results, principally from the strength in demand for mining products. Also, a recovery in the market stimulated sharp gains in revenues and earnings in truck trailer manufacturing.

Estimated Losses of Discontinued Facilities: The losses in 1974 and 1975 relate chiefly to the 1974 decisions to shut down certain facilities, including management's best estimate of all costs to be incurred by these operations to sale or liquidation. The charge in 1976 pertains to the decision to permanently close a forest products facility, a mobile home air conditioning plant, and a lading protection devices manufacturing facility, and transfering the operations of the latter to other Company facilities. These losses are discussed in detail in the Notes to Financial Statements under Discontinued Facilities Held for Sale, page 37.

Gain on Sale of Assets: The 1975 gain resulted from three separate sales transactions, consisting of a ship chartering subsidiary; a hardboard manufacturing plant; and a prefinish panel facility, together with nine prefinish products distribution centers, a hardwood veneer mill, and a hardboard plant. The 1976 gain resulted from the sale of a particleboard plant and certain marine terminal lease rights. These gains are discussed in detail in the Notes to Financial Statements under Facilities Sold, page 41.

Depreciation Expense: The declines in depreciation expense in 1975 and 1976 were caused by the reduction in property, plant and equipment directly related to severed activities.

Interest Expense: Increases in the average prime interest rate, coupled with increases in debt outstanding, were responsible for the relatively high level of interest expense in 1974. The substantial reduction in debt and a drop in the average prime rate resulted in the decline in interest expense in 1975 and 1976.

Taxes on Earnings are explained in Notes to Financial Statements, page 38.

Extraordinary Items: The 1976 extraordinary items include \$1.7 million, net of taxes, from the purchase of \$16.8 million face value of the Company's 6¼% convertible subordinated debentures at less than the principal amount. The major portion of the balance of the extraordinary items resulted from combining eight Canadian subsidiaries into one. This action assured the utilization of previously unrecognized tax benefits arising from timing differences between financial and tax reporting. These items are discussed in detail in the Notes to Financial Statements under Extraordinary Items, page 37.

ELTRA CORPORATION (SEP)

Management's Discussion and Analysis of the Summary of Operations Fiscal 1974 to 1976

Net Sales:

Net sales increased (\$50,016,000) in 1976 on both a dollar and unit volume basis over 1975. The slight increase in 1975 was due to a mix of higher prices and a lower unit volume as compared to 1974. The sales increase in 1976 was led by higher volume in electrical products (\$61,506,000) and to a smaller extent industrial products (\$1,802,000) with a decline in consumer products sales (\$13,292,000). The increase in 1975 was attributable to higher electrical products sales (\$11,414,000) reduced by declines in consumer and industrial products (\$8,754,000).

Significant graphic systems sales, the introduction of Linocomp 2, Linotronic and Linotron 606, higher shipments of automotive replacement batteries, including greater expansion into the maintenance free battery market, and strong improvements in demand for electic motors and wire and cable products resulted in a record electric products sales performance in 1976. Introduction of several new products offset by substantial declines in Eltra's Canadian markets accounted for the slight sales increase in 1975.

Consumer sales declined in 1976 mainly as a result of competition from low priced imported products. This decline was partially offset by improved sales of "All Star" basketball and tennis lines in the quality end of the business. The decline in 1975 reflected major inventory liquidations by dealers and distributors.

The introduction of a new alumina ladle brick, continued high demand for refractory brick, modest sales increases in zinc and aluminum die castings, level shipments of pipe fittings and connectors, offset by a general decline in shipments of instrumentation devices associated with a slowdown in the capital goods industry, resulted in a slight net inprovement in Eltra's industrial products line sales in 1976.

In 1975, industrial products sales declined on lower shipments in the refractory brick and pipe fittings areas in the second half, lower volume in die castings due to effect of recession on automotive customers, and generally even shipments of instrumentation products.

Costs of Sales:

Costs increased modestly (\$20,050,000) in 1976 in relation to substantially improved sales, resulting in improved gross profit margins and partially reflecting the longer term impact of cost reductions achieved in 1975. The decline (\$5,763,000) in cost of sales in 1975 over 1974 was largely attributable to cost reductions in each line of business and lower start-up costs in the second year of operation in certain plants.

Higher depreciation charges were recognized in each year as a result of continued record capital expenditures including new manufacturing and warehousing facilities as well as related equipment and improvements to existing facilities. The major portion of these expenditures were concentrated in the electrical products area to expand production capability for existing products and to provide manufacturing facilities for new products and new markets.

Selling, general and administrative expenses:

Research and development costs were higher in the electrical products area in 1976 and 1975 as emphasis on new product development was continued. Selling expenses increased in each year, particularly in the consumer products area, reflecting higher levels of sales promotion and product development expenses. Pension costs increased in both years.

Interest expense:

Significant declines in average interest rates and lower short-term borrowings in 1976 reduced interest expense. In 1975, higher average short-term borrowings at higher rates accounted for the increase in interest expense.

Taxes on income:

Changes in the overall effective income tax rates in 1976 and 1975 reflected changes in lower effective tax rate income, contribution carry forward deductions and investment tax credits.

Other:

The increase in earnings of equipment leasing companies in 1976 is attributable to higher new lease volume and sizeable declines in average interest rates on borrowings. Decreased selling and administrative expenses, an increase in other income and the effect of lower average interest rates accounted for the increase in earnings of equipment leasing companies in 1975.

Other income increased in 1976 substantially as a result of interest on short-term investments and higher dividends from non-consolidated foreign subsidiaries. The decrease in 1975 was largely a result of lower dividends from non-consolidated foreign subsidiaries and a reduction in fixed asset sales from 1974 levels. Minority interests in earnings changed in each year due to variations in earnings of foreign subsidiaries.

Net income:

The increase in net income in 1976 is principally attributable to improved sales, continued cost reductions, lower interest expense, higher earnings of equipment leasing companies and higher interest income offset by increases in the overall effective tax rate and selling, general and administrative expenses. The increase in net income in 1975 reflected improved gross profit margins and higher earnings of equipment leasing companies partially offset by higher selling, general and administrative expenses.

Improvement in consumer products margin in 1976 reflected increased volume in high margin high-quality product lines. The continued impact of cost reductions and improved product mix account for the improvement in industrial products line in 1975. The introduction of new products and continued high demand for existing products were the principal reasons for the growth of electrical products line earnings.

GREAT WESTERN UNITED CORPORATION (MAY)

Management's Discussion and Analysis of the Summary of Operations

I. FISCAL 1976 COMPARED TO FISCAL 1975 RESULTS

Net Sales and Operating Revenue.

Net Sales and Operating Revenue increased $6,873,000 (1.4%) from $508,445,000 in fiscal 1975 to $515,318,000 in fiscal 1976. Although 1976 sugar prices were approximately 45% below 1975 prices, additional sugar sales volume (up approximately 45%) including the acquisition of Godchaux in June, 1975, and increased revenues from Shakey's of $7,819,000 offset the price declines and provided the increase in revenue. If Godchaux results were included for fiscal 1975 on a proforma basis, revenues for fiscal 1976 would show a decline of $270,093,000.

Costs and Expenses.

A substantial increase in the volume of sugar sold was primarily responsible for an increase in Cost of Sales and Other Operating Expenses. These costs increased $76,574,000 (21.6%) from $354,694,000 in fiscal 1975 to $431,268,000 in fiscal 1976. Other contributing factors include higher expenses at Shakey's ($8,250,000) relating to expansion of company-owned parlors and expenditures associated with Impel's oil and gas exploration activities ($6,745,000 in fiscal 1976). Including Godchaux on a proforma basis for fiscal 1975, Cost of Sales and Other Operating Expenses declined $192,257,000. This proforma decline is due to the "participating" nature of contracts with sugarbeet growers and from the lower cost of raw sugar processed by Godchaux-Henderson. Selling, General and Administrative Expenses rose $10,026,000 (28.3%) during fiscal 1976. Including Godchaux on a proforma basis for fiscal 1975, these expenses increased $6,908,000. Major contributing factors include an increase in brokerage expense of $1,282,000 and freight expense of $4,830,000.

Operating Income from Continuing Operations.

Operating Income from Continuing Operations decreased $72,727,000 (65.3%) from $111,337,000 in fiscal 1975 to $38,610,000 in fiscal 1976 primarily due to the increase in Cost of Sales and Other Operating Expenses of $76,574,000 as noted. Although the cost of sugar beets varies directly with the price of sugar under participating contracts with sugarbeet growers, the manufacturing costs of both beet and cane sugar have increased under inflationary pressures. With lower sugar prices the percentage of each sales dollar contributing to operating profit declines.

Other Income and Expense.

Losses on commodity trading totaled $29,617,000 for the year ended May 31, 1976 compared to a gain of $17,024,000 recorded at May 31, 1975. Under current accounting procedures, realized gains and losses and unrealized losses are recorded for financial statement purposes. Unrealized gains of approximately $24,000,000 on silver bullion futures contracts at May 31, 1976 are not reflected in the financial statements, but such gains were substantially hedged and assured as to realization in June, 1976. Interest Expense on short term debt was $5,325,000 (217.4%) more in fiscal 1976 than in fiscal 1975 due to a significantly higher average level of bank financing throughout 1976 offset somewhat by lower interest rates.

Net Earnings (Loss) from Continuing Operations.

The significant decline in the price of refined sugar (approximately 45%) and losses on commodity futures trading ($29,617,000) caused a net loss from continuing operations of $150,000 in fiscal 1976 compared to net earnings of $59,929,000 in fiscal 1975.

Loss (Earnings) from Operations to be Disposed.

Subsidiaries doing business under the name "Great Western Cities" had earnings of $1,635,000 after provision for taxes in fiscal 1976 compared to a loss of $6,473,000 after provision for taxes in fiscal 1975. The $8,108,000 increase in net income after provision for taxes was parimarily attributable to a reduction in pre-tax selling and administrative expenses of $4,499,000 and the absence in fiscal 1976 of additional reserves or writedowns amounting to $9,138,000 in fiscal 1975.

Dividend Requirements of Preferred Stock.

Dividend Requirements of Preferred Stock declined $920,000 during fiscal 1976. This reduction was the result of the retirement of 60,760 shares of $1.88 Cumulative Preferred Stock through a sinking fund, as required on an annual basis, and the retirement of 239,173 shares of $3.00 Convertible Serial Preferred Stock in May, 1975 pursuant to a tender offer for such shares.

II. FISCAL 1976 COMPARED TO FISCAL, 1975 RESULTS BY LINE OF BUSINESS

A. Manufacture and Sale of Sugar Products.

Net Sales and Operating Revenue of $490,487,000 in fiscal 1976 was virtually unchanged from $491,433,000 in fiscal 1975. A decline in the price of sugar of approximately 45% was almost entirely offset by an increase in sales volume of approximately 45% generated primarily through the acquisition of Godchaux-Henderson in June, 1975. Cost of Sales and Other Operating Expenses increased $62,834,000 (18.3%) from $343,510,000 in fiscal 1975 to $406,344,000 in fiscal 1976. Raw material cost declined 33% on a per unit basis. This decline is the result of the participating nature of contracts with sugar-beet growers and decreasing prices in fiscal 1976. A higher volume of sugar sold of approximately 45% more than offset the decrease in unit raw material cost and generated the increase in Cost of Sales. Selling, General, and Administrative Expenses increased $7,770,000 (24.2%) during fiscal 1976. Such increases were due to the acquisition of Godchaux ($2,500,000) and an increase in freight expense ($4,830,000). Estimated Provision for Litigation declined $3,500,000 as no additional provisions were established in fiscal 1976. Operating Income decreased $68,050,000 (60.6%) from $112,282,000 in fiscal 1975 to $44,232,000 in fiscal 1976. This decline is due principally to an increase in Cost of Sales and Other Operating Expenses of $62,834,000, an increase in Selling, General, and Administrative Expenses of $7,770,000 offset by a decrease in Estimated Provision for Litigation of $3,500,000. Interest Expense increased $$4,453,000 (88.8%) during fiscal 1976 due to a higher average level of bank financing throughout fiscal 1976. Earnings Before Income Taxes decreased $72,503,000 (67.6%) from $107,270,000 in fiscal 1975 to $34,767,000 in fiscal 1976.

B. License and Operation of Restaurants.

Net Sales and Operating Revenue increased $7,819,000 (46.0%) from $17,012,000 in fiscal 1975 to $24,831,000 in fiscal 1976. This increase is primarily due to additional company parlor operations which contributed $7,686,000 to the increase. Direct Costs of Company owned parlors increased $8,250,000 (73.8%) from $11,184,000 in fiscal 1975 to $19,434,000 in fiscal 1976. This increase is the result of expanded company owned parlor operations including an increase of eleven parlors in fiscal 1976 and a full year impact in fiscal 1976 from 36 parlors added in fiscal 1975. Selling, General and Administrative expenses increased $227,000 (5.9%) due to general inflationary pressures. Earnings Before Income Taxes declined $683,000 (51.5%) from $1,327,000 in fiscal 1975 to $644,000 in fiscal 1976. This decline relates to the increase in Costs and Expenses (as noted) which exceeded the increase in Net Sales and Operating Revenue (as noted).

C. Commodity Trading.

Results of commodity trading showed a decline from a gain before tax provision of $17,024,000 at May 31, 1975 to a loss before tax procision of $30,653,000 at May 31, 1976. Unrealized gains of approximately $24,000,000 on silver bullion futures contracts at May 31, 1976 are not reflected in the financial statements. These gains were substantially hedged and assured as to realization in June, 1976.

D. Oil and Gas Exploration.

Oil and Gas Exploration was initiated late in fiscal 1975 and made no revenue contribution either to fiscal 1975 or to fiscal 1976. Expenses associated with this activity totaled $6,745,000 in fiscal 1976 with none recorded for fiscal 1975. Fiscal 1975 expenditures of $1,012,000 were capitalized at May 31, 1975.

E. Land Sales and Community Development.

Total income decreased $1,727,000 (10.9%) during fiscal 1976 to $14,056,000 from $15,783,000 in fiscal 1975. The decrease was primarily due to a reduction in cash receipts of $1,690,000 (8.5%) from long-term accounts receivable. Expenses decreased $17,645,000 (62.2%) during fiscal 1976 to $10,736,000 from $28,381,000 in fiscal 1975. All expense categories declined. The principal decreases included: the provision for estimated claims and litigation by $4,871,000 as no additional provisions were established in fiscal 1976; the provision for loss on valuation of assets by $4,288,000 as no additional provisions were established in fiscal 1976; selling expenses by $3,578,000 due to a major reduction in selling effort during fiscal 1976; and overhead allocation from Parent by $1,391,000 due to a reduction in overhead expenses of the Parent subject to allocation to subsidiaries. All other expenses decreased by $3,517,000 principally due to a general reduction in business activity. Income before income taxes increased from a loss of $12,598,000 in fiscal 1975 to income of $3,320,000 in fiscal 1976. The improvement was principally due to a reduction in expenses.

Description of Company's Business

CULBRO CORPORATION (DEC)

A diversified consumer products organization, Culbro Corporation and its subsidiaries engaged in four principal businesses during 1976—snack foods, proprietary medicine, plastics and tobacco.

The Snack Food Division makes pretzels, potato chips, cheese twists, corn chips and similar products and distributes them under a variety of brand names.

The Proprietary Medicine Division produces and markets Ex-Lax laxatives. Several additional minor products are marketed or are in various stages of test marketing or development.

The Plastics Division manufactures molded parts for various industries, advertising specialty items and tips for cigars.

The Tobacco Division has two principal operations. One is the production and marketing of cigars, snuff, chewing and pipe tobacco and the sale to others of leaf tobacco, most of which is grown and processed by the Division. The other is the wholesale distribution of cigarettes, cigars, other tobacco products, confectionery, health and beauty aids, and sundries.

Also grouped in the Tobacco Division are a tree and shrub nursery, land development operation and a pipe manufacturing and finishing business.

Late in December the Corporation acquired a mortgage banking company operating in Puerto Rico.

KELLOGG COMPANY (DEC)

Scope of the Business

Kellogg Company manufactures and markets a wide variety of food products in the U. S. and abroad, including ready-to-eat cereals, toaster pastries, frozen waffles, soups, frozen pies, dessert mixes, tea, snack items and other convenience foods. The Company also engages in supporting activities such as grain milling and carton printing in a number of countries where principal manufacturing operations exist.

Products of the Company are sold through its own sales forces and through broker and distributor arrangements.

Distribution normally flows through jobber, independent and chain-store warehouses for resale to consumers in retail stores, restaurants, and institutional feeding establishments.

Each of the consumer food areas in which the Company is engaged is characterized by intense competition. This competition arises from manufacturers who offer the same type of products as Kellogg's, as well as from alternative foods of a wide variety.

Research and development activities designed to generate new and improved products, processing methods, and packaging are conducted at the Battle Creek headquarters and at other plant locations around the world.

S. S. KRESGE COMPANY (JAN)

1976 Financial Review

Business: The S. S. Kresge Company, one of the world's major retailers, is principally engaged in the retail sale of general merchandise. The company distributes a wide range of merchandise through the operation of a chain of discount department stores (K mart), variety stores (Kresge) and limited-line discount stores (Jupiter). Operations are conducted through 1,646 stores located in the United States, Canada, Australia and Puerto Rico. Additionally, Kresge is involved in the life, accident and health insurance field through the ownership of Planned Marketing Associates, Inc. (PMA).

The majority of the company's business is generated by the K mart operation. These 1,206 stores are generally one floor, free-standing units located in suburban areas. The stores are well diversified geographically and range in size from 40,000 square feet to 96,000 square feet.

THE LTV CORPORATION (DEC)

About the Company

The LTV Corporation is a multi-industry operating company engaged in three basic industries: steel, meat and food products, and aerospace. It conducts its operations through Jones & Laughlin Steel Corporation, Wilson Foods Corporation, and Vought Corporation, each of which is a wholly owned subsidiary. Consolidated sales and revenues for 1976 were almost $4.5 billion. Common stock is traded on the New York and Pacific Stock Exchanges under the symbol LTV. Total employment is approximately 57,000. Headquarters are in Dallas, Texas.

NORTON SIMON INC (JUN)

Our Business

Norton Simon Inc. is one of the nation's leading manufacturers and marketers of quality products in the food and food service, cosmetics and fashion, home sewing, soft drinks, distilled spirits, and packaging fields.

NSI operating companies rank at or near the top in their respective industries and include Hunt-Wesson, the country's leading producer of tomato-based foods products and edible oil; Max Factor one of the world's top five cosmetics firms; Canada Dry with its famed ginger ale and mixers line; Somerset Importers, one of the leading U.S. importers of premium brands of distilled spirits; McCall Pattern, the second largest company in home sewing patterns, and Glass Containers Corporation, the fifth largest producer of glass containers in its industry. Consumer product operations now represent 88 percent of our sales and 83 percent of pre-tax profits.

Among NSI's major brands, Hunt's Tomato Sauce and Tomato Paste are leaders in their category. Wesson salad and cooking oil has been the brand leader for over 75 years. Max Factor's cosmetics are best-sellers in U.S. drugstores and drug chains, lead in the British market, and are the premier foreign line in Japan. Canada Dry Ginger Ale and mixers are number one in their respective categories. Johnnie Walker Red Label is the world's best-selling scotch, and Johnnie Walker Black Label is the second best-selling premium scotch in the United States. Tanqueray is second, and gaining on number one, in the imported gin market.

NSI products reach the consumer through virtually every retailing channel, including food stores and supermarkets, department stores, drugstores, retail liquor stores, restaurants, and vending machines. In support of its consumer product operations, NSI last year invested $85 million in advertising and additional substantial funds for promotion, market research, and new product development. Capital expenditures for maintenance, improvement, and expansion of manufacturing and research and development facilities amounted to $53 million in fiscal 1976. NSI operates extensive manufacturing and distribution facilities in the United States and abroad. These include food processing plants, facilities for producing cosmetics and fragrances, beverage bottling plants, home sewing pattern manufacturing facilities, bottle and can manufacturing plants, a liquor distillery, and numerous warehouses and distribution centers.

Foreign operations last year accounted for 15 percent of net sales and 22 percent of income from continuing operations. Max Factor products are sold directly in 19 nations and distributed in more than 100 additional countries. Canada Dry has a network of 127 franchisees in 77 countries; and McCall patterns are sold in Canada, England, Australia, and Latin America.

Market Price and Dividend Data

AVCO CORPORATION (NOV)

Financial Review

Market Price Ranges of Stock

(New York Stock Exchange*)	Preferred		Common	
Fiscal Quarter	High	Low	High	Low
1976				
Fourth	$41	$36½	$15⅞	$12¾
Third	41½	36¾	15	10
Second	37¾	27⅛	12½	9
First	28¾	16½	10½	4
1975				
Fourth	$26½	$17⅝	$ 6¼	$ 4⅜
Third	23¼	16¾	7⅝	4⅝
Second	17¾	13⅛	5⅝	3⅝
First	16¼	9	4⅝	2

*Composite prices in 1976.

Regular dividends of $.80 per share on the preferred stock was suspended in the 1974 third fiscal quarter but were resumed in September 1976, and two dividends of $.80 per share were paid in the last half of 1976. In addition, a dividend of $.90 per preferred share, including a $.10 payment on the arrearage, was declared in December 1976, payable in February 1977. No dividends were paid on the common stock in 1976 or 1975.

BAUSCH & LOMB INCORPORATED (DEC)

High and Low of Bausch & Lomb Common Stock by Quarter During 1976 and 1975

1976			1975		
Quarter	High	Low	Quarter	High	Low
1st	39¼	29	1st	28½	21⅝
2nd	39⅛	30½	2nd	39	24⅞
3rd	34½	26¼	3rd	39½	28⅞
4th	30½	25	4th	32⅝	26½

The common stock of Bausch & Lomb Incorporated is listed on the New York Stock Exchange.

Dividends Paid During 1976 and 1975

1976	Cents Per Share	1975	Cents Per Share
January 1	15	Janurary 1	15
April 1	15	April 1	15
July 1	20	July 1	15
October 1	20	October 1	15

On November 24, 1976, the company's board of directors increased the quarterly dividend to $.25 per common share. This dividend was payable on January 1, 1977, to shareholders of record December 6, 1976.

CBS INC (DEC)

Supplementary Information

CBS Stock Data: The principal market for CBS common stock and CBS Series A preference stock is the New York Stock Exchange. In addition, both issues are traded on the Pacific Coast Stock Exchange. CBS common stock is also traded on the stock exchanges of London, Amsterdam and Frankfurt. The following table indicates the quarterly high and low prices for CBS common and preference stock on the New York Stock Exchange during the past two years:

	1976 High	1976 Low	1975 High	1975 Low
1st Quarter				
Common	58	46¾	46⅜	28⅞
Preference	40	33	32½	20½
2nd Quarter				
Common	59¼	50⅝	53¼	43⅝
Preference	40½	34⅜	36	29⅝
3rd Quarter				
Common	61	54¾	54	42⅝
Preference	41½	37½	37	28
4th Quarter				
Common	59⅞	50½	52¼	43
Preference	40¾	36	35	29½

Dividends: Quarterly cash dividends paid on CBS common stock and CBS Series A preference stock during the past two years are indicated in the following table:

	1976	1975
1st Quarter		
Common	41.5c	36.5c
Preference	25.0c	25.0c
2nd Quarter		
Common	41.5c	36.5c
Preference	25.0c	25.0c
3rd Quarter		
Common	41.5c	36.5c
Preference	25.0c	25.0c
4th Quarter		
Common	50.0c	41.5c
Preference	25.0c	25.0c

COOPER INDUSTRIES, INC. (DEC)

Dividend and Stock Information

Dividends. Cash dividends paid to common shareholders during 1976 totalled $.84 a share ($.21 per quarter) compared to $.72 a share ($.18 per quarter) in 1975. The 1975 amounts have been adjusted for a two-for-one stock split of common shares effective March 4, 1976.

On February 15, 1977, the Board of Directors declared an increase in the quarterly cash dividend on common shares to $.27, or $1.08 a share on an annual basis. The first quarterly dividend of $.27 a share will be paid March 18 to common shareholders of record March 4.

During both 1976 and 1976, the annual share dividend was $2.50 ($.625 per quarter) for Series B Preferred stock. Until redemption of outstanding Series A Preferred stock on July 18, 1975, annual share dividends were $5.00 ($1.25 per quarter).

Stock Information. Cooper Industries common stock (symbol—CBE) is listed on the New York and Pacific stock exchanges. Series B Preferred stock is listed on the New York Stock Exchange.

The high and low quarterly sales prices of Cooper Industries common and preferred shares for the past two years, as reported in *The Wall Street Journal,* are as follows:

		1976 (by quarter) 1	2	3	4
Common	High	$ 33.50(1)	$ 37.50	$ 41.50	$ 42.75
	Low	22.88(1)	29.00	36.50	34.25
Series B	High	$117.75	$131.00	$145.00	$145.00
Preferred	Low	82.50	112.25	131.00	129.25

		1975 (by quarter) 1	2	3	4
Common(1)	High	$ 19.50	$ 26.63	$ 29.25	$ 26.63
	Low	11.94	17.31	24.13	21.13
Series A	High	$140.00	$143.00	$ —	$ —
Preferred	Low	100.00	97.00	—	—
Series B	High	$ 65.25	$ 93.00	$102.00	$ 93.50
Preferred	Low	42.00	64.00	87.00	76.50

(1)Restated from amounts previously reported to reflect a two-for-one stock split effective March 4, 1976.

EX-CELL-O CORPORATION (NOV)

Common Stock Price and Dividend Data

Price Ranges on New York Stock Exchange

FISCAL YEAR 1976 QUARTER ENDED	High	Low	Dividend Per Share
February 29	$19½	$13⅝	$ .275
May 31	21¼	16⅞	.275
August 31	22⅝	19½	.275
November 30	27⅜	20½	.3125
Total			$1.1375
FISCAL YEAR 1975 QUARTER ENDED			
February 28	$13½	$ 9½	$ .25
May 31	16	11⅝	.25
August 31	17	13	.25
November 30	15¼	12⅝	.275
Total			$1.025

OSCAR MAYER & CO. INC. (OCT)

Stock Price and Dividends

The market price range for Oscar Mayer & Co. stock on the New York Stock Exchange and dividends declared in each quarter of the last two fiscal years are set forth in the table below. Stock prices ranged from a low of 13¾ to a high of 30 during this two-year period.

Fiscal	Market Price Range			Dividend
Quarter	High	Low	Close	Declared
1976				
1st qtr.	$28¼	$20⅜	$27⅛	25c
2nd qtr.	30	24⅜	29¼	25c
3rd qtr.	29	25⅞	27½	25c
4th qtr.	29¾	27¾	28½	25c
1975				
1st qtr.	18⅝	13¾	18¼	23c
2nd qtr.	18¾	17	18	23c
3rd qtr.	23	18	21⅛	23c
4th qtr.	21¼	19	20½	25c

BUSINESS SEGMENT REPORTING

As mentioned on page 2, Rule 14c-3 of the Securities Exchange Act of 1934 stipulates that annual reports furnished to stockholders in connection with the annual meeting of stockholders include a 5 year line of business breakdown. In addition to the Rule 14c-3 requirement, FASB *Statement of Financial Accounting Standards No. 14,* effective for fiscal years beginning after December 15, 1976, will require that revenue and profitability information as to an enterprise's business segments be presented as an integral part of the financial statements.

In 1976, 426 survey companies disclosed revenue information for their business segments and 330 survey companies disclosed profitability information for their business segments. Of the survey companies disclosing business segment information, 33 presented the revenue information as an integral part of the financial statements and 26 presented the profitability information as an integral part of the financial statements.

Examples of business segment reporting follow.

Segment Information Presented As Integral Part Of Financial Statements

ARMSTRONG CORK COMPANY (DEC)

Financial Review

Although not required for reports through December 31, 1976, segment information on sales, income and identifiable assets presented in this report conforms to the Company's interpretation of Statement No. 14 of the Financial Accounting Standards Board, dated December 1976.

The amounts reported as net sales are the total of sales billed during the year less the sales value of goods returned, trade discounts and customers' allowances, and freight costs incurred in delivering products to customers.

Reported sales by Company segments are shown on a worldwide basis; intracompany transactions have been eliminated.

Net sales in 1976 totaled $981.2 million, 14% above the 1975 total, $859.4 million.

	1976	1975
Details of net sales	(in millions)	
Sales of domestic operations to:		
U.S. areas	$766.0	$657.2
Foreign customers	49.8	44.8
Foreign affiliates	19.3	10.2
	835.1	712.2
Sales of foreign affiliates	165.4	157.4
Less intracompany sales	19.3	10.2
Total net sales	$981.2	$859.4
Sales by Company segments:		
Floor coverings	$584.7	$512.4
Ceilings	178.0	162.8
Furniture	130.3	110.0
Industry products and other	88.2	74.2
	$981.2	$859.4

Net income as shown in the table is reported before interest expense, allocation of certain general corporate items, taxes on income, and gain on the extraordinary item. Foreign exchange gains and losses are included. Earnings of domestic operations include profits accruing from sales to foreign affiliates.

Net income by Company segments is reported on a worldwide basis. Accordingly, income attributed to intracompany transactions has been eliminated.

Net income (as defined)	1976 (in millions)	1975
Net income:		
Domestic operations	$129.4	$ 90.2
Foreign operations	3.7	6.6
Total net income	$133.1	$ 96.8
Net income by Company segments:		
Floor coverings	$ 89.6	$ 70.0
Ceilings	19.5	13.1
Furniture	6.4	3.8
Industry products and other	17.6	9.9
Total net income	$133.1	$ 96.8
Reconciliation:		
Total net income (above)	$133.1	$ 96.8
Deduct:		
Interest expense	13.1	16.6
General corporate items	17.6	15.2
	30.7	31.8
Earnings from operations before income taxes	$102.4	$ 65.0

GULF OIL CORPORATION (DEC)

Notes to Financial Statements

Note 3: Major Business Segments

	Millions of Dollars							
	Total		United States		Canada		Other Foreign	
	1976	1975	1976	1975	1976	1975	1976	1975
Sales and other operating revenues (includes consumer excise taxes)								
Petroleum	$16,835	$14,943	$7,247	$6,614	$2,140	$1,788	$7,448	$6,541
Chemicals	1,062	812	669	536	127	100	266	176
Minerals	216	77	183	75	23	2	10	—
Other	4	6	1	5	—	—	3	1
	$18,117	$15,838	$8,100	$7,230	$2,290	$1,890	$7,727	$6,718
Net income (loss)								
Petroleum	$ 682	$ 672	$ 365	$ 459	$ 102	$ 104	$ 215	$ 109
Chemicals	148	84	94	61	7	10	47	13
Nuclear	(11)	(14)	(9)	(10)	—	—	(2)	(4)
Minerals	(5)	(26)	(10)	(16)	5	(10)	—	—
Other	2	(16)	—	(16)	—	—	2	—
	$ 816	$ 700	$ 440	$ 478	$ 114	$ 104	$ 262	$ 118
Employed capital and net assets—December 31								
Petroleum*	$ 6,651	$ 6,592	$3,886	$ 3,537	$ 1,352	$1,186	$1,413	$1,869
Chemicals	968	808	697	554	81	79	190	175
Minerals*	318	240	287	210	30	30	1	—
Other	29	26	22	25	—	—	7	1
Corporate	1,292	1,021	285	345	415	195	592	481
Employed capital	9,258	8,687	5,177	4,671	1,878	1,490	2,203	2,526
Long-term debt	1,168	1,294	701	718	186	139	281	437
Other long-term liabilities	1,148	935	492	363	590	503	66	69
Net assets (shareholders' equity)	$ 6,942	$ 6,458	$3,984	$3,590	$1,102	$ 848	$1,856	$2,020

*1975 reclassified to conform to 1976 presentation of tar sands as "petroleum."

CELANESE CORPORATION (DEC)

Notes to Consolidated Financial Statements (millions)
Note U: Product group information

	Fibers Group U.S. Polyester and Nylon	Cellulosics	Non-U.S.	Chemicals Group Chemicals	Plastics	Polymer Specialities	Inter-product line eliminations and corporate income, expenses and assets	Totals as shown in consolidated financial statements
1976								
Sales: Total	$665	$302	$285	$634	$185	$266	$(214)	$2,123
Inter-product line	20	27	3	157	3	4	(214)	—
Operating income	50	27	(30)	110	4	10	(15)	156
Depreciation	57	27	22	49	21	7	3	186
Assets	484	274	278	521	214	150	(11)	1,910
Capital expenditures	43	17	44	87	20	9	3	223
1975								
Sales: Total	548	285	328	529	128	249	(167)	1,900
Inter-product line	13	16	3	132	1	2	(167)	—
Operating income	20	22	6	93	(18)	(1)	(12)	110
Depreciation	56	27	23	45	15	7	4	177
Assets	490	259	308	457	193	172	29	1,908
Capital expenditures	38	23	41	51	43	9	3	208
1974								
Sales: Total	545	289	328	462	200	257	(153)	1,928
Inter-product line	20	16	3	107	5	2	(153)	—
Operating income	51	(29)	27	101	25	1	(11)	165
Depreciation	47	31	22	43	14	6	3	166
Assets	457	264	297	423	207	178	47	1,873
Capital expenditures	91	20	18	41	37	9	4	220
1973								
Sales: Total	522	260	283	284	170	201	(111)	1,609
Inter-product line	18	11	—	72	9	1	(111)	—
Operating income	99	(7)	34	48	22	9	(8)	198
Depreciation	43	30	22	33	13	5	2	148
Assets	484	271	282	372	166	140	32	1,747
Capital expenditures	68	11	10	40	15	5	10	159
1972								
Sales: Total	425	235	222	250	156	199	(102)	1,385
Inter-product line	12	12	—	65	10	3	(102)	—
Operating income	56	5	7	44	10	8	(8)	122
Depreciation	37	23	20	31	12	4	4	131
Assets	429	315	293	377	178	138	(25)	1,705
Capital expenditures	34	17	16	21	20	11	9	128

The nature of the business and the products offered by the Corporation and its subsidiaries and affiliates are described on pages 24 through 30. Inter-product line and inter-area sales generally are priced with reference to prevailing market prices. In calculating operating income, the $11 million effect of the cost reduction program in 1972 was included in the product lines where the costs were incurred.

During 1974, operating income was affected by the changes in accounting principles described on page 40. These changes reduced product line operating income as follows: polyester and nylon, $21 million; cellulosics, $14 million; non-U.S. fibers, $7 million; chemicals, $21 million; plastics, $8 million; and polymer specialties, $18 million.

Total and inter-area sales, net income, depreciation, assets and capital expenditures of non-U.S. subsidiaries by geographical area are shown for 1976 in note T on page 51. Also shown there are the totals for all non-U.S. subsidiaries for these items for 1972 through 1976. The balance of the Corporation's net income, assets, capital expenditures and depreciation relates to U.S. operations, except for equity in net income and investments in affiliates. Total and inter-area sales for U.S. operations for 1976 were $1,790 million and $217 million, respectively. Included in the inter-area sales for the U.S., Canada, and for non-U.S. subsidiaries in total are intercompany sales of $79 million, $13 million, and $6 million, respectively.

Corporate assets included in the next-to-last column in the table for 1972-76 are: $124 million; $212 million; $211 million; $84 million; and $174 million, respectively.

EXXON CORPORATION (DEC)

Distribution of Earnings and Assets

(Millions of dollars)

Segments	1976 Petroleum	1976 Chemicals	1976 Corporate total	1975 Petroleum	1975 Chemicals	1975 Corporate total
Sales and operating revenue						
Non-affiliated	$48,110	$3,238	$51,626	$44,964	$2,594	$47,796
Intersegment	1,304	503	—	909	449	—
Total	49,414	3,741	51,626	45,873	3,043	47,796
Earnings before net income of equity companies, financial charges and income taxes	7,319	370	7,584	9,319	326	9,551
Less: Related income taxes	5,135	146	5,236	7,256	135	7,347
Plus: Net income of equity companies	449	10	459	447	4	451
Earnings from operations	2,633	234	2,807	2,510	195	2,655
Non-operating items			71			72
Financial charges			(237)			(224)
Net income			2,641			2,503
Identifiable assets	28,649	2,615	36,331	25,946	2,129	32,839
Depreciation and depletion	1,329	102	1,448	1,385	92	1,524
Capital expenditures	3,601	383	4,098	3,226	258	3,558

Geographic	Sales and operating revenue			Earnings from operations			
1976	Non-affiliated	Interarea	Total	Petroleum and chemicals	Other	Total	Identifiable assets
United States	$14,379	$ 277	$14,656	$1,412			$11,058
Other Western Hemisphere	8,985	2,845	11,830	380			5,009
Eastern Hemisphere	28,223	3,128	31,351	983			13,586
International marine	39	1,118	1,157	92			1,893
Corporate total	51,626	—	51,626	2,867	$(60)	$2,807	36,331
1975							
United States	12,962	183	13,145	1,260			9,058
Other Western Hemisphere	8,354	2,315	10,669	376			5,243
Eastern Hemisphere	26,377	2,001	28,378	1,108			12,140
International marine	103	1,059	1,162	(39)			1,779
Corporate total	47,796	—	47,796	2,705	(50)	2,655	32,839

Financial charges consist of debt-related costs (net of related income taxes) and minority share of earnings. Net income of equity companies consists in large part of the corporation's share of the earnings of natural gas production and distribution companies in the Netherlands; it does not include the corporation's share of earnings of Aramco (see Note 1, page 34) which, after application of losses sustained on resale to processing affiliates and others of crude oil purchased from Aramco, totaled $221 million in 1976 and $185 million in 1975. Non-operating items consist of corporate administrative expenses and portfolio income, net of related income taxes.

Transfers between business activities or areas are at estimated market prices. Results for the international marine activity are derived from revenues based on charges to other activities at weighted average industry charter cost.

INTERNATIONAL MULTIFOODS CORPORATION (FEB/77)

Notes to Consolidated Financial Statements

Note 14: Segments of Business—The Company operates principally in four markets worldwide. Total net sales includes both sales to unaffiliated customers, as reported in the Company's consolidated statements of earnings, and intersegment sales which are accounted for principally by use of current market price. Intersegment sales for fiscal 1977 were \$7,200,000 of which \$4,200,000 and \$3,000,000 were applicable to the Industrial and Consumer segments, respectively. Intersegment sales for fiscal 1976 were \$6,600,000 of which \$4,400,000 and \$2,200,000 were applicable to the Industrial and Consumer segments, respectively. Operating profit is total revenue less operating expenses. In computing operating profit, none of the following items has been added or deducted: general corporate expense, interest expense, income taxes, equity in earnings from approximately 50%-owned non-U.S. companies and minority interest. Assets are those identifiable to a particular segment either by their direct use or by allocation when used jointly by two or more segments. Corporate assets are principally cash and temporary cash investments. Financial data and a description of the Company by market areas worldwide for fiscal years 1977 and 1976 are shown under "Multifoods Markets Worldwide" on pages 29 and 30 of this annual report and are incorporated herein by reference. Information concerning the Company's operations by geographic areas is shown below (dollars in millions):

Information about the Company's Operations in Different Geographic Areas
Fiscal Year 1977

	United States	Canada	Other, principally Venezuela	Adjustments and eliminations	Consolidated
Sales to unaffiliated customers	\$531.6	\$224.2	\$91.2	\$ —	\$847.0
Transfers between geographic areas	.6	3.9	—	(4.5)	—
Net sales	\$532.2	\$228.1	\$91.2	\$(4.5)	\$847.0
Operating earnings	\$ 30.2	\$21.0	\$ 5.4	\$ —	\$ 47.6
Unallocated					(2.8)
Interest expense					(8.3)
Earnings before income taxes					\$ 36.5
Assets	\$167.5	\$ 85.6	\$38.2	\$ —	\$291.3
Investment in approximately 50%-owned non-U.S. companies					5.0
Corporate assets					21.0
Total assets					\$317.3

Information about the Company's Operations in Different Graphic Areas
Fiscal Year 1976

	United States	Canada	Other principally Venezuela	Adjustments and eliminations	Consolidated
Sales to unaffiliated customers	\$510.0	\$211.2	\$79.6	\$ —	\$800.8
Transfers between geographic areas	1.0	3.3	—	(4.3)	—
Net sales	\$511.0	\$214.5	\$79.6	\$(4.3)	\$800.8
Operating earnings	\$ 22.8	\$ 11.3	\$ 4.0	\$ —	\$ 38.1
Unallocated					(2.3)
Interest expense					(7.9)
Earnings before income taxes					\$ 27.9
Assets	\$156.7	\$ 79.3	\$37.6	\$ —	\$273.6
Investment in approximately 50%-owned non-U.S. companies					6.1
Corporate assets					20.6
Total assets					\$300.3

INTERNATIONAL HARVESTER COMPANY (OCT)

Notes to Financial Statements

Note 2: Sales—Sales by continuing operations were as follows:

	1976		1975	
	(Thousands of dollars)			
Product group:				
Trucks	$2,310,377	42.1%	$1,999,037	38.1%
Agricultural equip..........	2,262,068	41.2	2,105,672	40.1
Construction and industrial equip.........	668,385	12.2	886,789	16.9
Turbo machinery	247,293	4.5	254,542	4.9
Total sales....	$5,488,123	100.0%	$5,246,040	100.0%

Sales outside the United States accounted for 37% of total sales in 1976 and 40% in 1975.

Note 3: Net Income—Net income is summarized below by domestic operations and by geographical areas (all net of taxes on income):

	1976	1975
	(Thousands of dollars)	
United States:		
Divisions:		
Truck	$21,786	$(46,207)
Agricultural Equipment	84,295	78,835
Pay Line	(4,721)	33,623
Solar	20,536	19,823
Sales finance subsidiary................	38,726	33,405
Corporate expenses:		
Interest	(39,702)	(52,272)
Administrative	(19,891)	(19,400)
Other	16,362	14,171
Total	117,391	61,978
Wisconsin Steel Division	—	(44,617)
Total United States	117,391	17,361
Outside United States:		
Canada	26,533	19,415
Europe and Africa........................	26,598	40,168
Latin America	(4,702)	1,460
Pacific area	8,268	950
Total outside United States	56,697	61,993
Net income	$174,088	$ 79,354

Earnings of International Harvester Export Company, a domestic marketing subsidiary, are included in the Other category of the United States although the earnings are derived from sales made in other countries. Income of other affiliates is classified according to the area in which they are located.

Net income for 1976 includes exchange gains of $13 million (including income tax benefits of $2 million) for operations outside the United States and losses of $1 million (after income tax benefits of $1 million) for United States operations. Exchange adjustments for 1975 resulted in net gains of $12 million (after income tax charges of $485 thousand) and losses of $3 million (after income tax benefits of $3 million), respectively.

Amounts previously reported as translation losses in cost of sales ($17,314,000 in fiscal 1975 and $15,764,000 in the first 9 months of 1976) are no longer defined as translation losses in accordance with Statement No. 8 of FASB adopted in the fourth quarter of 1976, although such amounts are included in the determination of each year's cost of sales. There is no material effect on net income because of this change; it is only a matter of presentation and calculation. The financial effects on net income due to the adoption of Statement No. 8 are not material.

LEVI STRAUSS & CO. (NOV)

Notes to Consolidated Financial Statements

Operations

Information concerning the Company's domestic and foreign operating groups is shown below:

1976	United States Group	International Group	Eliminations	Consolidated
Net sales to unaffiliated customers	$863,800,000	$355,941,000	$ -0-	$1,219,741,000
Sales between groups	3,497,000	1,174,000	(4,671,000)	-0-
Total	$867,297,000	$357,115,000	$(4,671,000)	$1,219,741,000
Profit contribution before unallocated expenses and interest expense	$189,650,000	$ 38,439,000	$ (686,000)	$ 227,403,000
Unallocated expenses, net				(9,097,000)
Interest expense				(10,890,000)
Income before taxes				$ 207,416,000
Assigned assets	$332,347,000	$198,476,000	$ -0-	$ 530,823,000
Other assets				133,599,000
Total assets				$ 664,422,000
1975				
Net sales to unaffiliated customers	$700,760,000	$314,455,000	$ -0-	$1,015,215,000
Sales between groups	3,943,000	1,208,000	(5,151,000)	-0-
Total	$704,703,000	$315,663,000	$(5,151,000)	$1,015,215,000
Profit contribution before unallocated expenses and interest expense	$135,593,000	$ 33,667,000	$(1,348,000)	$ 167,912,000
Unallocated expenses, net				(18,099,000)
Interest expense				(13,134,000)
Income before taxes				$ 136,679,000
Assigned assets	$265,036,000	$156,913,000	$ -0-	$ 421,949,000
Other assets				74,327,000
Total assets				$ 496,276,000

The above results include the effect of exchange losses in 1976 of $1,783,000 and gains in 1975 of $4,464,000. Also, as a result of currency devaluations, inventory values, as expressed in U.S. dollars, were reduced by $9,450,000 in 1976 and $6,400,000 in 1975 to maintain normal gross margins. Substantially all of these amounts, which totaled $11,233,000 in 1976 and $1,936,000 in 1975, affect the profit contribution from the international group.

Although not required until 1978, the Company, which operates in the apparel industry, has elected to comply early with the provisions of the recent statement by the Financial Accounting Standards Board on Financial Reporting for Segments of a Business Enterprise. In order to comply with the concepts in this statement, it has been necessary to make some changes to the previously reported 1975 data concerning international operations.

Segment Information Presented But Not As Integral Part Of Financial Statements

ALLIS-CHALMERS CORPORATION (DEC)

Sales By Groups of Products and Services

	1976	1975	1974	1973	1972
		(dollars in millions)			
Agricultural Equipment Group	$ 550	$ 511	$ 424	$ 294	$ 232
Processing equipment groups	600	525	377	246	197
Electrical products group	204	182	159	126	110
Financial services	—	—	—	—	—
Material handling/outdoor power group	148	159	186	161	127
Power generation	17	22	18	11	16
Power transmission	—	44	98	90	80
Construction machinery	—	—	—	238	198
Total	$1,519	$1,443	$1,262	$1,166	$ 960

Income (or loss) by Groups of Products and Services

Before Income Taxes and Equity in Income of Fiat-Allis

	1976	1975	1974	1973	1972
		(dollars in millions)			
Agricultural equipment group	$ 59.5	$ 44.0	$ 16.8	$ 1.3	$ (.3)
Process equipment groups	43.7	27.5	22.2	14.2	13.0
Electrical products group	21.5	2.4	.5	(2.3)	.4
Financial services	15.2	15.2	12.1	10.1	12.5
Material handling/outdoor power group	1.1	(1.3)	20.7	21.6	12.2
West Allis contract manufacturing	(2.5)	(3.5)	(4.3)	(4.6)	(6.9)
Allis-Chalmers Power Systems, Inc.	(1.3)	(2.4)	(2.1)	(1.4)	(.6)
Power generation	*(23.9)	(19.8)	(4.3)	(3.0)	(3.1)
Power transmission	—	.1	(9.7)	(9.0)	(11.8)
Construction machinery	—	—	—	7.0	3.8
Provisions for plant rearrangement, underutilized equipment and product discontinuance	(10.7)	(19.0)	(16.4)	(8.3)	—
Total	$102.6	$ 43.2	$ 35.5	$ 25.6	$ 19.2

*Includes $7.8 million in 1976 of increased U.S. dollar component costs contracted for in German marks.

AMAX INC. (DEC)

AMAX Ten-Year Financial Summary—By Lines of Business

For the Year (dollars in millions)	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967
Sales:										
Molybdenum, nickel and specialty metals	$ 337	$242	$ 240	$179	$114	$108	$145	$155	$123	$106
Base metals(1)	398	331	639	571	270	215	294	275	197	141
Fuels	284	239	174	134	119	96	98	19	5	8
Iron ore	97	99	78	60	45	39	25	8	—	—
Chemicals	53	51	36	22	20	27	23	21	20	20
Forest products(2)	2	—	—	—	—	—	—	—	—	—
Total sales(3)	$1,171	$962	$1,167	$966	$568	$485	$585	$478	$345	$275
Earnings from operations before income taxes, exploration and unallocated corporate expenses:										
Molybdenum, nickel and specialty metals	$ 90	$ 46	$ 41	$ 46	$ 28	$ 28	$ 52	$ 55	$ 37	$ 32
Base metals(1)	33	34	99	76	21	9	19	9	14	9
Fuels	56	63	31	17	19	13	10	1	1	0
Iron ore	28	38	32	38	25	23	13	4	—	—
Chemicals	16	22	15	6	5	4	4	(1)	0	0
	223	203	218	183	98	77	98	68	52	41
Exploration expenses	(29)	(34)	(38)	(34)	(13)	(17)	(14)	(9)	(7)	(7)
Unallocated corporate expenses	(35)	(33)	(36)	(24)	(11)	(10)	(12)	(11)	(6)	(7)
Earnings from operations before income taxes	$ 159	$136	$ 144	$125	$ 74	$ 50	$ 72	$ 48	$ 39	$ 27
Capital expenditures and investments:										
Molybdenum, nickel and specialty metals	$ 155	$198	$ 140	$ 51	$ 39	$ 49	$ 29	$ 11	$ 17	$ 25
Base metals(1)	40	98	76	111	18	8	92	15	15	13
Fuels	169	130	90	64	52	29	18	83	4	4
Iron ore	17	47	33	10	8	30	24	18	29	14
Chemicals	8	4	1	1	1	8	2	2	1	2
Forest products	88	—	—	—	—	—	—	—	—	—
Corporate	54	58	68	17	28	6	4	10	11	—
Total capital expenditures and investments	$ 531	$535	$ 408	$254	$146	$130	$169	$139	$ 77	$ 58
Depreciation and depletion	$ 75	$ 59	$ 46	$ 38	$ 32	$ 29	$ 27	$ 19	$ 19	$ 14

(1)Includes the sale of metals processed from concentrates and scrap materials, tolling services and sales of copper from AMAX's 50 per cent share of the operations of the Twin Buttes Mine from January 1, 1973. In 1975, AMAX began recording results from certain commodity exchange sale and purchase transactions as a single net item to improve reporting of the relationship between sales and costs of sales. Previously, each transaction was recorded as a purchase or sale. Both sales and costs include $124 million in 1974, and $169 million in 1973 applicable to such transactions; the amounts applicable to prior years were not significant. This change had no effect on net earnings. The operations of the RST Division, which consist primarily of copper and silver net trading revenue, fees and commissions and compensation from RMC, have been included as part of Base Metals.

(2)The Forest Products Division, which commenced operations in 1976, operated at a break-even level.

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

	1976	1975	1974	1973	1972
Molybdenum	24%	20%	18%	16%	18%
Copper*	15	11	17	17	19
Coal	22	24	12	10	16

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

THE STANDARD OIL COMPANY (AN OHIO CORPORATION)

Business Segments

	1976	1975	1974	1973	1972
			Thousands of Dollars		
Sales and operating revenue					
Petroleum					
Products	$2,266,328	$1,888,196	$1,657,672	$1,092,290	$ 999,004
Merchandise	93,759	85,091	78,998	76,626	71,875
Crude oil and natural gas	24,047	22,117	17,200	28,759	41,278
Other	59,624	42,076	34,599	6,547	-0-
	2,443,758	2,037,480	1,788,469	1,204,222	1,112,157
Coal	148,952	166,270	114,680	84,608	78,206
Chemicals and plastics					
Industrial chemicals	131,478	96,263	103,032	73,013	56,809
Agricultural and other nitrogen chemicals	132,544	137,072	108,536	71,003	40,236
Plastics	53,902	47,076	51,460	49,148	48,287
	317,924	280,411	263,028	193,164	145,332
Royalties from licenses on patented processes	4,724	22,975	41,012	24,709	21,338
Other	1,062	-0-	-0-	-0-	30,263
	$2,916,420	$2,507,136	$2,207,189	$1,506,703	$1,387,296
Income before interest, income taxes, and extraordinary items					
Petroleum*	$ 155,606	$ 84,216	$ 72,515	$ 60,251	$ 57,623
Coal	32,363	52,083	31,546	12,373	11,577
Chemicals and plastics	46,923	54,162	47,895	23,217	11,807
Royalties	1,879	21,047	39,700	23,692	20,245
Other	(1,615)	(2,713)	2,823	804	2,305
Corporate	213	(1,968)	(1,521)	(421)	(1,039)
	$ 235,369	$ 206,827	$ 192,958	$ 119,916	$ 102,518
Assets					
Petroleum					
Alaska	$4,410,450	$2,495,600	$ 921,071	$ 425,449	$ 319,187
Lower 48 states	1,294,327	1,228,023	1,227,134	1,108,413	1,170,989
Coal	157,209	128,010	100,150	76,402	70,367
Chemicals and plastics	185,916	178,798	145,150	130,395	133,072
Royalties	55,376	67,165	59,276	33,348	21,440
Other	68,696	60,842	47,140	38,784	37,333
Corporate	88,244	62,005	121,563	150,687	50,030
	$6,260,218	$4,220,443	$2,621,484	$1,963,478	$1,802,418
Capital Expenditures					
Petroleum	$1,639,152	$1,571,896	$ 666,625	$ 178,154	$ 101,919
Coal	38,094	29,464	20,351	5,692	16,313
Chemicals and plastics	13,373	19,258	8,465	7,039	4,479
Other	4,898	17,214	3,132	405	14
Corporate	3,282	3,783	1,839	1,307	1,668
	$1,698,799	$1,641,615	$ 700,412	$ 192,597	$ 124,393
Depreciation and depletion expense					
Petroleum	$ 58,012	$ 63,561	$ 51,710	$ 50,465	$ 53,846
Coal	9,513	7,455	5,900	5,930	5,691
Chemicals and plastics	12,097	10,112	9,690	9,251	8,957
Other	278	20	11	7	880
Corporate	1,614	1,344	1,123	1,366	1,502
	$ 81,514	$ 82,492	$ 68,434	$ 67,019	$ 70,876
*Includes a 5/12 of 1% interest in the Iranian Oil Consortium as follows:					
Income before income taxes	$ 13,274	$ 22,145	$ 38,186	$ 14,484	$ 9,123
Income after Iranian income tax	$ 416	$ 1,931	$ 9,271	$ 1,643	$ 1,996

Products and services of the business segments are described in the Review of Operations. Inter-segment sales are immaterial.

The above information complies with Financial Accounting Standards Board Statement No. 14, "Financial Reporting for Segments of a Business Enterprise."

STEWART-WARNER CORPORATION (DEC)

Supplemental Financial Information

The following information respecting certain items shown in the Summary of Operations (pages 18 and 19 of this report) and the schedule of revenue and income for each principal line of business, should be read in conjunction with the Chairman's letter to shareholders, which includes greater detail concerning the nature of the Corporation's business, and its operations during 1976, with appropriate comparisons to the results of operations for 1975.

The schedule below summarizes the Corporation's total revenue and income attributable to each principal line of business for each of the last five years (in thousands of dollars):

	Electronic and Electrical Systems, Products and Components*		Mechanical Systems, Products and Components		Power Tools, Related Products and Other Items		Other Products and Components		Total	
	Net Sales	Income	Net Sales	Income	Net Sales	Income	Net Sales	Income	Net Sales	Income
1976-										
Amount	$66,867	$5,561	$179,850	$24,481	$16,142	$2,419	$11,375	$1,708	$274,234	$34,169
%	24.4%	16.3%	65.6%	71.6%	5.9%	7.1%	4.1%	5.0%	100.0%	100.0%
1975-										
Amount	$54,481	$4,033	$160,928	$18,501	$15,864	$1,467	$ 9,911	$1,047	$241,184	$25,048
%	22.6%	16.1%	66.7%	73.9%	6.6%	5.8%	4.1%	4.2%	100.0%	100.0%
1974-										
Amount	$66,164	$4,145	$170,222	$19,691	$16,876	$2,083	$ 8,204	$ 734	$261,466	$26,653
%	25.3%	15.5%	65.1%	73.9%	6.5%	7.8%	3.1%	2.8%	100.0%	100.0%
1973-										
Amount	$65,835	$5,052	$155,288	$19,266	$16,218	$1,126	$ 6,909	$ 399	$244,250	$25,843
%	27.0%	19.5%	63.6%	74.6%	6.6%	4.4%	2.8%	1.5%	100.0%	100.0%
1972-										
Amount	$51,896	$4,512	$139,003	$17,247	$16,002	$ 679	$ 9,748	$ 523	$216,649	$22,961
%	23.9%	19.6%	64.2%	75.1%	7.4%	3.0%	4.5%	2.3%	100.0%	100.0%

*Excludes certain products and components which are not separable accurately, as between electronic/electrical and mechanical, in records relating to sales and costs.

NOTE: Income is income from operations, which is before other income and income taxes. Other income includes interest from marketable securities and other items of income and expense and is considered unrelated to the income contributions of the lines of business.

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 sixteen survey companies used a 52-53 week fiscal year.

During 1976, 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

	1976	1975	1974	1973
January	21	22	22	23
February	13	14	15	16
March	19	16	19	20
April	7	7	5	5
May	11	10	8	10
June	37	36	37	39
July	13	12	13	14
August	16	17	18	17
September	41	38	38	39
October	31	30	28	31
November	10	12	13	13
Subtotal	**219**	**214**	**216**	**227**
December	381	386	384	373
Total Companies	**600**	**600**	**600**	**600**

Change in Date of Fiscal Year Ending

CONAGRA, INC.

Consolidated Balance Sheets

June 29, 1975 and May 30, 1976

Consolidated Statements of Earnings

Fifty-two week period ended June 29, 1975 and forty-eight week period ended May 30, 1976.

Consolidated Statements of Changes in Financial Position

Fifty-two week period ended June 29, 1975 and forty-eight week period ended May 30, 1976.

Consolidated Statements of Stockholders' Equity

Fifty-two week period ended June 29, 1975 and forty-eight week period ended May 30, 1976

Notes to Consolidated Financial Statements

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

Fiscal Year Change—In 1976, the Company elected to change its fiscal year end from the last Sunday in June to the last Sunday in May. The accompanying consolidated financial statements for Fiscal 1976 cover the forty-eight week period ended May 30, 1976. Comparative fiscal 1975 figures are for a fifty-two week period.

THE GRAND UNION COMPANY

Consolidated Balance Sheet

April 3, 1976	March 1, 1975

Consolidated Statement of Income and Retained Earnings

53 weeks ended April 3, 1976	52 weeks ended March 1, 1975

Consolidated Statement of Changes in Financial Position

53 weeks ended April 3, 1976	52 weeks ended March 1, 1975

Notes to Financial Statements

Note 2 (in part): Summary of Accounting Policies:

Fiscal Year—On February 28, 1975 The Board of Directors changed the closing date of the fiscal year from the Saturday nearest the last day of February to the Saturday nearest the last day of March. Results for the month of March 1975, which have been credited directly to retained earnings, include sales $119,782,000, income before taxes $520,000, estimated income taxes $167,000, and net income $353,000 ($.05 per share). As a result of the change in fiscal year, the 1975 period includes 53 weeks compared to the 52 weeks of 1974.

LYNNWEAR CORPORATION

Consolidated Balance Sheet

December 3, 1976	November 30, 1975

Consolidated Statement of Operations and Retained Earnings

For the Years Ended	
December 3, 1976 (53 weeks)	November 30, 1975 (52 weeks)

Consolidated Statement of Changes in Financial Position

For the Years Ended	
December 3, 1976 (53 weeks)	November 30, 1975 (52 weeks)

Notes to Consolidated Financial Statements

Note 1 (in part): Significant Accounting Policies.

Principles of Consolidation—The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. Material intercompany items and transactions have been eliminated in consolidation. The Company's investment in a 50% owned investee is accounted for by the equity method.

During the year, the stockholders of the Company approved an amendment to the articles of incorporation whereby the Company's name was changed to Lynnwear Corporation. In 1976, the Company adopted a 52-53 week fiscal year, ending on the Friday nearest to each November 30.

This change had no material effect on the comparability of the accompanying financial statements which include 53 weeks in the current year and 52 weeks in the prior year.

THE PENN TRAFFIC COMPANY

Consolidated Balance Sheet

January 29, 1977	January 31, 1976

Consolidated Statement of Income

52 Weeks Ended January 29, 1977	Year Ended January 31, 1976

Consolidated Statement of Changes in Financial Position

52 Weeks Ended January 29, 1977	Year Ended January 31, 1976

Notes to Consolidated Financial Statements

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

Fiscal Year—Effective February 1, 1976, the Company adopted a 52-53 week fiscal year ending on the Saturday nearest January 31 each year.

TYSON FOODS, INC.

Consolidated Balance Sheet

October 2, 1976 and September 30, 1975

Consolidated Statement of Income

For the years ended October 2, 1976 and September 30, 1975

Consolidated Statement of Stockholders' Equity

For the years ended October 2, 1976 and September 30, 1975

Consolidated Statement of Changes in Financial Position

For the years ended October 2, 1976 and September 30, 1975

Notes to the Consolidated Financial Statements

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

Change of Fiscal Year—In October of 1975, the Company elected to change its fiscal year end from September 30 to the Saturday nearest September 30. This change had no material effect on the financial statements.

Definition of Fiscal Year

AMERICAN STORES COMPANY

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. The resultant 52-week fiscal year is shorter than a calendar year. Accordingly, the fiscal year is lengthened to 53 weeks periodically when required to reposition the year end near March 31. Fiscal year 1976, a 53-week year, ended April 3, 1976, while fiscal year 1975, a 52-week year, ended March 29, 1975.

BOBBIE BROOKS INCORPORATED

Notes to Consolidated Financial Statements

Note 1 (in part): Significant Accounting Policies.

Principles of Consolidation—The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. Material intercompany items and transactions are eliminated in consolidation. Investments in several 50% owned companies which are, in the aggregate, not significant are accounted for by the equity method. The Company's fiscal year ends on the Saturday nearest to April 30. Accordingly, fiscal 1976 includes 52 weeks while fiscal 1975 included 53 weeks.

THE EASTERN COMPANY

Notes to Consolidated Financial Statements

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

Fiscal Year—The Company's fiscal year ends on the Saturday nearest to December 31. The years ended January 1, 1977 and January 3, 1976 comprised 52 and 53 weeks, respectively.

THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC

Summary of Significant Accounting Policies

Fiscal year—The Company's fiscal year ends on the last Saturday in February. Fiscal 1975 ended February 28, 1976 and comprised 53 weeks while fiscal 1974 ended February 22, 1975 and comprised 52 weeks.

SPENCER COMPANIES, INC.

Notes to the Consolidated Financial Statements

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

Fiscal Year—The Company's fiscal year ends on the Saturday closest to May 31. Fiscal years ended May 29, 1976 (1976) and May 31, 1975 (1975) were comprised of 52 weeks.

THE STANDARD REGISTER COMPANY

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 Sunday nearest to December 31. Fiscal year 1976 ended January 2, 1977 and contained 53 weeks. Fiscal year 1975 ended December 28, 1975 and 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.

TABLE 1-4: ROUNDING OF AMOUNTS

	1976	1975	1974	1973
To nearest dollar	200	226	244	294
To nearest thousand dollars:				
Omitting 000	211	188	174	137
Presenting 000	157	161	166	158
To nearest million dollars	32	25	16	11
Total Companies	**600**	**600**	**600**	**600**

ROUNDING OF AMOUNTS

Table 1-4 shows a continuing increase in the number of survey companies stating financial statement amounts in thousands of dollars with zeros omitted and in millions of dollars.

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.

Replacement cost 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

	1976	1975	1974	1973
General and direct references	346	330	325	337
General reference only	235	236	237	224
Direct reference only	14	29	33	36
No reference to notes	5	5	5	3
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 statements 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.

TABLE 1-6: DISCLOSURE OF ACCOUNTING POLICIES

	Number of Companies		
	1976	1975	1974
Depreciation methods	586	583	582
Consolidation basis	584	578	576
Inventory pricing	556	556	556
Interperiod tax allocation	543	557	558
Property	505	497	510
Employee benefits	360	359	312
Amortization of intangibles	307	333	168
Translation of foreign currencies	301	401	378
Earnings per share calculation	299	234	174

ALLIED CHEMICAL CORPORATION (DEC)

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Consolidated Financial Statements include the accounts of all wholly-owned significant subsidiaries. Minor subsidiaries, operating principally in foreign countries, are carried as investments.

Short-term Securities and Marketable Securities are carried at the lower of aggregate cost or market.

Investments and Long-term Receivables are carried at cost, adjusted for permanent impairments, and in the case of unconsolidated subsidiaries and afffiliates over which significant influence is exercised, adjusted for the equity in undistributed earnings since acquisition.

Inventories are valued at the lower of cost or market using the last-in, first-out (LIFO) method for substantially all qualifying domestic inventories and the average cost method for other inventories.

Property, Plant and Equipment, other than oil and gas properties, are carried at cost and are depreciated on a composite basis for asset groups using estimated service lives or amortization using unit of production rates for mines and quarries. For financial statement purposes, depreciation is computed principally on the sum-of-the-years-digits method for assets acquired prior to January 1, 1970, and on the straight-line method for assets subsequently acquired. For tax purposes, depreciation is computed by accelerated methods based on allowable useful lives.

Maintenance and Repairs are charged to income and renewals and betterments are capitalized. On normal retirement or replacement, most of property (less salvage) is charged to accumulated depreciation. Gains or losses arising from other retirements or sales are included in income currently.

Oil and Gas Property Investments are grouped by individual areas and are valued at the lower of amortized cost or the estimated realizable value of underlying proved oil and gas reserves. Lease acquisition costs and other unproved acrege costs are capitalized by individual area and amortized during exploration to the extent that these costs, based on past experiences, are likely to relate to unproductive acreage. Other exploration costs, including dry holes, are expensed. Amortization of productive well intangible drilling and development costs, lease costs, tangible well equipment and related producing facilities, including certain machinery and equipment, and producing leaseholds is computed by unit of production rates.

Natural Gas Operations, which include North American production and distribution (the latter including substantial sales under long-term contracts), are accounted for as a homogeneous business. No provision is made for possible future losses in this business over the lives of those long-term sales contracts that are unprofitable as 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, including governmental actions, contract renegotiations and changes in prices, costs and reserves. (See Natural Gas Business portion of Note 7 of Notes to Financial Statements.)

Goodwill, which relates to businesses acquired before November 1, 1970, is considered to have an indeterminate life and accordingly is not amortized. Patents and licenses, which include the costs of acquiring rights to certain manufacturing processes, are amortized over the lives of such rights.

Income Taxes are based on pre-tax financial statement income with an appropriate deferred tax provision to provide for the tax effect of temporary differences between pre-tax financial statement income and taxable income. Tax reductions arising from statutory depletion relative to oil, gas, coal and other mineral operations are included in net income currently. Deferred income taxes are not provided on undistributed earnings of affiliated companies, which are considered to be permanently reinvested. The investment tax credit is included in financial statement income over the lives of the related assets.

Pension Expense reflects the amortization of prior service costs, including vested benefits, principally over a 25-year period prior to 1976 and over a 30-year period, effective January 1, 1976. The Company funds amounts equal to pension expense plus a portion of the accrued pension obligations; accordingly, the existing accrued pension obligations provided in prior years are reduced concurrently with the amounts deposited with trustees.

BROWNING-FERRIS INDUSTRIES, INC. (SEP)

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies

Principles of Consolidation—The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated. The accounts of Canadian subsidiaries have not been translated into United States currency since the effect of translation would be insignificant. These notes include only amounts applicable to continuing operations, except where indicated otherwise.

Business Combinations—The financial statements include the accounts of businesses combined and stock issued in transactions accounted for on a pooling-of-interests basis for all periods presented. The accounts of purchased companies are included in the financial statements for all periods subsequent to the date of acquisition.

Inventories—Inventories, consisting principally of equipment parts, materials and supplies, valued under a method which approximates the lower of cost (first-in, first-out) or market, which entered into the determination of the cost of sales or operations, at the beginning and end of the two years ended September 30, 1976, were $7,962,000, $7,913,000 and $7,408,000.

Deferred Revenues—The Company's solid waste subsidiaries bill some of their customers for service from one to six months in advance. These revenues are deferred and taken into income in the period in which the related services are rendered.

Income Taxes—The Company uses the deferral method of accounting for the investment tax credit, under which the allowable credit is amortized over the useful lives of the assets acquired. Investment tax credits claimed were $1,825,000 in 1976 and $1,995,000 in 1975. Amortization of the accumulated credits increased net income $1,408,000 in 1976 and $1,180,000 in 1975.

Deferred income taxes are provided for timing differences resulting from inclusion of income and expense items in financial statements in years other than when recognized for income tax purposes. Timing differences result principally from the use of accelerated depreciation methods for income tax returns and the straight-line method in financial statements. The deferred income tax account is charged when the timing differences reverse. In 1976, timing differences resulted in a net decrease in the deferred tax account of $315,000. In 1975, deferred income tax expense was $2,110,000.

The Company and its domestic subsidiaries file consolidated Federal income tax returns.

Depreciation—Depreciation for financial reporting purposes is provided on the straight-line method based upon the estimated useful lives of the assets as follows: buildings, 10 to 40 years; equipment, 3 to 10 years; and furniture and fixtures, 5 to 10 years. Landfills are stated at cost which approximates estimated fair value, and landfill preparation costs are amortized over the useful life of the landfill.

Landfill Sales—The Company follows the policy of expensing, as incurred, both the cost of current landfill operations and the cost of landfill improvements made during the disposal process to increase the ultimate sales price of the completed landfill. Landfill sales activities were insignificant in 1976 and 1975.

Reclassification—Deferred investment tax credits and related accumulated amortization have been reclassified from property and equipment and accumulated depreciation to deferred income taxes. The amortization of the investment tax credit (amounting to $1,180,000 and $1,408,000 for the two years ended September 30, 1976), previously reflected as a reduction of depreciation expense, has been reclassified to income tax expense. These reclassifications did not affect net income.

COMBINED COMMUNICATIONS CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note A–Summary of Significant Accounting Policies:

The Company's accounting policies reflect practices common to the industry and conform to generally accepted accounting principles. The more significant accounting policies are summarized below for the convenience of financial statement readers.

Principles of Consolidation—The Company's consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned except Claude Neon Limited, a Canadian corporation, which is 99.8% owned. All significant intercompany investments, advances, transactions and profits have been eliminated.

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

Film Broadcast Rights—Rights to broadcast films are recorded as an asset when the films are available for telecasting; the current portion of unused rights represents the estimated costs of film to be expensed in the succeeding year. The amount charged to expense is based on varying rates as management deems appropriate to match related revenues with these expenses.

The liability for these rights, also recorded when the films are available for telecasting, is classified as current or noncurrent in accordance with the payment terms of the various agreements and is generally shorter than the useful life of the film.

Property, plant and equipment—Additions, improvements and expenditures for repairs and maintenance, and relocation of outdoor advertising structures, that significantly add to the productivity or extend the economic life of the assets are capitalized. Other expenditures for repairs and maintenance, and takedown costs of outdoor advertising structures are charged to operations.

Depreciation and amortization, for financial statement purposes, is calculated principally on the straight-line method based on estimated average useful lives. When assets are retired, the assets and accumulated depreciation are removed from the respective accounts and any profit or loss on the disposition is credited or charged to income.

Intangibles—Intangibles, which include values assigned to broadcast licenses, network affiliations and goodwill (excess of purchase price over values ascribed to identifiable tangible net assets), are recorded at cost and generally considered by management to have continuing value over an indefinite period. Intangibles acquired subsequent to October 31, 1970 are being amortized on a straight-line basis over not more than forty years in accordance with Accounting Principles Board Opinion No. 17. Intangibles acquired prior to October 31, 1970 will be amortized only to the extent that a decline in value becomes evident or a definite term of existence is indicated.

Income taxes—The provision for income taxes includes deferred income taxes arising from timing differences between financial and tax reporting due principally to the use of accelerated methods of depreciation, the use of different depreciable lives, the recording of electric sign manufacturing profit, the recognition of certain gains and losses on dispositions of assets, the deferral of gains on involuntary conversions and the deferral of certain outdoor advertising revenues for tax purposes.

Investment tax credits are accounted for using the flow-through method.

Deferred charges—Deferred charges, including values assigned to purchased electric sign leases and certain other less significant costs, are deferred and charged to expense over a period management deems appropriate to match related revenues with these expenses.

Electric sign lease contracts—Electric signs manufactured by the Company are leased to customers generally on non-cancellable three to eight year terms with renewal options. The sign sale price and related manufacturing costs are recorded at the time signs are installed and finance and maintenance income is recognized over the remaining lease term.

Translation of foreign currencies—For balance sheet purposes foreign currency assets and liabilities have been translated into U.S. dollars at market rates of exchange in effect at year-end, except for plant assets and certain other deferred items which are translated at exchange rates in effect at dates acquired. Income statement amounts, other than depreciation, are translated at annual average market rates of exchange. Gains and losses from currency adjustments which are not material in amount are included in costs and expenses on a current basis.

Outdoor advertising revenues—That portion of December billings pertaining to January space rental is recognized in December's operating income, which accounting practice is common to the industry. Proceeds from sign condemnations are taken into outdoor advertising revenue as follows: (1) when individual outdoor structures are condemned, the Company generally receives compensation as provided for by the Federal Highway Beautification Act and other federal and state laws. When the Company is permitted to retain the structure (which is common) for future use at a new location, the condemnation proceeds are credited to outdoor advertising revenue and the related takedown costs are expensed. If the Company is not permitted to retain the structure, the condemnation proceeds are credited to the reserve for depreciation of outdoor structures and takedown costs are expensed, (2) when the Company enters into a condemnation agreement for a group of signs the undepreciated cost of the structures given up is charged against the condemnation revenue received and the net is taken into outdoor advertising revenue.

Pension costs—Pension costs charged to current earnings include charges for current service costs, interest on the unfunded past service liability and amortization of unfunded past service liability over forty years as computed by independent actuaries. It is the Company's policy to fund pension costs as accrued.

Earnings per share—Earnings per share computations are based upon the weighted average number of shares of common stock and dilutive common stock equivalents (stock options, stock warrants and convertible Series A Preferred Stock) outstanding during the year and the adjustment of earnings, less applicable income taxes, for the amortization of original issue debt discount.

The number of shares used in the computation of primary earnings per share was 6,212,255 and 4,899,162 for the years ended December 31, 1976 and 1975, respectively. For fully diluted earnings per share the number of shares were 6,644,251 and 5,128,088 for the years ended December 31, 1976 and 1975, respectively.

Net revenue—Net revenue is advertising and other sales revenue after deducting advertising agency commissions and discounts.

DAYCO CORPORATION (OCT)

Notes to Consolidated Financial Statements

Note A–Summary of Accounting Policies

Consolidation. The consolidated financial statements include the accounts of the Corporation and all of its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Inventories. Substantially all domestic inventories are stated at the lower of last-in, first-out cost or market. In the first-in, first-out method of inventory accounting had been used by the Corporation, inventories would have been approximately $17,480,000 and $12,880,000 higher than reported at October 31, 1976 and October 31, 1975, respectively. Foreign inventories are stated at the lower of first-in, first-out cost or market.

Property, Plant, and Equipment. Property, plant, and equipment are stated at cost. Depreciation expense is calculated principally on the straight-line method. The depreciation methods are designed to amortize the cost of the assets over their estimated useful lives.

Maintenance and repairs are charged to expense as incurred. When facilities are retired or otherwise disposed of, the cost is removed from the asset accounts and the related depreciation reserve is adjusted with the difference being charged to income.

Intangibles. Substantially all the excess of cost over market value of net assets of businesses purchased results from acquisitions prior to October 31, 1970. This excess is not being amortized as it is considered to have continuing value over an indefinite period.

Pensions. Reference is made to Note E. Pension costs charged to current earnings include charges for current service and amortization of prior service costs over periods of 40 years of less. The Corporation funds such pension costs annually.

Income Taxes. Reference is made to Note F. Taxes are provided for all items included in the statement of earnings, regardless of the period when such items are reported for tax purposes. Deferred taxes are provided for those items for which the period of reporting for income tax purposes is different from the period of reporting for financial statements.

Investment credit is included in earnings in the year earned.

Stock Options. Reference is made to Note C. Proceeds from the sale of stock issued under options are credited to Common Stock at par value and the excess of the option price over par value is credited to additional paid-in capital. The Corporation makes no charges or credits against earnings with respect to the options.

Research and Development. Research and development expenditures are expensed in the year incurred and amounted to approximately $6,600,000 and $5,500,000 for the years ended October 31, 1976 and October 31, 1975, respectively.

Earnings per Common Share. Primary earnings per common share are computed based on the average shares outstanding each year, adjusted for incremental shares assumed issued for stock options under the treasury stock method.

Fully diluted earnings per share are computed based on the average shares outstanding each year adjusted for stock options (as noted for primary earnings per share) and for the assumed conversion of the securities shown in the table on page 24. The conversions are assumed as of the beginning of the year and interest (net of tax) on the debentures is added to net income. Also the preferred dividend requirement is not deducted from net income in computing fully diluted earnings per share.

FRANKLIN MINT CORPORATION (DEC)

Summary of Significant Accounting Policies

Precious Metal Valuation and Related Product Costing—A major portion of the company's products are made from precious metals (silver and gold). Because these metals are subject to significant price fluctuations, the company hedges all its precious metal requirements by purchasing futures contracts to cover its fixed-price sales commitments. Sufficient contracts are assigned to each sales program to fulfill all orders, and the acquisition cost of the contracts establishes the cost of precious metal for the life of the program. The futures contracts are liquidated when bullion is purchased, and gains or losses resulting from the liquidation of the futures contracts adjust the bullion cost to the original program acquisition cost.

The market value of futures contracts purchased on the New York Commodity Exchange is fixed at the close of each business day. Any increase or decrease from the previous day's market value in the company's futures contracts is advanced to or paid by the company. These advances or payments are deferred until the contracts are liquidated.

For certain programs, the company's sales commitment period often exceeds the period for which precious metal futures contracts can be purchased on the commodities market. To extend the hedge position for the total program life, the company simultaneously sells expiring contracts and purchases new contracts. Gains or losses resulting from sale of these expiring contracts are deferred until the hedge is ultimately liquidated.

These deferrals are classified in the financial statements as either a current asset or current liability until bullion is purchased.

Accordingly, bullion and precious metal content of products in process are valued in inventory, and precious metal is charged to cost of products sold at time of shipment, at sales program acquisition cost.

Consolidation and Foreign Currency Translation—The consolidated financial statements include the accounts of the company and its domestic and foreign subsidiaries. Significant intercompany balances and transactions are eliminated in consolidation. Non-U.S. assets and liabilities are translated into U.S. dollars at year-end exchange rates, except that inventories, prepaid promotion costs and property, plant and equipment are translated at approximate rates prevailing when acquired. Income and expense items are translated at average rates of exchange prevailing during the year, except that inventories charged to costs of products sold, promotional and advertising costs and depreciation are translated at historical rates.

Forward exchange contracts are purchased to hedge, from time to time, against currency fluctuations affecting foreign operations of one or more foreign subsidiaries. Realized and unrealized gains and losses on these contracts are recorded in current income.

Sales Orders and Related Promotion Costs—The company's principal method of selling its products is through direct mail and newspaper or magazine advertisements. Advance payments from customers are received with the sales order on certain programs. Shipments are made either as single mailings or as a series over a number of months. Sales are not recorded, and income is not recognized, until shipment is made. Printing and mailing costs of direct mailing advertising and the cost of media advertisements, together with the cost of the collector albums or chests shipped to a customer at the beginning of a series, are deferred and charged against income over the shorter of the shipment period or fifty months. Costs incurred by company personnel in the development of sales programs, including salaries and wages, art work and other administrative expenses, are expensed in the period incurred.

Property, Plant and Equipment—Items capitalized as property, plant and equipment, including significant betterments to existing facilities, are carried at cost. Expenditures for maintenance and repairs are expensed when incurred.

Depreciation is computed by the straight-line method at rates adequate to recover the cost of the applicable assets over their estimated useful lives. Upon sale or retirement of property, plant and equipment, the cost and related accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is included in income.

Income Taxes—The company provides for federal, foreign and state income taxes, at the statutory rates in effect on income before income taxes for financial reporting purposes. This includes certain income and expense items which are reported in different periods for financial and tax reporting purposes resulting in deferred taxes. For those foreign subsidiaries where dividends are expected to be declared, incremental U.S. income taxes, if any, have been provided on those earnings. No provision for U.S. income taxes has been made on the earnings of other foreign subsidiaries because it is the company's intention to reinvest such undistributed earnings. However, any additional U.S. income tax on dividends which might be declared in the future from reinvested earnings would be substantially reduced by foreign tax credits. Investment tax credits are accounted for as a reduction of the income tax provision in the year the related assets are placed in service.

PHILIP MORRIS INCORPORATED (DEC)

Notes to Consolidated Financial Statements

Summary of Significant Accounting Policies

Consolidation—The consolidated financial statements include the accounts of the Company and all wholly owned subsidiaries. Investments in the advances to unconsolidated subsidiaries and affiliates are stated at cost adjusted for equity in undistributed earnings or losses since the dates of acquistion.

Foreign operations—Foreign currency accounts are translated into U.S. dollars as follows: 1) current assets (except inventories), current liabilities, long-term receivables and long-term debt at year-end rates; 2) inventories, other assets and liabilities generally at historical rates; and 3) revenues, costs and expenses at average rates during the year except for the cost of inventories sold and depreciation and amortization which are based upon the historical dollar cost. The Company enters into forward exchange contracts and other hedging activities to minimize the effect of currency fluctuations on its operations. Gains and losses on such transactions and under currency gains and losses are included in income in the period in which they occur.

The Company's present translation policy was adopted in accordance with the Financial Accounting Standards Board statement on translation of foreign currency transactions and foreign currency financial statements which become effective January 1, 1976. The Company's previous policy was similar to the present policy except that inventories were translated at current exchange rates and net currency gains and losses were added or charged to a reserve. To the extent such losses exceeded accumulated gains and provisions the net losses would have been charged to income.

Receivables—Current earnings are charged and an allowance is credited with a provision for doubtful accounts based on experience and on any unusual circumstances which may affect the ability of customers to meet their obligations. Accounts deemed uncollectible are charged against this allowance. Receivables are reported in the balance sheet net of such accumulated allowances.

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.

Real estate operations—The cost of land, including offtract improvements, interest and property taxes, is reported as a noncurrent asset until a designated area is placed into development. Interest is capitalized in accordance with the general industry practice. The amount of interest capitalized is determined by the average short and long-term borrowing rates applicable to loans incurred for use in these operations.

Offtract improvements are access roads, utilities, etc., which are essential to the development of a community, but which are not directly attributable to the development of a particular tract or area. The cost of these improvements is allocated to the saleable acreage remaining in each project and is charged to cost of sales when such acreage is sold.

Revenue and profit from real estate sales are recognized only as cash is received.

Brands, trademarks, patents and goodwill—Cost in excess of net assets of companies acquired after November 1, 1970 is being amortized over a period of no more than 40 years. Other goodwill is not amortized unless there has been a diminution in its value.

Income taxes—The provisions for federal and foreign income taxes are calculated on reported pre-tax earnings. Certain items of income and expense included in the financial statements, such as depreciation, are reported in different years in the tax returns in accordance with applicable income tax laws. The resulting difference between the financial statement income tax provision and income taxes currently payable is reported in the financial statements as deferred income taxes. Investment tax credits on assets placed in service during the year are accounted for as a reduction in the provision for income taxes. Provision is also made for federal income taxes on the portion of undistributed earnings of foreign subsidiaries and affiliates that is expected to be remitted to the United States.

Property, plant and equipment—Maintenance and repairs are charged to income and expenditures for renewals and improvements are capitalized. In order to present more realistically the economic cost of a constructed facility, whenever the construction period of a facility exceeds one year, the capitalized cost of the facility includes interest and real estate taxes incurred during the construction period. The interest capitalized on construction of facilities is determined by applying the Company's average short-term borrowing rates to the outstanding construction balance.

Provision for depreciation of assets is recorded by a charge against income at rates considered adequate to amortize the cost of such assets over their useful lives computed on the straight-line method.

Pension plans—The Company and certain of its subsidiaries have pension plans covering substantially all their employees. Prior service costs, which are being amortized over periods of up to thirty years, and accrued pension costs are funded with independent trustees.

ACCOUNTING CHANGES

Table 1-7 summarizes the nature of accounting changes disclosed by the survey companies in 1976 and the frequency with which such accounting changes were disclosed.

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 financial statements follow. Examples of accounting changes involving a restatement of prior year financial statements are presented in connection with Table 4-3

TABLE 1-7: ACCOUNTING CHANGES

	Number of Companies			
	1976	1975	1974	1973
Translation policy	96	82	2	16
Actuarial cost methods or assumptions	75	62	32	13
Change in reporting entity	14	13	9	14
LIFO method adopted or extended	13	32	198	8
Loss contingencies	11	13	—	—
Valuation of equity marketable securities	7	15	—	—
Inventory valuation other than changes to LIFO	3	16	5	3
Other	22	69	69	61

Change in Accounting Estimates

THE BF GOODRICH COMPANY (DEC)

Notes to Financial Statements

Note H: Pensions—The Company and its subsidiaries have several pension plans covering substantially all employees, including certain employees in foreign countries. The Company's policy is to fund pension costs accrued.

Pension expense including amortization of prior service costs over thirty years, was $40,650,000 for 1976 and $40,475,000 for 1975.

The provision for pension expense in 1976 reflects amendments to the principal plan which provide for improved retirement benefits. Over a two year period, minimum retirement benefits for most of the Company's employees will move from the level of $120 per year for each year of service to $150 per year for each year of service. In addition, improvements were made in the plan's early retirement provisions as well as other benefits. The Employee Retirement Income Security Act of 1974 (ERISA) required a change in the plan's vesting criteria from ten year's service and age forty to simply ten year's service. These improvements in benefits increased pension expense by $5,861,000 and decreased net income by $3,048,000 or $.21 per share.

In order to assure compliance with the requirements of ERISA, the Company had its consulting actuaries make a complete study of the assumptions used for the actuarial valuation of the principal plan. Based upon the study and recommendation of the consulting actuaries, the Company, in December, revised the actuarial assumptions, to more closely reflect actual experience, used in determining pension expense for the principal plan. The assumed investment return was revised from 5.5% to 7.0%, the assumed rate of salary increases was revised from a scale with a composite rate of 3.9% to a scale with a composite rate of 7.0%, the assumed rate of employee turnover was revised from a scale with a composite rate of 2.2% to a scale with a composite rate of 5.5%, and the assumed retirement ages for salaried and wage employees were changed from a single age for each group to a scale with rates dependent on age and years of service for each group. These revisions of actuarial assumptions decreased pension expense by $9,869,000 and increased net income by $5,132,000 or $.35 per share.

The combined effect of the changes in the benefits provided by the principal plan and changes in the actuarial assumptions was to increase net income for 1976 by $2,084,000 or $.14 per share.

The actuarially computed value of vested benefits of all plans as of the valuation dates (principally December 31, 1975) exceeded the total of the pension funds by $171,100,000. The unfunded portion of prior service costs was approximately $259,900,000.

HUMANA INC. (AUG)

Notes to Financial Statements

Note 1 (in part) 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 $420,000 ($.08 per share) in 1976 and $1,300,000 ($.27 per share) in 1975.

The Company has capitalized substantially all long-term hospital leases.

Depreciation expense, computed by the straight-line method, was $14,876,000 in 1976 and $9,380,000 in 1975. Through August 31, 1975, depreciation on hospitals constructed or acquired before September 1, 1973 had been based upon estimated useful lives ranging from 30 to 50 years. Costs of constructed hospitals opened after September 1, 1973 have been segregated into various components which have estimated useful lives ranging from 10 to 40 years.

As a result of indications of shorter composite lives from studies made to develop the above-mentioned component method and from other factors, the Company reevaluated the lives of all hospitals not on the component method. Beginning September 1, 1975, the estimated remaining depreciable lives of such hospitals were reduced to lives ranging generally from 5 to 23 years. The effect of these revisions was to reduce net income for the year ended August 31, 1976 by approximately $716,000 ($.14 per share).

HUDSON PULP & PAPER CORP. (DEC)

Notes to Financial Statements

Summary of Significant Accounting Policies (in part)

Depreciation and Depletion—Properties, stated at cost, are depreciated over their estimated useful lives by the straight-line method; commencing in 1976, certain properties are being depreciated based on operating hours. (See "Accounting Change—as to Properties" for information concerning this accounting change in the method of depreciation.) These lives are subject to periodic review and revision to assure that the cost of the related asset is written off over its estimated useful life.

As a result of a review made in 1976, Management changed (effective January 1, 1976) its estimate of the remaining useful lives of the equipment mentioned in the preceding paragraph. The effect of this change in estimate was to decrease depreciation expense by approximately $365,000 and increase net income for 1976 by approximately $354,000 ($.15 per share of Common Stock).

The portion of the cost of timber resources attributed to standing timber is charged to income as timber is cut at rates based on the relationship of unamortized timber costs to the estimated volume of recoverable timber.

Change in Accounting Principle

FORD MOTOR COMPANY (DEC)

Notes to Financial Statements

Note 1 (in part):

Inventory Valuation—inventories are stated at the lower of cost or market. In 1976, the Company changed its method of accounting from First-In, First-Out (FIFO) to Last-In, First-Out (LIFO) for most of its U.S. inventories. The cost of the remaining inventories is determined substantially on a FIFO basis. Under LIFO, the cost of goods sold is based on the most recent prices for raw material and other inventory items. The change reflects earnings more realistically by matching current costs wtih current revenues.

The charge to LIFO reduced net income in 1976 by $81 million or $.86 a share. There is no effect on prior years' earnings resulting from the change to LIFO in 1976 and, accordingly, prior years' earnings have not been restated. If the FIFO method of inventory accounting had been used by the Company, inventories at December 31, 1976 would have been $166 million higher than reported.

GENERAL MOTORS CORPORATION (DEC)

Note 1 (in part): Significant Accounting Policies

Accounting Changes—In the first quarter of 1976, the Corporation implemented the Statement of the Financial Accounting Standards Board on Accounting for the Translation of Foreign Currency Transactions and Foreign Currency Financial Statements (FASB No. 8).

The effect of the adoption of this Statement in both the current and prior periods was not material, thus no restatement of prior years' results was necessary. The net effect of FASB No. 8 was to increase earnings by $0.28 per share in 1976. In prior years, accumulated unrealized net translation gains were deferred.

The Corporation also adopted the last-in, first-out (LIFO) method of inventory valuation for substantially all domestic inventories for the 1976 calendar year. Accordingly, a provision which reduced earnings by $0.50 per share is reflected in the calendar year results. This change was implemented in order to match current costs with current revenues, and to partially offset the effect of inflation on earnings. Adoption of LIFO in 1976 did not affect prior years' financial results and, therefore, prior years' earnings have not been restated.

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 most 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.

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 aformentioned tabulations a subsidiary is a company described in an annual report as a subsidiary or as more than 50 per cent owned by its parent company. Notes to financial statements discussing consolidation policies follow.

TABLE 1-8: CONSOLIDATION POLICIES

	1976	1975	1974	1973
Nature of Subsidiaries Not Consolidated				
Finance related				
Credit	93	92	89	78
Insurance	36	29	28	31
Leasing	20	20	20	16
Banks	10	14	12	14
Real estate	33	33	29	28
Insignificant or inactive	34	64	63	57
Number of Companies				
Consolidating all subsidiaries	379	371	364	354
Consolidating certain subsidiaries	215	224	222	234
Net presenting consolidated financial statements	6	5	14	12
Total Companies	**600**	**600**	**600**	**600**

Foreign Subsidiaries Not Consolidated

ANDERSON, CLAYTON & CO. (JUN)

Notes to Consolidated Financial Statements

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

Principles of Consolidation—The consolidated financial statements include the accounts of the Company and its domestic and European subsidiaries engaged in activities other than insurance. The Company's other international subsidiaries have been nonconsolidated for the years ended July 31, 1964 and subsequent and the investment therein is carried at cost. The earnings of the Company's combined nonconsolidated international subsidiaries subsequent to July 31, 1963 are reported as consolidated income when received in dollars as dividends. Dividends received in foreign currencies, and dollar dividends received out of retained earnings of these subsidiaries at July 31, 1963 are credited directly to consolidated retained earnings. Investments in domestic insurance subsidiaries are carried at equity determined under generally accepted accounting principles.

THE ANSUL COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of Accounting Policies

Principles of Consolidation—The consolidated financial statements in this report include The Ansul Company and all of its significant subsidiaries. Such significant subsidiaries are wholly owned except for Lane Limited (our Australian subsidiary) of which we own 73%. The financial statements of consolidated subsidiaries are based upon their fiscal years ended on November 30th. Our European subsidiaries changed to a November 30th fiscal year in 1975 and the consolidated financial statements for 1975 include their operations for eleven months. Some subsidiaries, located outside of the United States, are not consolidated because of requirements in certain countries in which these corporations operate that they eventually become 50% owned by local citizens. Investments in these companies and other affiliated companies are reflected in the consolidated financial statements at equity in net assets.

Goodwill principally relates to European operations acquired prior to 1970 and is not being amortized because its life is indeterminable.

COLLINS & AIKMAN CORPORATION (FEB)

Notes to Consolidated Financial Statements

Note 1 (in part): Accounting Policies

Basis of Consolidation—The consolidated financial statements include the accounts of all domestic and Canadian subsidiaries. The Company's European subsidiaries, which are not material, are accounted for on an equity basis. All intercompany transactions and profits have been eliminated.

DANA CORPORATION (AUG)

Comments on Financial Statements

Principles of Consolidation—Dana's consolidated financial statements include the accounts of all domestic subsidiaries of the Company; Hayes-Dana Limited, a majority-owned Canadian subsidiary and Brown Brothers Corporation Limited, a majority-owned English subsidiary in which a majority ownership was acquired in 1976. Other foreign subsidiaries, and affiliated companies (20% to 50% Dana ownership) in which Dana exercises operating control or participates in management, are recorded in the consolidated statements at the cost of the investment plus equity in undistributed earnings since acquisition. Less than 50% owned companies which are not accounted for on the equity basis are included in the consolidated accounts at the cost of Dana's investment. Dividends, royalties and fees from these affiliates are recorded in Dana's consolidated statements when received.

EX-CELL-O CORPORATION (NOV)

Notes to Consolidated Financial Statements

Note 1 (in part): Significant Accounting Policies

Principles of Consolidation—The consolidated financial statements include the accounts of the Company, all domestic subsidiaries and subsidiaries in Canada, England and West Germany with all significant inter-company balances and transactions eliminated. The investment in an immaterial foreign subsidiary operating in India, together with investments in certain affiliated companies less than 50% owned, are recorded on the equity method.

NL INDUSTRIES, INC. (DEC)

Financial Report

Summary of Accounting Policies (in part):

Basis of Consolidation—The consolidated financial statements include the accounts of the Company and all wholly-owned domestic and foreign subsidiaries (including The Rucker Company, as explained in Note 1 to financial statements), except that, during 1975, the Company ceased to consolidate the accounts of subsidiaries operating in Argentina due to internal conditions in that country. The investment in those subsidiaries is recorded at equity as of the date the Company ceased consolidation adjusted for the subsequent effects of foreign exchange and monetary policies. The effect of this and other changes in companies included in the consolidation during the two years ended December 31, 1976 did not have a material effect on net income during such years.

The Company's investments in unconsolidated partially-owned domestic and foreign companies are stated at cost, adjusted for subsequent changes in equity. The Company includes in income its equity in the net income of such companies.

WINN-DIXIE STORES, INC. (JUN)

Notes to Consolidated Financial Statements

Note 1 (in part): Significant Accounting Policies

Basis of Consolidation: The consolidated financial statements include the accounts of Winn-Dixie Stores, Inc., and its domestic subsidiaries, all wholly-owned. The investment in and the advances to the Company's wholly-owned foreign subsidiary is stated substantially at cost which is not materially less than the Company's equity in the foreign subsidiary. Earnings of the foreign subsidiary are reflected in the Company's financial statements when received. Cash dividends aggregating $2,800,000 were received from the foreign subsidiary during 1975 (none in 1976) and are included in other income.

All Subsidiaries Consolidated

AKZONA INCORPORATED (DEC)

Notes to Consolidated Financial Statements

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

Basis of Consolidation—The consolidated financial statements include the accounts of the Company and all its subsidiaries, including minor foreign operations.

BATES MANUFACTURING COMPANY, INCORPORATED (DEC)

Notes to Consolidated Financial Statements

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

Principles of Consolidation—The accompanying consolidated financial statements reflect the accounts of Bates Manufacturing Company, Incorporated and all of its subsidiaries. As of January 3, 1976, the significant subsidiaries in the consolidated group included Virginia Iron, Coal and Coke Company, Avery Coal Company, Inc., Kahn & Feldman, Inc. and Bates Fabrics, Inc. In February 1976, Avery Coal Company Inc., acquired two surface coal mining operations. Net earnings for 1976 attributable to these operations were not significant. As of January 1, 1977, the consolidated group excludes Bates Fabrics, Inc. which was sold to an Employee Stock Ownership Trust on December 31, 1976 (Note 2). All significant intercompany items and transactions have been eliminated.

CARNATION COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Accounting Policies:

Consolidation—The consolidated financial statements include the accounts of the Company and all its subsidiaries; subsidiaries operating outside the United States and Canada are included on the basis of a fiscal year ending September 30.

Note 2: Foreign Operations—The consolidated financial statements include the following amounts relating to operations outside the United States:

	1976	1975
Net current assets	$ 84,504,333	$ 74,155,520
Net assets	127,320,451	112,525,813
Net income	20,268,638	15,101,954

Dividends remitted to the Company in United States dollars totaled $7,258,000 in 1976 and $4,704,500 in 1975.

On the whole, exchange rates of foreign currencies declined during both 1976 and 1975, which caused earnings from foreign operations to be smaller than they would otherwise have been. The Company estimates that such exchange rate declines adversely affected 1976 income by approximately $1,450,000 (1975: $3,300,000), comprising the translation effect of rate changes and lower dollar realizations from investment in foreign inventories.

CUTLER-HAMMER, INC. (DEC)

Notes to Consolidated Financial Statements

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

Basis of Consolidation—The consolidated financial statements include all majority owned domestic and foreign subsidiaries. All significant intercompany balances and transactions are eliminated. The Company's investment in partially owned affiliates is carried on the equity basis of accounting. The excess of cost of investment in subsidiaries over net assets acquired is being amortized to earnings over a forty-year period on a straight-line basis.

HARSCO CORPORATION (DEC)

Notes to Consolidated Financial Statements

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

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

The Company accounts for its investments in unconsolidated associated foreign companies on an equity basis.

THE PANTASOTE COMPANY (DEC)

Notes to Consolidated Financial Statements

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

Consolidation—The consolidated statements include the accounts of the Company, all domestic and foreign subsidiaries, a 50% undivided interest in a resin plant operation and a 50% interest in three affiliated companies which are accounted for on the equity method. Sales to the latter were \$3,680,000 in 1976 and \$1,905,000 in 1975.

Foreign Subsidiaries—The Company's foreign subsidiaries changed their fiscal year from December 31 to October 31 in 1976. In the opinion of management, this change will better align the reporting of the foreign subsidiaries and the United States entities. The consolidated statements for 1976 include the operations of the foreign subsidiaries for ten months. This change did not have a material effect on the results of consolidated operations.

PARKER-HANNIFIN CORPORATION (JUN)

Notes to Financial Statements

Note 1 (in part): Accounting Policies:

Principles of Consolidation—The consolidated financial statements include the accounts of the Company and all of its domestic and foreign subsidiaries. The accounts of the foreign subsidiaries, except for the Canadian subsidiary, are stated as of May 31 in the consolidated financial statements.

Investments in joint venture companies, in which ownership is 50% or less, are accounted for on the equity basis. Investments are stated at cost plus the Company's equity in undistributed earnings. These investments and their earnings are not material to the consolidated financial statements.

All Significant Subsidiaries Consolidated

AMERADA HESS CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Accounting Policies

Principles of Consolidation: The consolidated financial statements include the accounts of Amerada Hess Corporation and all significant subsidiaries.

Investments in affiliated companies owned 20% to 50% inclusive, are stated at cost of acquisition plus the Corporation's equity in undistributed net income since acquisition. The change in the equity in net income of these affiliated companies is included in other revenues in the Statement of Consolidated Income.

Inter-company items are eliminated in consolidation.

BETHLEHEM STEEL CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note A (in part): Accounting Policies

Principles of Consolidation—All important majority owned subsidiaries of Bethlehem, except two ocean transportation subsidiaries, are consolidated. Investments in unconsolidated majority owned subsidiaries and joint ventures are accounted for by the equity method. Investments representing 50% or less of the voting interest are accounted for by the equity method or carried at cost or lower, as appropriate.

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

Notes to Consolidated Financial Statements

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

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

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

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

INTERNATIONAL MINERALS & CHEMICAL CORPORATION (JUN)

Summary of Accounting Policies

Principles of Consolidation—Financial statements of all significant subsidiaries are consolidated. Investments in nonconsolidated subsidiaries and significant affiliated companies where ownership exceeds 20% are carried at cost, adjusted for appropriate amortization of intangibles, allowances for losses and equity in net earnings or losses. Investments in other companies are carried at cost and dividends are included in earnings when received. The excess purchase cost over fair value of net assets of businesses acquired since November 1, 1970 is amortized over periods of up to 40 years; similar costs for businesses acquired prior to November 1, 1970 are not being amortized where in the opinion of management there has been no impairment of value.

Notes to Consolidated Financial Statements

Subsidiaries and Affiliates—Summarized financial information for consolidated foreign subsidiaries presented below (1) as to net sales and net assets includes intercompany transactions and accounts, and (2) as to net earnings excludes intercompany transactions, except charges for administrative costs:

(In millions)	1976	1975
Net sales	$279.0	$364.2
Net earnings	$ 23.6	$ 32.9
Current assets	$184.5	$162.7
Investments and other assets	16.2	20.7
Net property, plant and equipment	155.2	130.2
Total assets	355.9	313.6
Liabilities	167.3	115.4
Net assets	$188.6	$198.2
Retained earnings	$172.2	$170.3

Foreign currency translation gains and losses were not material in fiscal 1976 and 1975.

A substantial portion of undistributed retained earnings of consolidated foreign subsidiaries is considered to be permanently invested; accordingly, no U.S. income taxes have been provided for the repatriation of that portion of such earnings.

Beginning in 1975, the accounts of Continental Ore Corporation (COC), a wholly-owned subsidiary, are included for its year ended June 30; previously, they were included on the basis of a fiscal year ending March 31. This change had no material effect on consolidated results of operations for 1975. Net earnings of COC for the three months ended June 30, 1974 have been credited to retained earnings.

Investments in and advances to nonconsolidated subsidiaries and affiliates at June 30, 1976 include $6.5 million relating to Chemical Leaman Tank Lines, Inc.; the quoted market value of this investment was about $3.8 million. In view of IMC's 26% ownership in this company, quoted market value may not be indicative of actual fair value for this investment.

Included in other income, net are dividends ($4.0 million in 1976 and $4.1 million in 1975) and proceeds of $6.8 million in 1975 from sale of stock and other payments for an investment that was written off in prior years.

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, carried on the equity method of accounting, are stated at cost adjusted for the Company's share of undistributed earnings or losses. Other income for 1976 includes $2,819,000 of undistributed net earnings of subsidiaries and affiliates not consolidated (1975—$549,000).

Other investments are stated at cost.

JOY MANUFACTURING COMPANY (SEP)

Statement of Accounting Policies

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

REYNOLDS METALS COMPANY (DEC)

Notes to Consolidated Financial Statements

Note A (in part): Significant Accounting Policies

Principles of Consolidation—The accounts of the Company and wholly owned subsidiaries are included in the consolidated financial statements after elimination of significant intercompany transactions and profits and losses. Investments in unconsolidated subsidiaries and associated (more than 20% owned) companies are carried at cost, adjusted for the Company's equity in their undistributed net income. In the opinion of the Company's management, the excess cost of investment in subsidiaries and associated companies over equity in related net assets generally does not require amortization.

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 charges in equity in net assets from date of acquisition. Other investments are carried at cost or less.

International Operations—Net sales of activities operating outside the United States and Canada amounted to $4,391.3 million for the year ended December 31, 1976 and $4,020.0 million for the year ended December 31, 1975. Earnings of these operations after tax totaled $91.3 million including an extraordinary tax credit of $46.2 million in 1976, compared with losses of $46.7 million in 1975.

In 1976, net after tax losses attributable to foreign currency fluctuation (including Canada) were $31 million compared with losses of $35 million in 1975. The 1976 amount includes the net effect of changes in exchange rates on the value of monetary assets and liabilities ($7 million) combined with decreases in operating margins ($24 million) incurred as inventories were sold subsequent to these rate changes.

In December 1975, Chrysler Corporation, Chrysler United Kingdom Ltd., a wholly-owned consolidated subsidiary, and the British government reached an agreement whereby the British government has agreed to share losses of Chrysler U.K. by providing grants up to pound sterling 72.5 million through the next four years, in exchange for which it will receive a 50% share of any profits during the last three years of the period. For 1976, the grants received from the Secretary of State for Industry of the United Kingdom government to offset losses incurred by Chrysler United Kingdom amounted to pound sterling 40.0 million ($76.8 million at the exchange rates in effect on the dates of the grants). In addition, an estimate in the amount of pound sterling 1.4 million ($2.4 million) has been accrued for grants to be received for 1976. This amount is to be matched by an equal capital contribution by Chrysler Corporation to Chrysler United Kingdom Ltd. Any losses for the next three years will be shared 50% by Chrysler and 50% by the British government; the latter share limited by maximum grants as follows: 1977—pound sterling 10 million; 1978—pound stering 7.5 million; 1979—pound sterling 5 million ($17.0 million; $12.8 million; $8.5 million, respectively, at the December 31, 1976 exchange rate).

In November, 1976 Chrysler South Africa (Pty.) Ltd. was integrated with the operations of Illings, Ltd., a major South African automotive company. Chrysler owns 24.9% of the voting stock of the restructured company, Sigma Motor Corporation (Pty.) Ltd.

Net assets outside the United States and Canada included in the consolidated balance sheet are summarized as follows:

December 31	Europe 1976	Far East and Africa 1976	Latin America 1976	Total 1976	Total 1975
	(in millions of dollars)				
Assets:					
Cash and marketable securities	$ 163.6	$ 3.1	$ 35.3	$ 202.0	$ 117.5
Accounts receivable	340.9	40.2	140.5	521.6	445.6
Inventories	571.5	123.6	276.0	971.1	968.8
Prepaid expenses	33.9	1.2	11.3	46.4	29.8
Total current assets	1,109.9	168.1	463.1	1,741.1	1,561.7
Investments and other assets	120.9	52.0	53.0	225.9	194.1
Net property, plant and equipment	478.4	46.4	108.2	633.0	605.8
Cost of investments in consolidated subsidiaries in excess of equity	24.8	2.3	11.0	38.1	38.3
Total assets	1,734.0	268.8	635.3	2,638.1	2,399.9
Liabilities and Minority Interest:					
Current liabilities	824.2	109.1	283.6	1,216.9	1,127.0
Other liabilities	62.6	4.8	3.2	70.6	45.9
Long-term debt	269.9	—	145.3	415.2	369.6
Minority interest	3.2	10.5	5.2	18.9	15.8
Total liabilities and minority interest	1,159.9	124.4	437.3	1,721.6	1,558.3
Net assets outside the United States and Canada	$ 574.1	$144.4	$198.0	$ 916.5	$ 841.6

COMPUGRAPHIC CORPORATION (SEP)

Notes to Consolidated Financial Statements

Note 1 (in part): Significant Accounting Policies

Principles of Consolidation—The accompanying financial statements include the accounts of the Company and its subsidiaries except Graphic Credit Corporation ("Graphic Credit"), the Company's wholly-owned finance subsidiary organized in 1973, which is reflected on the equity method in the accompanying financial statements.

DRESSER INDUSTRIES, INC. (OCT)

Summary of Significant Accounting Policies

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

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

Notes to Consolidated Financial Statements

Note A: Principles of Consolidation—The consolidated financial statements include the accounts of all majority-owned subsidiaries except one foreign and three domestic subsidiaries. See Summary of Significant Accounting policies—Consolidation. For additional information on unconsolidated subsidiaries and affiliates, see Note L.

Investments in unconsolidated subsidiaries and affiliates include long-term advances of $18.9 million and $10.0 million at October 31, 1976 and 1975, respectively.

The Company's equity in earnings of unconsolidated subsidiaries and 20-50% owned affiliates is included in other income. Such amounts, in the aggregate, are not significant in either year and accumulated amounts included in consolidated retained earnings are not material.

HARNISCHFEGER CORPORATION (OCT)

Financial Notes

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

Consolidation—The consolidated financial statements include the accounts of all majority-owned subsidiaries except a wholly-owned domestic finance subsidiary, which is accounted for under the equity method, and a wholly-owned Brazilian subsidiary, which is carried at cost because its earnings are subject to material financial risks. Investments of less than 20% ownership are carried at cost or assigned value. Intercompany transactions have been eliminated in the consolidated financial statements.

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 significant consolidated subsidiaries are wholly-owned except for Honeywell Information Systems Inc. (HIS) which is owned 88.3% (see Note 11). All material transactions between the consolidated companies are eliminated.

HUMANA INC. (AUG)

Notes to Financial Statements

Note 1 (in part): Accounting Policies:

Basis of Presentation—The consolidated financial statements include all subsidiaries except a newly-formed insurance subsidiary (Note 6). The Company's investments in a 49%-owned English hospital and the insurance subsidiary are accounted for by the equity method.

Certain accounts for 1975 have been restated to conform with 1976 classifications, with no effect on previously reported net income or stockholders' equity. The principal change related to the presentation of gross revenues and contractual allowances.

Note 6. Other Assets—Other assets comprise the following:

	(Thousands of dollars) 1976	1975
Long-term receivables	$ 4,101	$ 6,633
Undisbursed construction and other restricted funds	3,144	4,048
Properties unrelated to hospital activities (Note 7)	6,620	7,801
Investment in unconsolidated insurance subsidiary (see below)	250	—
	$14,115	$18,482

During August 1976 the Company formed a wholly-owned Colorado subsidiary for the purpose of insuring, effective September 1, 1976, professional liability risks for initial losses of up to $2,000,000 per occurrence, $2,000,000 per facility and $10,000,000 in the aggregate. Coverage in excess of these limits has been obtained in the commercial insurance markets. The annual premiums paid to the subsidiary will be determined by independent actuaries, subject to the approval of the Colorado insurance commissioner.

At August 31, 1976 the Company's initial capital investment of $250,000 had substantially all been invested by the subsidiary in U.S. Treasury bills. The Company has also obtained irrevocable letters of credit for $750,000 in favor of the Colorado insurance commissioner. The Company intends to utilize the subsidiary's assets solely for the payment of claims and related administrative expenses.

INTERNATIONAL PAPER COMPANY (DEC)

Statement of Significant Accounting Policies

Consolidation—The consolidated financial statements include the accounts of the Company and its subsidiaries, except for a wholly-owned financial services subsidiary and, in 1976, a real estate subsidiary in process of liquidation which are accounted for by the equity method. all significant intercompany items and transactions have been eliminated. Investments in affiliated companies, owned 20 percent or more, are accounted for by the equity method, and accordingly, the Company's share of affiliates' net income has been included in the consolidated results of operations. Cost in excess of assigned value of businesses acquired is being amortized over a period of forty years.

LONE STAR INDUSTRIES, INC. (DEC)

Statement of Significant Accounting Policies

Consolidation—The financial statements include all subsidiaries and joint ventures. Joint ventures and a domestic finance subsidiary are included on the equity method. In 1976, because of the increasing significance of the operations of its 53% owned Brazilian subsidiary, the company fully consolidated that subsidiary which was previously accounted for by the equity method. The 1975 financial statements have been restated to reflect this change. The restatement did not have a material effect on the consolidated financial statements and did not change consolidated net income or shareholders' equity.

WHIRLPOOL CORPORATION (DEC)

Notes to Consolidated Financial Statements

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

Principles of Consolidation—The consolidated financial statements include all majority-owned subsidiaries except Appliance Buyers Credit Corporation (ABCC), a wholly-owned finance company, and its subsidiaries. The Company's investments in ABCC and in affiliated foreign companies (Inglis Limited—43% owned, Brastemp S.A.—37% owned and Consul S.A.—20% owned) are accounted for by the equity method. All intercompany accounts, transactions and profits have been eliminated upon consolidation. The accounts of all consolidated foreign subsidiaries are not significant.

Real Estate Subsidiaries Not Consolidated

JOHNS-MANVILLE CORPORATION (DEC)

Summary of Significant Accounting Policies

Principles of Consolidation—The consolidated financial statements include the accounts of the Company and all of its subsidiaries, except the Company's real estate subsidiary which is recorded on the equity basis since it is dissimilar to the other operations of the Company.

Investments in associated companies in which the Company's voting stock interest is 50% or less, and where it is deemed that the Company's ownership gives it significant influence over operating and financial policies, are recorded on the equity basis. All other investments are carried at the lower of cost or net realizable value.

KAISER ALUMINUM & CHEMICAL CORPORATION (DEC)

Notes to Financial Statements

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

Principles of Consolidation—The consolidated financial statements include the statements of the corporation and its wholly owned subsidiaries, except for a company engaged in real estate development. Investments in subsidiaries not consolidated, joint ventures, and 20% or more owned companies are accounted for by the equity method. Appropriate intercompany items and transactions are eliminated.

MCCORMICK & COMPANY, INCORPORATED (NOV)

Summary of Accounting Policies

Consolidation—The consolidated financial statements include all wholly-owned subsidiaries except Maryland Properties, Inc., which is engaged in the business of owning, leasing and constructing real estate properties for investment and development.

OLIN CORPORATION (DEC)

Statement of Accounting Policies

Basis of Presentation—The consolidated financial statements include all significant subsidiaries other than Olin-American, Inc., a wholly owned real estate subsidiary, which is accounted for on the equity basis. Investments in 20-50% owned companies are carried at equity.

Partnership Consolidated

ALBERTSON'S, INC. (JAN)

Summary of Significant Accounting Policies

Consolidation—The consolidated financial statements include the results of operations, account balances and changes in financial position for the Company, its wholly-owned subsidiaries and its 50% interest in the accounts of Skaggs-Albertson's, a partnership. The financial statements of the partnership included in the consolidated financial statements are on the basis of fiscal years ended on the Thursday nearest December 31. All material intercompany transactions and balances have been eliminated.

Notes to Consolidated Financial Statements

Skaggs-Albertson's Partnership—On January 31, 1977, the Company dissolved the operation of its partnership with Skaggs Companies, Inc. Albertson's will independently operate 30 super drug-grocery combination units and one drug store in the southern states which represented approximately a 50% share of sales and earnings generated by the partnership in the past. Albertson's 50% interest in the assets, liabilities, income and expense of the Skaggs-Albertson's partnership is included in the consolidated financial statements.

During 1976 and 1975 the partnership contributed approximately 21% and 17% of Albertson's consolidated sales, and approximately 33% and 21% of Albertson's consolidated earnings before taxes on income.

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

	1976	1975
Sales and other revenue	$312,778,927	$212,493,771
Cost of sales	243,296,322	166,665,141
Operating and administrative expenses	58,219,839	39,281,399
Earnings before taxes on income	$ 11,262,766	$ 6,547,231

Albertson's 50% interest in the assets and liabilities of the partnership (adjusted for advances subsequent to the balance sheet dates of the partnership) and in the related 50% owned real estate company is included in the consolidated balance sheets as follows:

	January 29, 1977	January 31, 1976
Assets		
Current assets	$ 44,198,349	$ 33,009,922
Other assets	494,617	245,924
Land, buildings and equipment (net)	15,764,726	12,984,237
Deferred costs	1,062,779	1,081,022
	$ 61,520,471	$ 47,321,105
Liabilities and Owner's Equity:		
Current liabilities	$ 23,125,196	$ 15,696,356
Long-term debt		15,125
Owner's Equity	38,395,275	31,609,624
	$ 61,520,471	$ 47,321,105

Long-term debt associated with the partnership is carried on the balance sheets of the individual partners.

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

	Net Sales (In Thousands)		Net Earnings (In Thousands)		Earnings Per Share	
Quarter	1976	1975	1976	1975	1976	1975
First	$ 64,433	$ 43,086	$1,184	$ 693	$.16	$.11
Second	72,956	49,184	1,189	864	.16	.13
Third	81,012	55,169	1,235	745	.16	.11
Fourth	93,630	64,783	2,273	1,137	.30	.17
	$312,031	$212,222	$5,881	$3,439	$.78	$.52

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 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 in 1976 the survey companies reported 43 business combinations accounted for as a pooling of interests of which 19 such business combinations did not result in a restatement of prior year 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

FEDERATED DEPARTMENT STORES, INC. (JAN)

The Year in Review

Acquisition—The merger of Rich's, Inc., into Federated was an event of major importance during the year. As of October 29, 1976, the outstanding shares of Rich's were converted into 3.5 million shares of common stock of the company, at which time Rich's became a Federated division. The combination has been accounted for as a pooling of interests and, accordingly, all reported data of the company have been restated retroactively to include the new division. The Federal Trade Commission instituted an investigation of the merger shortly after it was announced and that investigation is still continuing. Sales and net income data for Rich's

TABLE 1-9: BUSINESS COMBINATIONS

	1976	1975	1974	1973
Poolings of Interests				
Prior year's financial statements restated	24	18	30	55
Prior year's financial statements not restated	19	13	20	34
Total	**43**	**31**	**50**	**89**
Purchase Method	**103**	**75**	**143**	**163**

and Federated, before and after the inclusion of Rich's, are shown below:

(millions)	Sales	Net Income
39 weeks ended October 30, 1976:		
(1976—from beginning of fiscal year to date of merger)		
Federated	$2,719.9	$ 78.2
Rich's	266.0	6.9
Combined	$2,985.9	$ 85.1
52 weeks ended January 31, 1976:		
(fiscal 1975—last year preceding merger)		
Federated	$3,712.9	$157.4
Rich's	349.0	11.7
Combined	$4,061.9	$169.1

GENERAL ELECTRIC COMPANY (DEC)

Notes to Financial Statements

Note 1: Pooling of Interests—A merger with Utah International Inc. ("Utah" or "Utah International") was effected as of December 20, 1976, whereby Utah became a wholly-owned affiliate of General Electric through the exchange of 41,002,034 shares of General Electric $2.50 par value common stock for all of the outstanding shares of Utah. The principal business of Utah is the extraction and sale of natural resources. The merger was accounted for as a pooling of interests, and accordingly the accompanying financial statements include the accounts of Utah from January 1, 1975.

The sales of products and services to customers and the net earnings applicable to common stock of General Electric and Utah for the years ended December 31, 1976 and December 31, 1975 are shown below.

(In millions)	1976	1975
Sales of products and services to customers:		
General Electric	$14,696.7	$13,399.1
Utah International	1,000.6	706.0
	$15,697.3	$14,105.1
Net earnings applicable to common stock:		
General Electric	$ 749.3	$ 580.8
Utah International	181.3	107.7
	$ 930.6	$ 688.5

Prior to the merger, the fiscal year of Utah ended on October 31. Utah's financial results have been conformed to the calendar-year period used by General Electric.

KELLOGG COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 2: Business Combination—In August 1976 the Company acquired Mrs. Smith's Pie Company in exchange for 2,448,000 shares of Kellogg common stock. Mrs. Smith's produces frozen pies, fresh-baked pies and other products which are distributed in the United States and Canada.

The acquisition has been accounted for as a pooling of interests and 1975 financial statements of the Company have been restated to include the accounts of Mrs. Smith's. As a result of the combination, previously reported 1975 net sales of $1,213,620,000 increased to $1,344,969,000 and net earnings changed from $103,026,000 to $107,817,000.

Unaudited results of the separate companies for the six months ended June 30, 1976 (the period prior to the combination) are as follows: net sales—Kellogg $642,883,000 and Mrs. Smith's $60,425,000; net earnings—Kellogg $71,209,000 and Mrs. Smith's $2,401,000.

QUAKER STATE OIL REFINING CORPORATION (DEC)

Notes to Financial Statements

Note 2: Pooling of Interests—In 1976, Quaker State issued 3,156,289 shares of capital stock in exchange for all of the outstanding shares of The Valley Camp Coal Company, whose principal business involves the underground mining, preparation and sale of bituminous steam coal. The acquisition has been accounted for as a pooling of interests and, accordingly, the consolidated financial statements for 1975 have been restated to include the accounts of Valley Camp. Subsequent to the acquisition, the Company changed the method of reflecting Valley Camp's investment credit to conform to Quaker State's deferral policy. The effect of this change was not material.

Revenues and net income for both companies for the year ended December 31, 1975 and the three-month period ended March 31, 1976 (unaudited), the period before the combination was consummated, are summarized as follows:

	Thousands of Dollars	
	Three months ended March 31, 1976	Year ended December 31, 1975
Revenues:		
Quaker State	$74,256	$296,257
Valley Camp	25,493	90,271
Consolidated	$99,749	$386,528
Net Income:		
Quaker State	$ 3,722	$ 23,185
Valley Camp	1,532	5,844
Consolidated	$ 5,254	$ 29,029

PURCHASES

BIRD & SON, INC. (DEC)

Notes to Consolidated Financial Statements

Note 2: Acquisition—On March 31, 1976, the Company acquired all of the common stock of The Logan-Long Company, a Chicago-based asphalt roofing manufacturer, for a cash purchase price of $16,700,000. The acquisition was accounted for as a purchase and the total purchase price was assigned to the net tangible assets acquired based upon their estimated value and included no goodwill. Operations from the date of acquisition have been included in the Consolidated Statement of Earnings.

Effective June 1, 1976, Logan-Long's Tuscaloosa asphalt roofing plant was sold to comply with an agreement with the Federal Trade Commission to divest this facility.

The following summary, prepared on a pro forma basis, combines the consolidated results of operations of the Company for the years ended December 31, 1976 and 1975, with pre-acquisition earnings of Logan-Long for comparable periods, except that the operating results of Logan-Long's Tuscaloosa facility have been excluded.

	1976	1975
Net sales	$240,367,000	$214,130,000
Net earnings	16,041,000	18,692,000
Earnings per share	5.17	6.05

CULBRO CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 1: Business Combinations—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 in 1975 for the 24 weeks since date of its acquisition and in 1976 for the full year.

On December 23, 1976, the Corporation purchased for cash through a subsidiary all of the outstanding stock of HF, Inc. ("HF"), a Puerto Rican corporation engaged in mortgage banking. HF specializes in the origination and sale of first mortgages on single family homes in Puerto Rico. The cost of the acquisition was approximately $3,070,000, including expenses of the acquisition, plus future payments contingent upon the annual earnings of HF over a ten-year period. The acquisition has been accounted for by the purchase method and the excess of the purchase cost over the fair value of net assets acquired will be amortized on a straight-line basis over thirty years. Results of operations of HF will be consolidated starting in 1977.

The following data represents the consolidated results of operations of the Corporation on a pro forma basis as if Helme and HF had been combined with the Corporation for its full fiscal years ended January 3, 1976 and January 1, 1977:

Year Ended	Jan. 1, 1977	Jan. 3, 1976
Net sales and other revenue	$420,911	$423,084
Net income	8,910	7,277
Net income per common share	3.30	3.05

ELECTRIC HOSE & RUBBER COMPANY (AUG)

Notes to Consolidated Financial Statements

Note 2 (in part) Other Assets—The balances for the noncompetition agreement and for goodwill relate to the acquisition of the Hein Companies as discussed in Note 5 and are being amortized by charges to income on a straight-line basis over 5 years and 20 years, respectively. Also, as a part of the acquisition of the Hein Companies, the Company became the owner of insurance policies on the lives of several key executives of Hein. The related policy loans carry interest at 5% per annum and it is not the Company's present intention to repay such loans in the foreseeable future.

Note 5: Acquisition of the Hein Companies—During the year 1976, the Company acquired all of the outstanding stock of the Louis H. Hein Company and of Lo Mer Realty Corporation, a related company, which are referred to herein as the Hein Companies. Subsequently these Companies are liquidated and formed into the Hein Division. Hein is engaged in the resale, distribution and assembly of fluid power and industrial lubrication equipment.

The acquisition was accounted for by the purchase method and the results of the Hein operations are included in the accompanying financial statements from November 1, 1975. Assuming the results of operations for the Hein Companies had been included with the Company's results since September 1, 1974, the pro-forma net sales and other revenues would have approximated $56,155,000 and $57,544,000 for 1976 and 1975, respectively. Net (loss) income for either year would not have been significantly different from reported amounts.

The consideration for the Hein Companies aggregated $1,122,500, of which $321,000 was paid in cash on or about the closing and $801,500 was in the form of a ten-year note payable to the selling shareholders. The total acquisition cost, including fees and expenses of $80,000, was assigned to the fair value of net assets acquired with resultant goodwill of $207,800. In addition the Company entered into a five-year non-competition agreement with the selling shareholders for consideration of a $100,000 note payable in equal instalments over five years.

HMW INDUSTRIES, INC. (JAN)

Summary of Significant Accounting Policies

Property, Depreciation and Amortization—Depreciation is calculated on the straight-line basis over estimated useful lives for both financial statement purposes and tax purposes. Gains or losses on disposals of property in the normal course of business are included in accumulated depreciation; gains or losses on abnormal sales or retirements of property are included in operations. Repairs and maintenance are charged to operations as incurred; major renewals or betterments are capitalized.

The excess of net assets acquired over the acquisition cost (negative goodwill) is amortized as a credit to income on a straight-line basis over fifteen years.

Notes to Consolidated Financial Statements

Notes 1: Acquisition of Industrial Bolt & Nut Co.—On June 1, 1976 the Company acquired all the outstanding stock of the Industrial Bolt & Nut Co. (IBN), a distributor of fasteners for consumer and industrial markets. The minimum purchase price was $4,423,117 and could be increased to $7,000,000, depending on IBN's earnings for the period March 1, 1976 through January 31, 1980. The minimum purchase price of $4,423,117 was satisfied by payment of $2,000,000 in cash and the issuance of a 6½ percent promissory note for $2,423,117 (see Note 3).

The acquisition has been accounted for by the purchase method. Accordingly, the results of operations of IBN have been included with those of the Company since the date of acquisition. The minimum purchase price resulted in an excess of net assets acquired over acquisition cost ($864,000 negative goodwill) which is being amortized over fifteen years. Any payments to the former owners of IBN, in excess of the minimum purchase price, will be amortized as a charge to income over the then remaining life of the negative goodwill.

The unaudited consolidated results of operations for the years ended January 31, 1977 and 1976 (as though IBN had been acquired on February 1, 1975) on a pro forma basis are as follows:

	Year Ended January 31	
	1977	1976*
Revenues	$ 68,429,000	$70,848,000
Income (loss) before extraordinary credit	$ (3,393,000)	$ 2,773,000
Net income (loss)	$ (3,393,000)	$ 5,273,000
Per share of common stock:		
Income (loss) before ordinary credit	$(1.19)	$ .93
Net income (loss)	$(1.19)	$1.81

*Includes the results of IBN for the year ended May 31, 1976.

The above unaudited pro forma results of operations, insofar as they pertain to the period prior to the acquisition of IBN, are based upon unaudited financial information furnished by the former owners and have been adjusted to reflect, among other things, interest on funds expended to acquire IBN and amortization of negative goodwill.

LYNCH CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Accounting and Reporting Policies

Goodwill—Goodwill, representing cost in excess of the acquired net tangible assets of M-tron Industries, Inc., is being amortized by the straight-line method over 10 years.

Note 2: Acquisition—On April 15, 1976, the Company purchased the net assets and business of M-tron Industries, Inc. for $5,305,884. M-tron is a manufacturer of quartz crystal products used primarily in citizens band radios.

In addition to the basic purchase price, contingent consideration, not in excess of $884,314, is payable in an amount equal to 40% of M-tron's defined income in excess of $2,500,000 during the twelve months ending April 15, 1977. Any such contingent payment will be added to goodwill and amortized over the then remaining portion of the ten-year goodwill amortization period.

The results of M-tron's operations have been included in the accompanying consolidated statement of operations from April 15, 1976. Based on unaudited information, the following table summarizes pro forma operating results for the years ended December 31, 1976 and 1975 as if the operations of Lynch and M-tron had been consolidated throughout the respective periods:

	1976	1975
Net sales	$23,654,000	$22,003,000
Income before extraordinary credit	1,960,000	374,000
Net income	3,875,000	824,000
Earnings per share:		
Income before extraordinary credit	$1.52	$ .29
Net income	3.01	.64

PORTEC, INC. (DEC)

Notes to Financial Statements

Note 10: Acquisitions—On July 10, 1975, the Company acquired all of the outstanding common stock of Railway Maintenance Corporation (RMC) in exchange for 111,744 shares of the Company's $1.60 cumulative convertible preferred stock having a stated value of $19 per share. The acquisition was accounted for under the purchase method of accounting. The excess of the fair value of net assets acquired over the cost thereof at date of acquisition, $783,000, is being amortized on a straight-line basis over five years. The results of operations of RMC have been included in the consolidated financial statements from the date of acquisition, and the effects of this acquisition on consolidated net sales and other income and net income for periods prior to acquisition were not material.

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 was accounted for under the purchase method of accounting.

Accordingly, the results of operations of Hawley have been included in the consolidated results of the Company since such acquisition date.

The excess of the purchase price over Hawley's net assets, in the amount of $1,055,000, was allocated principally to machinery and equipment which are being depreciated over estimated lives of eight years. The following unaudited pro forma data has been determined by combining applicable data of the Company and subsidiaries for the years ended December 31, 1976 and 1975 with that of Hawley for the one month and six days ended February 6, 1976, and the fiscal year ended March 31, 1976, respectively after adjustment to reflect additional depreciation.

	Years Ended December 31,	
	1976	1975
	(Thousands of dollars except per share data)	
	(Unaudited)	(Unaudited)
Net sales and other income	$119,419	$114,930
Net income	6,005	6,386
Net income per common share:		
Primary	$ 2.59	$ 2.97
Fully diluted	2.32	2.88

TABLE 1-10: CONTINGENCIES AND COMMITMENTS

	Number of Companies			
	1976	1975	1974	1973
Loss Contingencies				
Litigation	311	290	225	225
Guarantee of indebtedness	140	164	140	142
Possible tax assessment	87	74	68	68
Sale of receivables with recourse	69	68	65	67
Renegotiation of government contracts	21	N/C	N/C	N/C
Other—identified	35	36	47	45
Gain Contingencies				
Operating loss carryforward	64	65	66	64
Investment credit carryforward	51	45	43	32
Plaintiff litigation	26	35	25	37
Other—identified	10	2	2	6
Commitments				
Plant expansion	102	93	95	95
Purchase or repurchase agreements	60	67	62	61
Additional payments in connection with an acquisition	25	49	55	52
Employment contracts	15	N/C	N/C	N/C
Other—identified	20	N/C	N/C	N/C

N/C — Not Compiled.

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 1976 annual reports of the survey companies. The balance sheets of 189 survey companies showed a caption, without an amount, for contingencies and/or commitments. Examples of contingency and commitment disclosures follow.

LOSS CONTINGENCIES

Litigation

ARMCO STEEL CORPORATION (DEC)

Notes to Financial Statements

Note 11: Litigation—Reserve Mining Company, 50%-owned by Armco, supplies to Armco iron ore pellets equal to approximately 75% of the iron ore used by Armco in its blast furnaces at Ashland, Kentucky; Houston, Texas; and Hamilton and Middletown, Ohio.

In February 1972, the Federal government, subsequently joined by three states and certain environmental groups, brought suit in the United States District Court for the District of Minnesota against Reserve concerning its discharges into Lake Superior and into the air. The owners of Reserve were later joined as parties to this litigation.

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

Reserve and the State of Minnesota have entered into stipulation agreements relating to the installation of air pollution control equipment. Design, engineering and construction of this equipment, with an estimated cost of $35,000,000, are in progress.

Reserve has applied to the State of Minnesota and the Federal government for permits for an on-land disposal site for its tailings at an estimated cost (including interest during the construction period) of approximately $266,000,000. Reserve and Armco believe the proposed tailings disposal plan to be feasible from a safety, environmental and engineering standpoint. Extensive public hearings on the applications have been completed, but the Minnesota agencies involved have denied the permits requested by Reserve. These administrative denials were appealed to a three-judge panel of the Minnesota District Court, which Court on January 28, 1977 reversed the decision of the agencies and directed the issuance of permits to Reserve. The agencies have appealed such decision to the Minnesota Supreme Court.

Previously, on October 28, 1976, the Eighth Circuit Court of Appeals affirmed an earlier Federal District Court decision ordering Reserve to cease discharge of trailings into Lake Superior by July 7, 1977, (which would require termination of Reserve's operations) with the caveat that Reserve may seek modification of the Federal court closure order if the land site is resolved by agreement or through the pending litigation in the state court over which the Federal court has expressly disclaimed jurisdiction. If Reserve's operations are terminated, arrangements have been made to supply Armco's iron ore and pellet requirements from substitute sources through 1980 on terms which management believes will not have a material adverse effect on Armco's earnings or competitive position. Further, Armco believes that, if necessary, permanent arrangements can be made with substitute sources for sufficient iron ore and pellets to satisfy Armco's requirements. The Corporation is not able to predict the precise nature or potential cost of such permanent arrangements. Armco believes that, even if it were necessary to terminate Reserve's operations, such would not give rise to any net charge against its results of operations in view of Armco's expectation that the net assets of Reserve could be sold for more than the shareholders' investment in Reserve. Even if a sale of Reserve's plant and other assets were required to be made on a salvage basis (and Armco believes this to be unlikely), the effect would not, in Armco's opinion, be material in relation to its financial condition. However, a sale on a salvage basis could result in a onetime charge against results of operations. Based on a set of assumptions which Armco believes to be generally conservative, but which in many instances are necessarily arbitrary and subject to differing views as to their appropriateness, such charge could be as much as $34,000,000.

F&B/CECO INDUSTRIES, INC. (MAY)

Notes to Consolidated Financial Statements

Note 8: Contingencies:

A) The Company is plaintiff in an action which seeks to recover approximately $375,000 for breach of contract, intentional interference with contractual rights, and fraud. The defendants have denied liability and have counterclaimed to recover $1,000,000 for breach of contract. In the opinion of counsel, based upon the facts thus far produced and the applicable law, there is no merit to this counterclaim.

B) During July 1974 an action was commenced against the Company for $1,000,000 alleging negligence and breach of warranty in the sale of a camera and accessory equipment. The company has denied the material allegations of the complaint. Plaintiff's bill of particulars has specified damages to be $98,547 and its present claim is limited to the damages so detailed in its bill of particulars. In the opinion of counsel, based on information which has thus far been obtained from depositions of the plaintiff and from tests of the camera equipment, subject to completion of discovery procedures and other investigation, there are available to the Company substantial and meritorious defenses to the claims alleged in the complaint and it is unlikely that the plaintiff can recover the amount claimed in its bill of particulars.

C) During April 1974 an action was commenced against the Company in the amount of $139,000 for rent and other payments due for an alleged breach of a sublease. The premises was a studio building occupied by a subsidiary of the Company. The Company has denied liability and has interposed, among other things, a defense of constructive eviction. The company has also asserted a counterclaim in the amount of $350,000. The matter is at a preliminary stage and counsel to the Company cannot express an opinion as to the possible outcome of this litigation.

GRUMMAN CORPORATION (DEC)

Notes to Financial Statements

Note 13: Legal Proceedings—A lawsuit was instituted on November 30, 1976, by a former sales representative and his wife against Grumman Aerospace Corporation and Grumman International, Inc., each of which is a wholly owned subsidiary of the Company, and other persons and entities. The suit seeks commissions approximated by plaintiffs at $14.6 million on the sale of F-14 aircraft and support equipment to Iran, plus $100 million compensatory and punitive damages for alleged conspiracy among the defendants and others to interfere with the plaintiffs' rights under a sales representative agreement. By reasons of disputes as to the parties that may be entitled to commissions payable under the agreement, payments have been withheld but accruals are being made at such times as commissions would otherwise be due and payable. Based on the terms of the sales representative agreement, the Company calculates the maximum commissions payable for the procurement of 80 F-14 aircraft and related spares to be $24,217,000 or about 1½% of total expected sales. As at December 31, 1976, $6,000,000 of this amount had been paid and $3,780,000 accrued as a liability. The remainder will be accrued and charged to income as aircraft are delivered and orders for spares are received in 1977 and 1978. The Grumman subsidiaries have denied the conspiracy allegations. In answering the Complaint to the above action, one of the other corporate defendants has asserted a crossclaim against Grumman International, Inc., alleging that a sum in excess of $11,700,000 representing its share of the remaining commissions under the sales representative agreement, is presently payable to it. Another corporation, brought into the above action as a third-party and interpleaded defendant by Grumman International, Inc., has instituted a separate action against the Company and the same two subsidiaries seeking recovery of $3,435,950, allegedly representing its share of such remaining commissions presently payable to it. The Company is of the opinion that the claims against its subsidiaries for compensatory and punitive damages of $100 million are without foundation and that no material adverse results will occur from any decision with respect to this litigation.

Other than the legal actions described, there are no other material legal proceedings pending.

HARSCO CORPORATION (DEC)

Notes to Consolidated Financial Statements

(All dollars in thousands, except per share)

Note 12: Litigation—The Company is joined as a party defendant in a suit filed by Grating, Inc. against Keene Corporation in the United States District Court for Utah, Northern Division. The suit alleges conspiracy to restrain trade in steel grating in violation of anti-trust laws and demands damages in the amount of $5,000 trebled. The Company believes this suit is without merit and is vigorously defending against the action.

Certain other claims, suits and complaints arising in the ordinary course of business have been filed or are pending against the Company. In the opinion of management, all such matters are adequately covered by insurance, or if not so covered, are without merit or are of such kind, or involved such amounts, as would not have a significant effect on the financial position or results of operations of the Company if disposed of unfavorably.

HMW INDUSTRIES, INC. (JAN)

Notes to Consolidated Financial Statements

Note 11 (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. Plaintiffs filed a motion for class action certification, alleged violation of Title VII of the 1964 Civil Rights Act, as amended, and sought 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. On November 11, 1976, the Court denied the motion for class action certification. Plaintiffs appealed and on February 15, 1977, the U. S. Court of Appeals for the Second Circuit dismissed the appeal for lack of jurisdiction.

B) On December 2, 1976, the Company was served with a summons and complaint filed in the U. S. District Court for the Southern District of Texas against the Company and its subsidiary, Time Computer, Inc., by an individual, alleging breach of an agreement to preserve trade secrets during a period commencing in 1967. The complaint seeks a declaratory judgment, specific performance and actual and punitive damages in the aggregate amount of $17,000,000. In the opinion of counsel, the complaint is without merit and the possibility of the Company being held liable is extremely remote.

C) Pursuant to an agreement dated July 29, 1971, the Company agreed to lease its main plant facilities in Lancaster, Pennsylvania for a period extending through December 31, 1976, to a contractor designated annually by the Government (which at all pertinent times was the Company's subsidiary, Hamilton Technology, Inc.). The Government agreed to reimburse the lessee for certain maintenance costs and was granted an option to purchase the facilities for $500,000 during the term or any renewal terms of the lease. The agreement provided that if certain conditions were met by the Government, it would have an option to designate contractors for two additional four-year renewal terms. It is the Company's position that the Government failed to satisfy these conditions and that the agreement dated July 29, 1971 has terminated. The Government disagrees. Negotiations to resolve this matter have taken place but thus far a resolution has not been achieved.

The Company is contesting the above claims and Management 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.

LA MAUR INC. (DEC)

Note H (in part): Litigation—A lawsuit initiated early in 1976 has resulted in a $270,000 judgment against La Maur Inc. and a co-defendant. The suit alleged appropriation of a trade secret belonging to the plaintiff and breach of an implied contract. La Maur has appealed the judgment and will request either that judgment be entered in its favor or that a new trial be granted. If a new trial is granted, counsel for the Company believes the final outcome will be completely favorable to the Company or, if adverse, will result in a judgment for substantially less than the present judgment.

* * *

Since early 1976, a number of states, including Oregon, have threatened to initiate enforcement action against the Company on the ground that the Company's aerosol hair sprays are allegedly mislabeled. The Company has introduced aerosol hair sprays with labels stating the quantity of contents on the principal panel in terms of fluid measure. Many states have regulations which purport to require that the statement of contents be expressed in weight measure. The Company claims that its labels conform with the requirements of a FDA regulation, that any differing state regulations are preempted by federal law, and that the state regulations being asserted against the Company are all invalid. On March 18, 1976, the Company commenced an action in United States District Court for the District of Oregon against the state of Oregon and one of its Weights and Measures officials, seeking a declaratory judgment sustaining the Company's position. Oregon and other states have agreed not to enforce such disputed labeling regulations, pending the court's decision in the lawsuit. If the Company ultimately loses the action, it would thereafter be required to label its aerosol products by weight measure in Oregon and most other states.

In an action under the antitrust laws commenced in July, 1976, a former distributor of the Company's professional products claims that the Company improperly terminated it as a distributor. The plaintiff seeks an unspecified amount of damages in excess of $10,000, plus its costs and attorneys' fees. The Company intends to vigorously contest the action.

Under standards defined in a Statement of Policy by the American Bar Association, counsel for the Company is not in a position to express a judgment as to the ultimate outcome of these actions or as to the amount of potential loss, if any, except as expressed in the first paragraph of this note. In the opinion of management of the Company, the pending actions will not have a material adverse effect upon the financial position or results of operations of the Company.

LYNCH CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 10: Litigation—During August, 1976, a civil action was filed against the Company by a competitor of the Cox Instrument Division, alleging, among other things, infringement of certain patents and unfair competition by Cox in connection with the design and manfuacture of a hot engine test system which was sold to a large automobile manufacturer in 1975. The suit asks for damages of $3,000,000 and punitive damages of an additional $10,000,000.

The Company has engaged special patent counsel to vigorously contest this action and has denied the allegations set forth therein. Management, after taking into consideration information furnished by counsel, is of the opinion that the outcome of this matter will not materially affect the consolidated financial position or results of operations of the Company.

OUTBOARD MARINE CORPORATION (SEP)

Notes to Consolidated Financial Statements

Note 19 (in part): Commitments and Contingent Liabilities—At September 30, 1976, outstanding commitments for plant and equipment additions were approximately $14,726,000, including $7,521,000 for construction of a new parts distribution facility at Beloit, Wisconsin.

The Company has made arrangements by which certain of its customers may obtain inventory financing. Under these arrangements, the Company guarantees the unpaid balances, which were approximately $3,286,000 at September 30, 1976. The Company's losses under this program have been negligible.

While the Company is engaged in a substantial number of lawsuits, most of these deal with product liability and are almost always adequately covered by product liability insurance, with the possible exceptions noted in (d) of this Note. There are some other pending cases which involve small, or relatively small, amounts of money. The matters which are deemed to be of a significant and nonroutine nature are as follows:

* * *

d) Punitive Damage Cases. It has become fairly common practice in some jurisdictions for plaintiffs in personal injury cases to seek punitive damages in addition to compensatory damages. There are at the present time pending against the Company ten such cases in the United States (including the Sabich case referred to in (b) above) claiming punitive damages of $14,143,000. In certain jurisdictions, it has been claimed that it may be against public policy to insure against liability for punitive damages. This subject is in controversy, as to some of these cases, with the Company's liability insurance carriers, it being the Company's position that in any event the insurance contracts were written in Illinois and governed by the laws of Illinois, which do not prohibit insurance against punitive damages. The only case in which punitive damages have been assessed to date is the Sabich case. The Howarth case, mentioned above, and another case containing substantially similar allegations and seeking punitive damages in the sum of $10 million are not included in the total of claimed punitive damages since they do not involve personal injury claims.

e) ENVIRONMENTAL

1) On February 5 and 6, 1976, the United States Environmental Protection Agency and Illinois Environmental Protection Agency issued, respectively, an Order for Compliance and a Notice of Violation to the Johnson Outboards Division of the Company alleging that on four occasions during 1975 the Company discharged to Lake Michigan chlorinated hydrocarbons (polychlorinated biphenyls) in violation of its National Pollutant Discharge Elimination System Permit. The Illinois Notice of Violation also alleged four cyanide discharges and three suspended solids discharges in excess of applicable limits, and visible oil and bottom despoits on various occasions.

   Both agencies ordered the Company to determine the causes of the alleged violations, and to prepare and comply with specific plans for the prevention of further violations of its National Pollutant Discharge Elimination System Permit.

   In response to these allegations, the Company has communicated with both agencies, analyzed its various discharges, achieved compliance as to the cyanide, suspended solids and visible oil allegations, and submitted specific plans and proposals regarding the chlorinated hydrocarbon and bottom depsoits allegations.

2) On August 16, 1976, the United States Environmental Protection Agency requested the Company to remove sediments allegedly containing chlorinated hydrocarbons from certain parts of an adjacent waterway and to determine suitable means for dealing with any additional contaminated areas in the vicinity of its Johnson Outboards Division. The cited contamination is alleged to have arisen from the previously alleged discharges of chlorinated hydrocarbons by the Company. On September 15, 1976, the Illinois Environmental Protection Agency requested the Company to report the steps it will follow to correct an alleged deposit of its "discharged wastes" in the waters of the State. The Company has communicated with both agencies seeking further elaboration and clarification of their respective requests. In regard to these requests, no indication has been received from either agency that any type of proceeding as to the matters cited is contemplated against the Company.

After consultation with legal counsel, and taking into account all factors pertaining to the above litigation, the Company believes that the overall results of this litigation and other pending legal proceedings would not materially affect the Company's operations or financial condition. In arriving at this conclusion, the Company realizes that if final judgments were entered against it in the large amounts claimed in some of the cases described above, they could have a material effect on the Company's financial position. However, the Company recognizes that it is common practice for plaintiffs' attorneys to state enormous sums of alleged damages, sometimes simply with the intention of creating an in terrorem effect. The Company has based its conclusions with reference to its litigation upon its knowledge of the facts of the cases and the advice and assistance of its various counsel in these cases and does not regard the ad damnum in any case as being significant in assessing its potential. With respect to item (e)(2) above, the Company does not consider either request a proceeding and believes that any attempt to predict the possibility of such a proceeding or any related actions or to evaluate the defenses and affirmative actions which might be pursued, or the possible cost, would be wholly guesswork at this time.

POTLATCH CORPORATION (DEC)

Notes to Financial Statements

Note 12: Litigation—On February 18, 1976, a criminal indictment was returned in the United States District Court for the Northern District of Illinois, Eastern Division, against the company, 22 other corporations and 50 current or former employees of the corporate defendants, including two employees of the company. The indictment alleged that the company and the other defendants violated the Sherman Antitrust Act with respect to prices charged to purchasers of folding cartons from as early as 1960 through December, 1974. The company entered a plea of nolo contendere and was fined $40,000. On February 18, 1976, the Antitrust Division of the United States Department of Justice also filed a civil case alleging essentially the same violation as set forth in the criminal indictment. The relief requested in this civil complaint includes the issuance of an injunction against continuance of the alleged violations.

Approximately sixty civil antitrust actions, most of which purport to be class actions, have been filed against the company and the other defendants named in the criminal indictmant alleging essentially the same violations and seeking treble damages and prohibition of further antitrust violations. The United States Government has also filed an action seeking actual damages under the antitrust laws and double damages under the False Claims Act.

The results of this civil litigation are presently not 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 in seven plants. Its revenues from folding cartons are approximately 7% of net sales.

Guarantee of Indebtedness

AMAX INC. (DEC)

Notes to Financial Statements ($000)

Note 19: Contingent Liabilities and Guarantees—At December 31, 1976, AMAX and its consolidated subsidiaries were contingent guarantors of notes and other liabilities aggregating $25,000, principally in connection with the 50 per cent owned aluminum smelter operated by an affiliate of Alumax Inc. In addition, AMAX has guaranteed liabilities of $25,000 applicable to Botswana RST Limited and Bamangwato Concessions Limited which could, in certain circumstances, be increased $11,000; (also see Botswana RST Limited on page 21). Contractual obligations for plant construction and the purchase of real property and equipment amounted to approximately $116,390 at December 31, 1976.

Since 1969 the Arizona courts have considered a complaint from Farmers Investment Company (FICO) seeking to prevent Anamax, a mining company in which AMAX is a 50 per cent partner, from drilling and operating a well to supplement the water supply for the Twin Buttes operations. A lower court denied the injunction sought by FICO, but in August the Arizona Supreme Court set aside the lower court's ruling and held that " . . . water may not be pumped from one parcel and transported to another just because both overlie the common source of supply, if the plantiff's lands and wells upon his lands thereby suffer injury or damage." The application of Anamax Mining Company and others to have the Arizona Supreme Court hold a rehearing was denied. If an injunction is applied only to the well in question, the existing copper operation would have an adequate water supply from other wells whose operation was not challenged in the initial legal action. If the ruling is applied to the other wells and is not affected by remedial legislation, it would have a material adverse effect on Anamax operations unless other economical sources of water are found. Imposition of the ruling would also affect other users of water in the Santa Cruz River Basin including the City of Tucson.

In February 1975 an action was brought by the U.S. Government, in its own right and on behalf of the Papago Indian Tribe and individual Indian allottees of land on the San Xavier Indian Reservation, in the U.S. District Court against AMAX, Anamax Mining Company and others, in connection with the alleged withdrawal of large amounts of surface and ground water from lands within the Santa Cruz River Basin in derogation of the rights of plaintiff and the Papago Indians. Plaintiff (and plaintiffs in a related action consolidated with this action) seeks a decree that plaintiffs have a priority to use such amounts of water necessary for purposes of the reservation, a permanent injunction preventing use of ground water in such manner as to interfere with plaintiffs' rights, and damages in an unspecified amount. Pursuant to court order, the plaintiffs are preparing an amended complaint. AMAX and Anamax intend to answer the amended complaint and defend the suit at the appropriate time.

See page 23 for description of an antitrust suit against AMAX.

CITIES SERVICE COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 10: Contingent Liabilities

(a) The Company and certain subsidiaries have guaranteed debt obligations of approximately $62 million of companies in which substantial stock investments are held. Also, under long-term agreements with certain pipeline companies in which stock interests are held, the Company and its subsidiaries have agreed to provide minimum revenue for product shipments. The Company has guaranteed mortgage debt ($80 million) incurred by a 50 percent owned tanker affiliate for construction of tankers which are under long-term charter contracts to the Company and others. It is not anticipated that any loss will result from any of the above described agreements.

(b) It has been determined that the Company and others may be liable for additional payments for gas used in the helium extraction process. The Company has provided a reserve for its potential liability in this action which, in the opinion of Counsel for the Company, is adequate.

(c) Certain operations of the Company and subsidiaries are subject to the regulatory provisions of the Emergency Petroleum Allocation Act of 1973, as amended, as administered by the Federal Energy Administration and subject to review by that agency. The Company believes it has substantially complied with the regulations as issued, however, questions have been and are expected to be raised by the Federal Energy Administration, some of which may involve substantial amounts. While the ultimate outcome of such actions cannot be ascertained at this time, in the opinion of Counsel for the Company, the liabilities which may arise would not result in losses which would materially affect the financial position of the Company and its subsidiaries. However, such actions could have a material impact on the future results of operations of the Company and subsidiaries.

(d) Various suits and claims arising in the ordinary course of business, some of which involve substantial amounts, are pending against the Company and its subsidiaries. While the ultimate effect of such actions cannot be ascertained at this time, in the opinion of Counsel for the Company, the liabilities which may arise from such actions would not result in losses which would materially affect the financial position of the Company and its subsidiaries or the results of their operations.

MCCORMICK & COMPANY, INCORPORATED (NOV)

Notes to Financial Statements

Note 5: Contingent Liabilities—At November 30, 1976 the Company had unconditionally guaranteed credit lines for two affiliates to banks in amounts totaling $4,317,000 of which $72,000 had been borrowed at year end.

MOBIL CORPORATION (DEC)

Notes to Consolidated Financial Statements

Rentals, Commitments, and Contingent Liabilities (in part)—The corporation has guaranteed approximately $50 million of the obligations of others, excluding certain cross-guarantees (about $91 million) of foreign customs duties made with other responsible companies in the ordinary course of business. In addition, the corporation has guaranteed specified revenues from crude and product shipments under agreements with pipeline compaines in which it holds stock interests. If these companies are unable to meet certain obligations, Mobil may be required to advance funds against future transportation charges. No material loss is anticipated under these guarantees.

The corporation is of the opinion that, while the ultimate liability in respect of litigation and other claims pending against the corporation cannot be determined at this time, such liability, to the extent not provided for through insurance or otherwise, is not likely to be of material importance in relation to the corporation's accounts.

TEXASGULF INC. (DEC)

Notes to Consolidated Financial Statements

Note 5 (in part): Long Term Debt—At the end of 1976 the company had a contingent obligation as guarantor of 35 percent of $47,500,000 borrowed from banks by an affiliate and used in construction of the Robe River iron ore project. The company is also the guarantor of 35 percent of the affiliate's borrowing under a credit agreement with the Export-Import Bank of the United States up to $5,500,000, which approximates the amount borrowed as of December 31, 1976.

Proposed Tax Assessments

AMP INCORPORATED AND PAMCOR, INC. (DEC)

Notes to Combined Financial Statements

Note 11 (in part): Income Taxes—United States income tax returns of AMP for the years 1963 through 1973 have been audited by the Internal Revenue Service and deficiencies assessed. The Company is contesting several items of these deficiencies, one of which could result in similar deficiencies of more substantial amounts being assessed for subsequent years. Accordingly, the Company has filed a petition with a U.S. District Court for refund of assessments paid for the years 1963 through 1965, and has filed a protest with the Internal Revenue Service for the years 1966 through 1973. In the opinion of the Company and outside tax counsel, the position taken by the Internal Revenue Service has little merit and the final determination of this issue for the years 1963 through 1976 will not have a materially adverse effect on its financial position or results of operations.

ETHYL CORPORATION (DEC)

Notes to Financial Statements

Note 6: Internal Revenue Service Examination—The Company has received reports of the Internal Revenue Service proposing additional income taxes for the twelve taxable periods ended December 31, 1973. See caption "Internal Revenue Service Examination" in the Financial Results Section (page 21) of this report for further information.

Page 21

Internal Revenue Service Examination—The Internal Revenue Service has completed its examination of the Company's first twelve taxable periods after the 1962 Ethyl-Albemarle merger through the calendar year 1973. The IRS has proposed tax increases of about $39 million, including interest, which would total about $45 million if assessed on the same basis through 1976. The IRS position results largely from differences in the valuation of assets acquired in the merger and the allocation of values between tangible and intangible assets. The IRS valuation of assets was made by a government engineer during the course of its examination. The Company based its asset valuation on an appraisal by independent appraisers made at the time of the merger.

It is the opinion of the Company's counsel that the tax increase proposed by the IRS is far in excess of any tax which ultimately might be payable by the Company on the basis of a reasonable asset valuation. The Company has commenced litigation in the Tax Court of the United States on the valuation issue for the fiscal periods ended on March 31, 1963, and December 31, 1963, and calendar 1964, and continues to contest the remaining nine periods.

FEDDERS CORPORATION (OCT)

Notes to Consolidated Financial Statements

Note 3: Income Taxes—In 1975 the Company was served with deficiency notices relating to the years 1968 through 1972 of approximately $20,800,000. The proposed deficiencies relate primarily to the valuation of the assets received in the acquisition of the Norge product line in 1968, the valuation of assets received in the acquisition of the Climatrol product line in 1970 and the disallowance of preferred stock payments as deductible interest expense. The inclusion of the preferred stock payments as deductions for tax purposes reduced the loss per common share by $.07 in 1975. It is the opinion of the Company's legal counsel that the claimed deficiencies are without substantial merit; accordingly, the Company has made no provisions for these deficiencies. The Company has filed a Petition for Redetermination in the United States Tax Court with respect to the proposed deficiencies of $15,000,000 for 1968, 1969 and 1970 which relate to the Norge acquisition.

No provision for federal income taxes is required in 1976 due to the impact on 1976 financial statement income of permanent differences resulting from the different bases assigned for financial statement and tax purposes to the Airtemp assets and the related liabilities assumed and accrued.

At October 31, 1976 the Company had operating loss carryforwards for tax purposes approximating $15,400,000 which expire principally in 1980 and 1983 and investment tax credit carryforwards of approximately $1,750,000 which expire from 1981 through 1983. To the extent these carryforwards are realized in the future, approximately $3,000,000 of deferred income taxes will be reinstated.

THE GILLETTE COMPANY (DEC)

Notes to Financial Statements

Income Taxes—Federal and foreign income tax expense is summarized as follows:

	(Thousands of Dollars) 1976	1975
Federal:		
Current	$35,700	$26,700
Deferred	(2,100)	3,100
Foreign:		
Current	34,900	37,300
Deferred	3,200	(100)
	$71,700	$67,000
Statutory federal tax rate	48.0%	48.0%
Lower tax rate on undistributed foreign earnings	(1.7)	(2.9)
Non-deductibility of net translation losses	3.7	1.3
Other differneces	(2.0)	(.8)
Effective federal tax rate	48.0%	45.6%

Federal income tax returns through 1969 have been examined by the Internal Revenue Service and settled. The examination for 1970 and 1971 has been substantially completed and the examination for 1972 and 1973 is in progress.

The revenue agents' report for the years 1970 and 1971 proposing additional taxes is expected to be received shortly. Management expects the contested portion of the proposed additional taxes, which relates primarily to the allocation of certain income and deductions between domestic and foreign operations, will amount to approximately $4,000,000 (plus interest) for the two years combined, after giving effect to offsetting adjustments available to the Company. Management intends to contest the revenue agents' position and expects that the contested additional taxes will be substantially reduced from those proposed by the agents. Federal income tax returns for 1972 through 1975 were prepared, and the return for 1976 will be prepared, on the same bases as those for 1970 and 1971. Accordingly, if the agents' proposed adjustments were applied to the later years, generally comparable additional taxes relating to such allocations would be claimed for those years.

No provision has been made in the accounts for the contested adjustments since the ultimate liability cannot be reasonably estimated. Any ultimate liability is not expected to be material in relation to the consolidated financial position. However, if a restatement of prior years' earnings is not allowable under accounting principles in effect in the year in which a determination occurs, the amount may be material in relation to the earnings of that year.

In the opinion of management, there is adequate provision for all other income tax liabilities.

STERLING DRUG INC. (DEC)

Notes to Financial Statements

Income Taxes—Taxes on income include the following:

	1976	1975
Current:		
Federal	$38,027,000	$38,349,000
Foreign	19,608,000	21,296,000
State and Local	6,359,000	6,732,000
Deferral:		
Federal	3,021,000	(1,515,000)
Foreign	3,677,000	1,874,000
	$70,692,000	$66,736,000

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 $5,100,000.

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 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.

WHEELING-PITTSBURGH STEEL CORPORATION (DEC)

Notes to Financial Statements

Note D (in part): Income Taxes—Federal income taxes of the Corporation and Pittsburgh Steel Company have been settled for all years prior to 1962. Extensive discussions have taken place with the Internal Revenue Service on open years through 1968. While there are several issues involved in certain open years, including a reallocation of income and expenses between the Corporation and a raw materials supplier in which the Corporation has a minority interest, the estimated amounts accrued for taxes are believed to include adequate provision for tax applicable to those issues.

During the years 1966 through 1973, the Corporation reported to stockholders on the basis of costing inventories at standard costs (which approximated actual) or average costs and used the LIFO method for tax purposes. The Internal Revenue Service has indicated that it will propose to disallow the use of the LIFO valuation method for the years in question because of the use of different inventory methods for financial and tax purposes.

Management believes that it has meritorious defenses to support the use of LIFO inventory valuation method for tax purposes for the years in question, and intends to pursue them diligently. Although the ultimate outcome of this matter is not determinable at this time, management believes that the disposition of any income tax liability (the maximum amount of which, after currently available credits, would appear not to exceed $13,000,000) may be payable over an extended period of time and would not have a material adverse effect on the financial position of the Corporation.

Receivables Sold With Recourse

BOISE CASCADE CORPORATION (DEC)

Notes to Financial Statements

Realty (in part)—In February 1976, the Company sold approximately $80,000,000 of receivables of its discontinued realty business. The purchaser assumed the credit risk associated with the receivables in excess of $5,500,000, and the Company retained the project developer's responsibilities related to the receivables. The proceeds from the sale were used primarily to prepay $51,000,000 of realty bank debt.

At December 31, 1976, the Company was contingently liable in the amount of $589,000 for other receivables which were sold with recourse. The realty subsidiary has guaranteed $963,000 of loans of divested and unaffiliated companies and $2,456,000 of third party customer financing. In addition, the Company is contingently obligated for up to $15,000,000 for the construction of certain amenities in connection with the sale and development of a remaining land development project.

SUN CHEMICAL CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 14: Other Contingent Liabilities—The company is contingently liable with respect to graphic equipment leases and installment sales contracts assigned and sold to financial institutions, the present value of which approximated $10,000,000 at December 31, 1976. Sun and its subsidiaries are also contingently liable with respect to a loan guarantee, claims and other lawsuits. The ultimate liability with respect to such contingencies is not presently determinable, but will not, in the opinion of management and counsel, have a material adverse effect on the business or the financial position of the company and its subsidiaries.

A portion of the company's sales is subject to renegotiation under the Renegotiation Act of 1951. Clearance has been received for years through 1974. Management believes that results in 1975 and 1976 include no excessive profits.

Renegotiation

AMERICAN AIR FILTER COMPANY, INC. (OCT)

Notes to Consolidated Financial Statements

Commitments and Contingent Liabilities—Commitments for plant construction, machinery and equipment outstanding at October 31, 1976, approximated $2,400,000.

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. A claim based on these higher costs has been filed against the customer. The amount of additional revenue that the Company will realize from settlement of this claim 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, some of the Company's subsidiaries have discounted with recourse notes and accounts receivable in the amount of approximately $2,100,000 at October 31, 1976, and at that date had outstanding bank guarantees and surety bonds of approximately $3,300,000 principally related to the advance collection of funds from customers under long-term contracts.

GENERAL DYNAMICS CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note K: Contingencies—A substantial portion of earnings for 1970 through 1976 is subject to review by the United States Renegotiation Board. Management believes that no refunds will be required under the Renegotiation Act of 1951, and, consequently, no provision has been made therefor.

The Corporation remains contingently liable on $26.6 million of long-term debt ($29.6 million at 31 December 1975) which was assumed by Houston Natural Gas Corporation in connection with the divestiture of Liquid Carbonic Industries, Inc. and its subsequent merger with Houston Natural Gas in 1969. The debt is payable in varying installments through 1982.

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

GULTON INDUSTRIES, INC. (FEB)

Notes to Financial Statements

Contingencies and Other Commitments—A substantial amount of the companies' sales are subject to renegotiation by the United States Government. As at February 29, 1976, the companies also had termination claims and contracts providing for possible retroactive price adjustments which are subject to final audit and review by government agencies or others. In the opinion of management, adjustments, if any, that may arise in connection with the foregoing would not be material.

As at February 29, 1976, there were various legal actions and claims pending against the Company which, in the opinion of management, will not result in any material liability to the Company.

The Company has guaranteed mortgage obligations of two former subsidiaries amounting to $558,000 at February 29, 1976.

As at April 26, 1976, the Company had sold for future delivery pounds Sterling amounting to $2,446,000; as at such date the current market of an equivalent amount of such currency approximated $2,367,000.

STANDARD CONTAINER COMPANY (SEP)

Notes to Consolidated 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 five fiscal years ending September 26, 1976, it is management's opinion that a refund would not be required. With respect to the 1967, 1968 and 1969 periods, the Renegotiation Board has requested funds (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.

c. Contingent Payments
In connection with the 1976 acquisition, the Company is contingently liable for additional payment of up to 12,500 shares of its common stock or its cash equivalent at the Company's option providing certain levels of sales are obtained during the five years ending in January 1, 1981.

Compliance With Environmental Standards

MOSINEE PAPER CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 10: Commitments, Contingencies and Litigation—As of December 31, 1976, 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 the Company's second phase water pollution abatement program, in the approximate amount of $2,900,000.

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 $7,800,000 for the treatment facilities and approximately $4,000,000 for an in-plant effluent control program. Phase two is designed to enable the Company to meet BOD (biological oxygen demand) limits which go into effect in July, 1977, as required by its water pollution discharge permit. However, phase two will not enable the Company to meet suspended solids discharge limitations which go into effect in July, 1977, as imposed by the permit. The Company has filed a permit modification request with the Wisconsin Department of Natural Resources. There can be no assurance that such permit modification will be granted. In the event such modification ultimately is denied, the Company may be required to install additional water pollution abatement equipment at an undetermined additional cost.

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. In late 1976, the Company completed the construction of facilities which are designed to meet the requirements of the DNR order, primarily through the replacement of the kraft recovery system. Testing of the facilities to determine whether compliance with the DNR order has been achieved is currently in progress. An action brought against the Company by the State of Wisconsin in 1975, alleging violations of the DNR order, has been resolved with no material adverse effect on the Company.

PHELPS DODGE CORPORATION (DEC)

Notes to Consolidated Financial Statements

Contingencies (in part)—The federal Environmental Protection Agency (EPA) and the Arizona authorities are reevaluating the particulate emission regulations applicable to the Corporation's Arizona smelters; changes in the regulations will be required to permit full compliance by the smelters.

In December 1976, Arizona adopted new sulfur dioxide (SO_2) emission regulations. Under these regulations, and in order to meet the applicable federal ambient air standards, the operations of the Douglas and Morenci smelters are subject to substantial curtailments during times of unfavorable atmospheric conditions. EPA has neither approved the new Arizona regulations nor withdrawn the emission regulation it proposed for Arizona copper smelters in October 1975 which would, should it become effective, force the Corporation to close the Douglas smelter and also adversely affect the Corporation's other two Arizona smelters. Should EPA fail to approve the new Arizona emission regulations and issue instead a regulation that would force the closing of the Douglas smelter, the Corporation would appeal for relief to the federal courts. The book value of the Douglas smelter is not material in relation to the Corporation's consolidated total assets.

PORTEC, INC. (DEC)

Notes to Consolidated Financial Statements

Note 11: Environmental Matter—In October 1974, the City and County of San Francisco, California, ordered that the noise emanating from the San Francisco plant operated by Hawley (acquired by the Company as of February 6, 1976) be reduced to the level permitted by municipal ordinance. Since that time, several extensions have been granted, the most recent of which expires on July 15, 1977. The Company is considering various means of reducing the noise. If it is not able to reduce the noise to the permissible level, or if the ordinance is not revised, the Company may have to move the forgings operations, which could entail significant expenditures and could, at least temporarily, have an adverse impact on the earnings of the Company, the extent of which is not feasibly determinable at this time. However, management is of the opinion that the disposition of this matter will not have a material effect on the Company's financial position.

Unasserted Claim

KUHLMAN CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 6: Employee Retirement Income Security Act—The Company had a Union negotiated pension plan covering hourly employees at its Bay City, Michigan transformer plant, where manufacturing operations were discontinued in 1975. The plan terminated on September 4, 1976. The Company gave the required advance notice of the plan's termination to the Pension Benefit Guaranty Corporation (PBGC) in Washington, D.C.

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 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 approximately $600,000, net of income taxes. The PBGC is empowered by ERISA, in the event such a claim is asserted and upheld, to work out extended payment arrangements over a period of years for liquidation of the claim. The stated position of the PBGC is that it will use this power in appropriate cases where the employer corporation is financially sound.

The Company takes the position that 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 expressly limit the Company's liability for benefits to contribution of a specified cents-per-hour for straight time hours worked, all as agreed upon by the Company and the Union before enactment of ERISA. The Company's position has been supported in at least one similar situation in which action was brought against the PBGC in a U.S. District Court. The court ruled in favor of the plaintiffs, who represented a multi-employer pension plan. The PBGC has appealed the decision, and the case is now pending in a U.S. Court of Appeals.

At least two other actions have been filed in U.S. District Courts, and are now pending against the PBGC, by employers with terminated pension plans. The plaintiffs in these actions allege that the provisions of ERISA are unconstitutional in attempting to change the terms of contracts in force prior to ERISA, and thereby to impose upon employers a liability beyond what they agreed to assume in the negotiated pension agreements.

Should a claim be asserted against the Company by the PBGC, legal counsel for the Company is of the opinion a favorable outcome of the Company's defense of its position is reasonably possible.

GAIN CONTINGENCIES

Operating Loss or Investment Credit Carryforwards

ARDEN-MAYFAIR, INC. (DEC)

Notes to Financial Statements

Note 8: Income Taxes—Income taxes consists of state income tax provision of $61,700 in 1976 and $46,000 in 1975.

Reconciliation of the total provision for income taxes to the current federal statutory rate is as follows:

	1976	1975
Tax benefits on book loss computed at 48%	$ 1,663,000	$ 672,000
State income taxes	(61,700)	(46,000)
Tax carry-forward benefits from operating loss not reflected in financial statements (see Note 1)	(1,663,000)	(672,000)
	$(61,700)	$(46,000)

At January 1, 1977, the Company has a net operating loss carry-forward for federal income tax purposes of approximately $14,500,000. Investment tax credit carry-forward approximates $1,740,000. In addition, approximately $6,800,000 of expenses recorded for financial reporting purposes, but deferred for income tax reporting purposes, may be available to offset future taxable income to the extent such income is earned.

Loss carry-forward and investment tax credit carry-forward will expire as follows:

At End of Year:	Loss Carry-Forward	Investment tax credit Carry-Forward
1977		5,000
1978	7,200,000	79,000
1979		320,000
1980	2,500,000	249,000
1981		228,000
1982		397,000
1983	4,800,000	462,000

The Internal Revenue Service is presently examining the records of the Company relating to discounts, rebates and buying allowances received and to dairy price adjustments paid between 1970 and 1976, inclusive. The Company believes that discounts, rebates and buying allowances received have been properly taken into income and that price adjustments have been, in accordance with Tax Court decisions commencing in 1956, properly reflected as reductions in taxable income. Until recently, this treatment of price adjustments was accepted by the Internal Revenue Service. The Company believes, however, that the Internal Revenue Service may now have changed its position, and may attempt to have the courts adopt a different interpretation of the law regarding price adjustments. In the event that the Internal Revenue Service determines, and is upheld by the courts, that the Company's price adjustments are not properly reflected as reductions in the Company's taxable income, the Company's operating loss carry-forward could be reduced and, in addition, the Company could incur some tax liability, which management does not consider to be material. The price adjustments that may be subject to question during this period approximate $5,100,000.

CONSOLIDATED PACKAGING CORPORATION (DEC)

Notes to Financial Statements

Note 6: Income Taxes—The Company and its subsidiaries file a consolidated federal income tax return.

The 1975 refund of income taxes represents the carryback of the 1975 loss for state income tax purposes. No such carryback is available for federal income tax purposes.

Operating loss carryforwards of approximately $5,330,000 are available to reduce future taxable income, if any. Such carryforwards are subject to examination by the Internal Revenue Service and if not previously utilized approximately $3,108,000 expires in 1980 and $2,222,000 in 1983. In addition, the Company has recorded certain expenses for financial statement purposes which will be deductible for federal income tax purposes in future years amounting to $3,673,000 at December 31, 1976.

The Company has investment tax credit carryovers of $861,000 which are available to reduce future federal tax liabilities, if any. Such carryovers expire, if not previously utilized, as follows: 1977, $11,000; 1978, $79,000; 1979, $98,000; 1980, $64,000; 1981, $236,000; 1982, $125,000; 1983, $248,000.

CUTLER-HAMMER, INC. (DEC)

Notes to Consolidated Financial Statements

Note 6: Taxes on Income—The provision for taxes on income is made up of the following:

	1976	1975
Current:		
United States	$15,825,633	$ 6,145,119
Foreign	2,841,048	3,045,133
State and Local	3,009,649	2,354,001
Total current	21,676,330	11,544,253
Deferred:		
United States	120,399	5,828,421
Foreign	(35,988)	—
Total deferred	84,411	5,828,421
Total Provision	$21,760,471	$17,372,674
Effective tax rate	54.1%	55.5%

The reconciliation between the effective tax rate and the United States statutory income tax rate of 48 percent for 1976 and 1975 is as follows:

	1976	1975
Federal income tax at statutory rates	48.0%	48.0%
State taxes on income, less applicable federal taxes	3.9	3.9
Investment tax credit on assets purchased	(1.8)	(1.3)
Operating losses for which tax benefits are not available currently	8.9	6.4
Other	(4.9)	(1.5)
	54.1%	55.5%

The deferred tax provision, which results from timing differences in the recognition of revenue and expense for tax and financial reporting purposes, consists of the following:

	1976	1975
Tax effect of reporting income on a completed contract basis for tax purposes	$1,833,509	$5,480,584
Other	(1,749,098)	347,837
	$ 84,411	$5,828,421

The Company plans to reinvest earnings of its foreign subsidiaries and Domestic International Sales Corporations in expanding international activities. Therefore, in 1976 no provision has been made for additional United States income taxes which might result from distribution of such earnings. At December 31, 1976, the estimated net United States taxes which would be payable upon distribution of the unremitted earnings of the foreign subsidiaries totaled $929,000. Deferred taxes provided on DISC earnings in prior years of $820,000 were reversed to income in 1976 and included in the deferred tax provision.

As of December 31, 1976, certain subsidiaries have operating loss carryforwards of approximately $13,800,000 which are available to reduce future taxable income of these subsidiaries. The carryforwards expire as follows: $500,000 in 1978, $1,500,000 in 1979, $3,300,000 in 1980, $5,300,000 in 1983, and $3,200,000 indefinitely. In addition, these subsidiaries have recorded certain expenses for financial statement purposes which will be deductible for income tax purposes in future years amounting to approximately $2,600,000 at December 31, 1976.

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

Notes to Consolidated Financial Statements

Note I: Income Taxes—The Company and its subsidiaries file a consolidated Federal income tax return. As at December 31, 1976, based on such tax returns, the estimated consolidated net operating loss carryover approximates $9,400,000 expiring $1,800,000 (1979), $6,500,000 (1980), $600,000 (1983) and $500,000 (1984); the $500,000 represents costs and losses included in operations through December 31, 1976 which management anticipates will become tax deductible in 1977. Federal income tax returns of the Company and most of its subsidiaries for the years 1969 through 1974 are currently under examination by the Internal Revenue Service. It is the opinion of management that any assessments would not be material. The difference in 1976 between the statutory tax rate of 48% and the effective tax rate of 56.7% is due to the fact that imputed interest of 157,500 has not been considered a tax deductible item.

MARHOEFER PACKING COMPANY, INC (OCT)

Notes to Financial Statements

Note 6: Federal Income Tax and Investment Credit Carryforwards—At October 30, 1976 the company has net operating loss carryforwards aggregating $2,947,700 available to offset future taxable income. Tax carryforward losses on a tax return basis, years of expiration and principal timing differences between operating losses for tax purposes and financial reporting purposes are as follows:

1977	$ 577,400
1978	395,600
1979	286,600
1980	325,800
Aggregate carryover for tax purposes	1,585,400
Difference between financial and tax depreciation	(808,500)
Pension provisions not deductible until paid	2,017,000
Insurance accruals not deductible until paid	113,900
Other	39,900
Aggregate carryover for financial reporting purposes	$2,947,700

Upon utilization of these carryforwards, the resultant tax benefits will be reported as extraordinary items in the income statement.

At October 30, 1976 investment tax credits of $163,900 expiring $2,000 in 1978, $9,500 in 1979, $7,700 in 1980, $39,400 in 1981, $58,300 in 1982 and $47,000 in 1983 are available to reduce future income taxes.

The company's federal income tax returns have been examined through the fiscal year ended October 31, 1971.

Plaintiff Litigation

AMERICAN BAKERIES COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 5: 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 one case, which has a trial date set for June, 1977 the Company negotiated, in 1975, settlements of $920,000 from two of the defendants. These settlements and legal expenses of $627,000 in 1975 and $514,000 in 1976 have not been included in the consolidated statements of operations pending the final outcome of the case and related legal costs. The other case is in the early stages of discovery.

The Company is one of a number of defendants in an antitrust case filed by competitors in the baking business. Management believes that the Company has meritorious defenses, is vigorously opposing this action and has filed counterclaims, but management is unable at this time to estimate the ultimate aggregate liability or recovery, if any, of the Company therefrom.

The Company is the defendant in a lawsuit which, if successful, could result in the return of 178,200 common shares which the Company purchased from a mutual fund in December, 1974 for $3.00 per share. If such shares were outstanding during 1976, earnings per share would have been $2.53 or $2.29 on a fully-diluted basis and in 1975, $2.94 or $2.52 on a fully diluted basis. Management believes the Company will prevail.

The Company has also responded to inquiries and investigations of Federal government agencies, none of which relate to the protection of the environment.

In 1975, the Company recorded payments of $100,000 for negotiated settlements of certain other legal actions as expense.

ATI, INC. (SEP)

Notes to Financial Statements

Note 6 (in part): Commitments, Contingencies and General Comments—On July 9, 1976, the Company commenced an action in Supreme Court of the State of New York against a customer for $57,653 for work, labor and services and related charges. In answering the complaint, the customer alleged counterclaims for defective work and for overcharges, seeking $1,160,000 in damages. Counsel has advised that although there has been no pretrial discovery, based upon information supplied to it, the Company would appear to have meritorious defenses to the counterclaims.

KING OPTICAL CORPORATION (DEC)

Notes to Consolidated Financial Statements

Litigation (in part)—In connection with the sale of a wholly-owned optical manufacturing subsidiary on December 31, 1973, the Company has instituted legal action against the purchasers asserting damages of $532,000 which represents that portion of the agreed purchase price which the Company asserts was wrongfully withheld by the purchaser plus damages for $65,089 representing loss of interest and fees paid to accountants and attorneys. A provision for possible loss on the receivable is included in the accompanying financial statements. The Company has also claimed liquidated damages of $1,500,000 and exemplary damages of $1,000,000. The Company has been advised by its counsel that no prediction of the probable disposition can be made with any certainty at this time. The Company has recently approved efforts to pursue this action.

MORSE ELECTRO PRODUCTS CORP. (MAR)

Notes to Financial Statements

Note 6 (in part): Commitments and Contingencies:

Legal—The Company is engaged in litigation in three cases aside from lawsuits on non-material amounts arising in the ordinary course of business. The three cases are:

1. A lawsuit against a former employee seeking damages in connection with alleged shortages of merchandise. The defendant has filed counterclaims for 4 to 5 million dollars alleging slander to his reputation and other damages. Some of the counterclaims are being handled by the Company's insurance carriers.

2. A lawsuit instituted by the Company seeking damages against a former supplier for breach of warranty and defective merchandise. The defendant later commenced suit against the Company in another court for goods allegedly sold and delivered amounting to approximately $350,000.

3. A supplier is suing the Company in U.S. District Court for approximately $370,000 allegedly due on a contract. The Company counterclaimed seeking to recover damages for breach of contract, antitrust violations and tort. The Company has also started another action in a N.Y. State Court against the supplier claiming damages alleging, besides breach of contract and tort, fraud and unfair competition under the State's laws.

POLAROID CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 11: Contingencies—In July 1975, the Company commenced an action in the United States District Court for the District of Delaware against Berkey Photo, Inc. claiming that the manufacture, use and sale by Berkey of an instant picture camera for use with Polaroid SX-70 film infringes ten Polaroid patents. Berkey's answer includes, in addition to defenses, counterclaims seeking treble damages for alleged monopolization or attempted monopolization in the manufacture and sale of self-developing photographic products. A counterclaim seeking the cancellation of the registered trademark "Polaroid" was dismissed. In July 1976, the Company commenced a patent infringement action against Berkey in the United Kingdom similar to the action it initiated in the United States. The Company intends to prosecute both actions diligently.

In April 1976, the Company commenced an action against Eastman Kodak Company in the United States District Court for the District of Massachusetts charging that the manufacture, use and sale by that company of instant cameras and instant print film infringe a number of United States patents owned by Polaroid. The suit seeks injunctive relief and treble damages plus costs and other relief. Kodak has joined issue, seeking a declaratory judgment that the Polaroid patents identified in the Company's complaint and several additional Polaroid patents are invalid and not infringed, and that each of the Company's patents relating to instant photography is unenforceable. In the United Kingdom and Canada the Company has commenced patent suits against Kodak and certain of its affiliates similar to the action it initiated in the United States. In the United Kingdom action, an interim injunction prohibiting the defendants therein from making or selling Kodak instant photography cameras or Kodak instant photography film in that country was reversed. The Company intends to pursue these actions diligently.

In May 1975, Leon Stewart instituted a class action against the Company in the United States District Court for the Southern District of New York on behalf of himself and other purchasers of Polaroid shares during the period from April 23 through July 2, 1974, seeking damages for alleged violation of Section 10(b) of the Securities Exchange Act of 1934, Rule 10b-5 of the Securities and Exchange Commission and the common law, arising from allegedly untrue and misleading statements relating to sales volume and income attributable to Polaroid products at the 1974 Annual Meeting and in news releases and reports during such period. The action is at issue and has been certified as a class action for purchasers of Polaroid shares in the period between April 23 and July 2, 1974. The Company continues to defend the action diligently.

COMMITMENTS

Capital Expenditures

THE AMALGAMATED SUGAR COMPANY (SEP)

Notes to Financial Statements

Note 6: Commitments—The Company, through its 50% interest in a partnership with American Maize-Products Company, is committed for approximately $4,500,000 to complete the construction of corn wet milling plant near Decatur, Alabama.

The plant is owned by the Industrial Development Board of the City of Decatur, Alabama, and leased by the partnership. The partnership has capitalized the leases, which provide for rental payments, guaranteed by the partners, sufficient to amortize the principal and interest on the revenue bonds issued by the Board. The partnership has an option to purchase the plant at the end of the leased term for a nominal price.

BLISS & LAUGHLIN INDUSTRIES INCORPORATED (DEC)

Financial Review

Commitments and Contingent Liabilities—On January 29, 1976 the Company announced plans to invest over $15 million in a three year program to modernize the Company's cold finished steel bar operations. As of December 31, 1976, approximately $2,794,000 has been expended, and an additional $2,808,000 has been committed.

At December 31, 1976 the Company was contingently liable on a note receivable of the Company which was sold with recourse in 1971. The note, which is not in default, is due in varying installments to December 1, 1980 with the December 31, 1976 balance being $3,613,000.

COPPERWELD CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 7 (in part): Commitments and Contingent Liabilities—The Corporation has approved expenditures for new plant and equipment in connection with expansion of its tube making capacity and modernization and expansion of existing facilities. At December 31, 1976, outstanding purchase commitments related to the planned expenditures amounted to approximately $25,000,000.

FOOTE MINERAL COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 11: Commitments and Contingencies—At December 31, 1976 the Company had authorized capital projects which contemplated commitments of approximately $2,900,000 (estimated to be expended in 1977). As of December 31, 1976, funds approximating $800,000, 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.

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

LOUISVILLE CEMENT COMPANY (DEC)

Notes to Consolidated Financial Statements

Note E: Commitments—The Company has agreed with state pollution control agencies to install certain pollution control equipment. In compliance with these agreed orders, the Company has expended approximately $3,600,000 through 1976 and expects to expend approximately $3,500,000 during 1977.

During 1975, the Company began a major plant modernization and expansion program estimated to cost $23-25 million and executed construction contracts with others for this purpose. The Company has expended $13,077,000 through 1976 for this program and expects to complete the program in 1977.

MEREDITH CORPORATION (JUN)

Notes to Consolidated Financial Statements

Note 9: Commitments and Contingencies—The Company will spend approximately $23,500,000 to complete currently committed projects. Of this amount, approximately $16,600,000 will be spent for building modifications and printing equipment to provide capacity for reduced magazine page sizes; approximately $5,600,000 will be spent for new facilities for Kansas City television and radio stations and the balance for normal equipment replacements.

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

The Company is contingently liable for $4,536,000 relative to a note received and sold with recourse in connection with the sale of certain properties.

NATIONAL GYPSUM COMPANY (DEC)

Notes to Financial Statements

Leases and Commitments (in part)—At December 31, 1976, the Company had uncompleted appropriations for property, plant and equipment amounting to $38,000,000 of which $28,000,000 had been committed. At December 31, 1975, uncompleted appropriations amounted to $43,000,000 of which $32,000,000 had been committed. The Company was additionally committed to amounts in the ordinary course of business for purchase commitments, product warranties, etc.

UNION CARBIDE CORPORATION (DEC)

Notes to Financial Statements-1976 and 1975

Note 12: Commitments—At December 31, 1976, the cost of completing authorized capital projects is estimated at $1,300 million. A portion of this amount is covered by firm commitments. Also, the Corporation and its consolidated subsidiaries have various purchase commitments for materials and supplies incident to the ordinary conduct of business; and commitments to several companies, in which the Corporation has investments, for advances of funds under certain circumstances for completion of facilities, for working capital or supplies, and for product support. The commitments are, in the aggregate, not expected to have a material adverse effect on the consolidated financial position of the Corporation.

Financing Agreements

ARMCO STEEL CORPORATION (DEC)

Notes to Financial Statements

Note 10: Commitments and Contingencies—In connection with the debt financing of Armco Leasing Corporation, Armco has agreed to cause Armco Leasing to maintain working capital (as defined) of not less than $1,000,000 and equity (as defined) of not less than $5,000,000. At December 31, 1976, Armco Leasing had total debt outstanding of $145,229,000.

As of December 31, 1976, the Australian and European finance/leasing subsidiaries had total debt outstanding of $90,297,000 of which Armco has guaranteed $75,424,000.

Armco and the other 50% shareholder of Reserve Mining Company are obligated until the outstanding principal amount of Reserve's first mortgage bonds (Series A, $49,013,000; Series B, $44,720,000) is paid in full, to take the entire production of Reserve, and, as to each half-owner, to pay 50% of Reserve's operating costs and interest charges. If and to the extent that Reserve shall not have made the necessary payments, each shareholder is also obligated to pay one-half of amounts needed by Reserve for (a) fixed sinking fund requirements and final maturity amounts on the said bonds, and (b) certain future capital replacements. Other liabilities of Armco include $8,587,000 and $11,364,000 at December 31, 1976 and 1975, respectively, representing 50% of Reserve's unreimbursed depreciation, which will become payable, when needed, for future property replacements and Series A Bonds maturing in 1980.

A subsidiary of Armco has entered into a completion and "take or pay" agreement under which it will take its share (40%) of the production of taconite pellets by Eveleth Expansion Company, a new pellet production facility. Eveleth has issued $195,000,000 of 9½% and $48,000,000 of 10% Series A, First Mortgage Bonds due 1995 to finance construction costs. The total of these borrowings is estimated to be approximately 78% of the construction costs. Armco is committed to advance up to 40% of the funds needed for the completion and continued operation of Eveleth, including amounts in respect of depreciation and amortization at least equal to the amounts required to pay principal and interest on such bonds.

In addition, at December 31, 1976, Armco is guarantor of approximately $86,000,000 of debt of other companies in which Armco has an equity interest.

Commitments for the purchase of property, plant, and equipment (including unexpended amounts relating to projects substantially under way) amounted to approximately $126,000,000 at December 31, 1976.

There are various claims pending against Armco and its subsidiaries with respect to product liability, pollution, price fixing and other matters arising out of the conduct of the business. The amounts of liability on the claims at December 31, 1976, were not determinable but, in the opinion of management, the ultimate liability resulting will not materially affect the consolidated financial position or results of operations of Armco and its consolidated subsidiaries.

MOLYCORP, INC. (DEC)

Notes to Consolidated Financial Statements

Note 10: Commitments and Contingencies—An agreement between the Company and Kennecott Copper Corporation pertaining to commercial exploitation of the columbium deposit held by an affiliate (Quebec Columbium Limited), provides that funds for the project up to $9,000,000 shall be shared 51% by Kennecott and 49% by the Company, should such a project be decided upon, with provision for financing the Company's share that exceeds $3,000,000.

The Company, under a Consent Decree with the Pennsylvania Department of Environmental Resources, has agreed to a program directed toward reducing emissions from its Washington, Pennsylvania molybdenum roasters. However, the program does not presently contemplate reduction of sulfur dioxide emissions from the roasters to the level required by applicable pollution control regulations. If the facility is not in compliance with applicable air pollution control regulations by December 31, 1978, the roaster operations must be discontinued. It is estimated that the cost to the Company of compliance with the consent decree may exceed $1,200,000 of which approximately $600,000 has been spent as of December 31, 1976. Additional expenditures presently estimated at $5,000,000 or more would be required if operations are to continue beyond December 31, 1978.

The Company is a party to three actions involving water depletion from the Red River in Taos County, New Mexico. The Company believes that sufficient water will be available to maintain the present level of operations, although such availability may require use of certain presently unused water rights held by the Company. Use of these additional water rights could require pipeline and pumping facilities at a cost estimated to range from $200,000 to $2,000,000.

The Company is appealing an effluent standard contained in a permit, granted under the Federal Water Pollution Act, relative to its Questa operations. Permit conditions proposed by the Company in connection with the appeal would allow the Company to discharge effluent at existing levels until 1983. If, however, the revised permit is not granted, the Company could be forced in mid-1977 to suspend its Questa operations.

WHEELING-PITTSBURGH STEEL CORPORATION (DEC)

Notes to Financial Statements

Note H: 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 $42,100,000 at December 31, 1976, and $37,900,000 at December 31, 1975, which is payable by the suppliers in annual installments through 1996. The $42,100,000 includes the Corporation's share of borrowings through December 31, 1976, related to the expansion of production facilities of the Tilden iron ore complex. The Corporation's share of estimated future borrowings to finance completion of the expansion by 1979 approximate $24,100,000. It is anticipated that funds available through the raw material sales will be sufficient to meet both existing obligations and obligations expected to be incurred with respect to the Tilden expansion.

The Corporation is involved in several environmental proceedings which, management believes, as a practical matter will not materially affect the operations of the Corporation. The Corporation will endeavor to comply with applicable environmental laws and regulations, and will continue to take all practicable measures to seek relief from unduly burdensome environmental requirements when appropriate. As in the past, expenditures for installations and operation of environmental related facilities will continue to be significant.

Purchase Agreements

CUMMINS ENGINE COMPANY, INC. (DEC)

Notes to Financial Statements

Note 2: Long-term Supply Agreement—Cummins has a long-term supply agreement with Komatsu Ltd. for the basic components of the K engine. The supply agreement provides, among other things, that quantities and prices are to be negotiated annually.

In negotiating for the 1976 quantities and prices, Cummins agreed to exempt Komatsu from royalty payments from January, 1976 to July, 1979, on another engine manufactured by Komatsu under a license agreement, since the 1976 quantities and prices and a general commitment on the formula to be used in establishing quantities and prices in 1977 and 1978, result in a reduced recovery of Komatsu's investment from that anticipated at the time of the original agreement. The net effect of the royalty exemptions and the reduced quantities and prices cannot be determined at this time; however, the difference, if any, will be settled in 1981. The amount of these royalties that Cummins would have received in 1976 was approximately $1.0 million. Cummins received $1.9 million of these royalties in 1975.

The supply agreement provided for additional payments for failure to take the annual minimum purchases. The negotiated settlement of this amount has not been significant. Should Cummins terminate this agreement, it must pay Komatsu the book value of plant and equipment acquired for the manufacture of K engine components, which approximates $13 million.

JOSLYN MFG. AND SUPPLY CO. (DEC)

Notes to Consolidated Financial Statements

Note 6: (in part): Commitments—The Company's Stainless Steels Division has commitments to purchase certain raw materials over the next seven years principally at the then market prices. Based on the December 31, 1976 market prices, these commitments amount to approximately $19,000,000. Management believes that these commitments are not in excess of estimated production requirements.

LUKENS STEEL COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 9: Commitments and Contingencies—Lukens has an agreement to purchase from Fior de Venezuela, S.A., up to 150,000 metric tons of direct-reduced iron briquettes each year for five years at prices competitive with those of alternative materials. Limited deliveries are expected to begin in 1977. Note 5 describes Lukens' investment in Fior.

At December 25, 1976, the outstanding purchase commitments for construction projects in progress amounted to approximately $3,800,000.

The Company is co-defendant in a lawsuit by the Federal Trade Commission charging that Lukens and another steel company violated a 1951 order of the Commission requiring them to cease and desist from engaging in any planned common course of action to fix the prices or other conditions of sale of certain products. The Company has denied the charges and is contesting them. The Company also has litigation pending relating to equal employment opportunity and various other matters. In the opinion of management, the outcome of these matters should not have a material adverse effect on the financial condition of the Company.

MASONITE CORPORATION (AUG)

Notes to Consolidated Financial Statements

Note 17: Commitments—As of August 31, 1976, commitments for major capital projects and timber approximate $18,469,000.

A commitment to a pipeline company for natural gas deliveries to the Laurel hardboard plant covers normal fuel requirements at costs expected to be competitive with other fuels available to the plant. The minimum quantity the company is required to take has a current annual value of about $6,000,000 and the term of the contract is 15 years. Penalties relating to cancellation provisions of this contract are not material.

ST. REGIS PAPER COMPANY (DEC)

Notes to Financial Statements

Lease Obligations and Commitments (in part)—Under various long-term timber-purchase contracts and natural-resource lease obligations expiring through 2053, with respect to approximately 984,000 acres, the company was obligated, at December 31, 1976, to pay approximately $6,000,000 in 1977. Under timber cutting rights contracts expiring through 1984, the company was obligated, at December 31, 1976, to pay approximately $9,900,000 in 1977.

Authorizations for future capital expenditures aggregated approximately $96,000,000 at December 31, 1976, as to which commitments of approximately $31,000,000 had been made at that date.

SIGNODE CORPORATION (DEC)

Notes to Financial Statements

Note 8: Commitment—In November, 1973 a wholly owned subsidiary of Signode Corporation entered into a five year contract to purchase a quantity of special wrapping paper. The paper is to be billed to the subsidiary at the standard price at the time of shipment. The quantities contracted for are to be reduced if the subsidiary or its customers are unable to take the paper for causes beyond the reasonable control of either. The remaining commitment under the contract at January 2, 1977 is approximately $24,672,000 ($10,971,000 for 1977) at current average prices. The subsidiary has entered into customer purchase agreements to cover substantially all of this commitment.

Additional Payments Based on Future Earnings Of Acquired Companies

ALPHA PORTLAND INDUSTRIES, INC. (DEC)

Notes to Consolidated Financial Statements

Note 6: Contingent Liabilities and Other Matters—The Company acquired all of the outstanding stock of Sand on December 22, 1971. Against the total purchase price of $7,500,000, payments aggregating $4,000,000 have been made, the balance being contingent, based on a formula, on Sand's earnings through 1979 on all contracts awarded on or before June 30, 1977.

At December 31, 1976, under the most restrictive terms of the long-term debt agreements, approximately $2,800,000 was available for cash dividends, purchase of treasury shares, and other restricted expenditures.

Since November 9, 1976, the Company has purportedly been served in 15 alleged class actions filed against the Portland Cement Association and its members, including the Company, seeking permanent injunctive relief and treble damages in unspecified amounts based on alleged violation of the antitrust laws in the sale and distribution of cement. The Company intends to contest these actions vigorously.

LYNCH CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 2: Acquisition—On April 15, 1976, the Company purchased the net assets and business of M-tron Industries, Inc. for $5,305,884. M-tron is a manufacturer of quartz crystal products used primarily in citizens band radios.

In addition to the basic purchase price, contingent consideration, not in excess of $884,314, is payable in an amount equal to 40% of M-tron's defined income in excess of $2,500,000 during the twelve months ending April 15, 1977. Any such contingent payment will be added to goodwill and amortized over the then remaining portion of the ten-year goodwill amortization period.

The results of M-tron's operations have been included in the accompanying consolidated statement of operations from April 15, 1976. Based on unaudited information, the following tables summarizes pro forma operating results for the years ended December 31, 1976 and 1975 as if the operations of Lynch and M-tron had been consolidated throughout the respective periods:

	1976	1975
Net sales	$23,654,000	$22,003,000
Income before extraordinary credit	1,960,000	374,000
Net income	3,875,000	824,000
Earnings per share:		
Income before extraordinary credit	$1.52	$ .29
Net income	3.01	.64

Purchase Option

CHAMPION INTERNATIONAL CORPORATION (DEC)

Notes to Financial Statements

Note 14 (in part): Commitments—On August 31, 1976, the Company purchased from Kimberly-Clark Corporation for $11,400,000 options to acquire approximately 388,000 acres of timberlands in the upper peninsula of Michigan and in northern Wisconsin. The total option price is $46,900,000 against which the $11,400,000 already paid and included in other assets on the Company's balance sheet will be credited if all such options are exercised. These options are exerciseable in series and expire from 1978 to 1982. The purchase price is subject to reduction in the event of early exercise of the options.

Service Agreement

INTERNATIONAL MINERALS & CHEMICAL CORPORATION (JUN)

Notes to Consolidated Financial Statements

Commitments (in part)—IMC-Canada is committed under a service agreement with a subsidiary of AMAX Inc. to produce annually from mineral reserves sold in 1971 specified quantities of potash for a fixed fee. The initial term of the agreement which expires in 1981 is renewable at the option of the buyer for six additional five-year periods. The agreement may be cancelled on retransfer of ownership of the reserves. The specified quantities may increase from approximately 460,000 tons in fiscal 1976 to a maximum of 1 million tons annually over the next two fiscal years and may further increase by 12½% of any increase in total design capacity of the mines.

At June 30, 1976, IMC and certain consolidated subsidiaries have guaranteed $5.5 million indebtedness of others.

A subsidiary is committed to pay minimum annual charter rees ranging from $6.0 million in 1977 to $1.6 million in 1981 (subject to escalation after 1976). A portion of such fees may be applied to the purchase of a vessel for $8.0 million.

A customer of the new phosphate chemicals facility has a ninety-day option, exercisable in 1980, to purchase a 19.8% interest in the facility, subject to amendment of the loan agreement and related instruments if required.

In 1976, IMC granted to the other owners a three-year option on its 49% interest in a French holding company. The option price approximates the net book value of that investment.

The majority of IMC's phosphate rock production sold domestically is sold under long-term contracts at specified prices, which generally provide for price escalations based on certain cost increases.

Commitments for construction of an ammonia plant and a ferrosilicon furnace totaled $39 million at June 30, 1976. Preliminary work has also begun on the construction of an animal feed phosphate facility whose cost is estimated to be $36 million.

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 included in the 1976 annual reports of the survey companies.

Examples of subsequent event disclosures follow.

TABLE 1-11: SUBSEQUENT EVENTS

	Number of Companies			
	1976	1975	1974	1973
Business combinations pending or effected	40	25	23	24
Debt incurred, reduced or refinanced	26	38	48	28
Sale of assets	20	33	13	19
Stock splits or dividends	18	14	8	13
Litigation	10	23	20	9
Employee benefits	5	36	12	15
Other	36	60	29	24

Debt Incurred, Reduced or Refinanced

GRUEN INDUSTRIES, INC. (MAR)

Notes to Consolidated Financial Statements

Note 5 (in part): Notes Payable to Banks—In July 1976 the Company renegotiated its lending agreements with its principal bank under which it had $6,000,000 of short-term indebtedness outstanding at March 31, 1976. Of the outstanding short-term indebtedness, $3,000,000 was converted into a term loan due March 31, 1981. This term loan is payable in minimum quarterly installments commencing September 30, 1976, aggregating $300,000 in fiscal 1977, $400,000 in fiscal 1978, $500,000 in fiscal 1979, $600,000 in fiscal 1980, $600,000 in the first three quarters of fiscal 1981 and the balance upon maturity. Prepayments of principal will also be required: (i) out of a portion of the amount, if any, by which quarterly net income exceeds certain base amounts and (ii) in amounts equal to net reductions of the value of inventory after March 31, 1976. The accompanying financial statements give retroactive effect to this transaction.

NATIONAL STARCH AND CHEMICAL CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 16: Subsequent Event—On March 2, 1977, the Board of Directors called for redemption, on April 4, 1977, all of the 5¾% convertible subordinated debentures (amounting to $24,900,000) at a call price of 105.46% plus accrued interest from January 1, 1977 thru April 3, 1977.

OLIN CORPORATION (DEC)

Notes to Financial Statements

Long-Term Debt (in part)—On January 20, 1977, the company entered into a note agreement with Metropolitan Life Insurance Company, which provides for long-term financing of up to $125,000,000. Concurrently, the company borrowed $50,000,000 of that amount, the balance becoming available in 1978. The 7.97% notes are due November 1, 2002, with prepayments beginning in 1984; the note agreement contains provisions and restrictions similar to those contained in the company's other debt agreements.

WHITTAKER CORPORATION (OCT)

Notes to Consolidated Financial Statements

Note 14: Subsequent Event—Subsequent to October 31, 1976, Whittaker replaced its revolving bank line of credit and bank term loan with a new bank loan agreement which provides Whittaker with a line of credit of $50,000,000 through November, 1980, decreasing to $37,500,000 through November, 1981, and to $25,000,000 through May, 1982. Interest under the new loan is at the prime rate through November, 1978, increasing to ¼% above prime through November, 1979, and ½% above prime through May, 1982. Whittaker has the option, under the agreement, to borrow at rates 1% above the London Interbank Offered Rate through November 1978. In addition, the company is expected to maintain unrestricted compensating balances averaging 10% of amounts committed plus 10% of amounts borrowed (5% if borrowed at the London Interbank Offered Rate) and pays an annual agent's fee of ⅛% of amounts committed and a commitment fee of ½% per annum on the unused portion of the line.

Maturities of long-term debt, after giving effect to this refinancing, are as follows for the periods stated:

	(In thousands)
Year ending October 31,	
1977	$ 5,865
1978	10,218
1979	5,344
1980	14,670
1981	13,887

Sale of Assets

BATES MANUFACTURING COMPANY, INCORPORATED (DEC)

Notes to Consolidated Financial Statements

Note 3: Consolidation of Yarn Manufacturing Facilities—On May 1, 1976, Kahn & Feldman, Inc, terminated operations at its Williamston, N.C. yarn manufacturing plant and consolidated its entire operations at the existing Pulaski, Va. facility. The subsidiary, on February 23, 1977, executed an agreement for the sale of the land, building and certain equipment at Williamston for a total cash consideration of $2,200,000. The net proceeds from this transaction in the amount of $2,050,000 are shown in the accompanying consolidated balance sheets as "Land, building and equipment sold in 1977, at net recoverable value".

FIELDS PLASTICS AND CHEMICALS, INC. (APR)

Nctes to Consolidated Financial Statements

Note 4: Sale of Certain Assets—On July 20, 1976 the Company entered into three separate but interrelated and interdependent contracts for the sale of certain of its assets related to the operations of its affiliate Interplast Products, Inc. (Note 3) to the other shareholders of Interplast for the aggregate sum of $2,025,000, all cash. The sales are subject to approval by the affirmative vote of at least two-thirds of the shares present in person or by proxy, other than the shares owned beneficially or of record by the Charles S. Fields, Sidney Fields or Schnur Family Groups.

The Contracts:

1. An agreement for the sale of the land and buildings located at 199 Garibaldi Avenue, Lodi, New Jersey for the sum of $1,360,000. The agreement provides for the sale of the premises in its present condition. Also included in the contracts is a provision reserving to the Company certain rights in the event of a default by another tenant of the building, of its lease agreement or its note payable to Fields. The net book value after applicable depreciation is $295,894.
2. An agreement for the sale of 500 shares, common stock, of Interplast representing the Company's 50% interest in the subject corporation, for $265,000. At the time Interplast was organized in October, 1975, the Company contributed, as its share of capital, inventory having a value of $267,706. As of April 30, 1976, the Company's carrying value in Interplast was $252,121. The agreement provides that upon delivery of the stock, the Company will be relieved from and indemnified for all guarantees and other commitments heretofore made as a principal stockholder in Interplast, including guarantees of bank loans. It further provides that a certain agreement entered into on October 17, 1975, providing for the organization, management and control of Interplast and designating areas and markets of sale and various product lines is to be cancelled.
3. An agreement between the Company and Interplast for the sale to it of the machinery and equipment presently leased to it, as is, for $400,000. The net depreciated book value of such machinery and equipment at April 30, 1976 was $273,135.

The closing of all three contracts will be held within 45 days after the Company has received stockholders' approval.

As a result of the transactions, and before closing adjustments, the Company will receive approximately $2,025,000. The net effect of the foregoing transactions, will result in a profit to the Company of approximately $1,200,000 before state income taxes. Such gain will be off-set for federal tax purposes by operating loss carryforwards and, accordingly, no federal tax will be payable thereon.

MPB CORPORATION (MAR)

Notes to Consolidated Financial Statements

Note 8: Subsequent Event—In April, 1976 the Company finalized an agreement to sell its idle plant in Stamford, Connecticut which had a net book value of $616,000 at March 28, 1976. The after tax gain on the sale, estimated to be $260,000, will be recorded in the first quarter of fiscal 1977.

Business Combinations

CHAMPION INTERNATIONAL CORPORATION (DEC)

Notes to Financial Statements

Note 17: Subsequent Event—On February 24, 1977, the shareholders of the Company and Hoerner Waldorf Corporation ("Hoerner Waldorf") approved a Plan and Agreement of Merger whereby Hoerner Waldorf was merged into the Company. Hoerner Waldorf is a manufacturer and marketer of paper packaging products, such as corrugated containers, folding cartons and grocery, shopping and multiwall bags, and other wood-fiber based products.

Each share of Hoerner Waldorf common stock was converted into .95 of a share of the Company's common stock. As of January 31, 1977, Hoerner Waldorf had 15,095,405 shares of common stock outstanding. Further, as of that date the Company would have been required to reserve 1,220,261 additional shares of common stock for issuance on conversion of Hoerner Waldorf convertible securities and on exercise of its employee stock options.

On February 24, 1977, the number of authorized shares of common stock of the Company was increased to 100,000,000. Also, the Company intends to call for redemption of the 100,000 outstanding shares of its $5.50 cumulative preferred stock.

Since the merger will be recorded on a pooling of interests basis, the following pro forma financial statements reflect the combination of the Company (12 months ended December

31) with Hoerner Waldorf (12 months ended October 31).

Pro Forma Condensed Balance Sheet (Unaudited):

(in thousands of dollars)	1976	1975
Current assets	$ 937,875	$ 767,550
Property, plant and equipment	1,092,259	1,064,671
Timber and timberlands	307,005	300,266
Investments and other assets	209,049	188,132
Total	$2,546,188	$2,320,619
Current liabilities	$ 495,336	$ 432,391
Long-term debt and other liabilities	886,874	905,838
Shareholders' equity	1,163,978	982,390
Total	$2,546,188	$2,320,619

Pro Forma Summary of Combined Operations (Unaudited):

(in thousands, except per share)	1976	1975
Net sales	$3,421,853	$2,840,415
Costs and expenses	3,183,943	2,709,961
Income before income taxes	237,910	130,454
Income taxes	101,869	41,190
Net income	$ 136,041	$ 89,264
Average number of common shares outstanding	44,154	41,322
Pro forma earnings per common share:		
Primary	$2.85	$1.91
Fully diluted	$2.51	$1.73

COLLINS & AIKMAN CORPORATION (FEB)

Notes to Consolidated Financial Statements

Note 8: Subsequent Events—On March 25, 1976, the Company entered into an agreement to terminate a joint venture entered into in August 1973. The Company expects to receive net assets approximating the carrying value of its interest in the joint venture of $4,523,375 included in "Other assets" at February 28, 1976 upon final distribution.

Subsequent to February 28, 1976, the Company acquired Mastercraft Corporation for 750,000 shares of common stock in a transaction which will be accounted for as a pooling of interests. If the accounts of Mastercraft were included in the accompanying consolidated financial statements, sales from continuing operations would have been $410,439,994 and $352,628,060 and income from continuing operations would have been $20,426,614 and $8,390,030 for 1976 and 1975, respectively. Income per share from continuing operations after such inclusion would have been $1.65 and $.68 and net income per share would have been $1.72 and $.29 in 1976 and 1975, respectively.

INTERNATIONAL TELEPHONE AND TELEGRAPH CORPORATION (DEC)

Notes to Financial Statements

Subsequent Event—On February 11, 1977, the Corporation acquired the common stock of Carbon Industries, Inc. in exchange for 4,577,636 shares of cumulative preferred stock Series K valued at $260,925,000. Carbon is engaged in underground mining and the preparation and sale of coal. The excess of the purchase price over the value of net assets acquired was assigned to the mining property and will be amortized on the units of production method.

The Carbon acquisition will be accounted for by the purchase method and, accordingly, its operations will be included in the consolidated financial statements from the date of acquisition. However, if the acquisition had been in effect throughout 1976, ITT's condensed results for that year (including Carbon) would have been as follows (in thousands of dollars except per share figures):

Sales and revenues	$11,881,345
Income before extraordinary items	498,349
Net income	504,091
Per common equivalent share:	
Income before extraordinary tiems	$3.80
Net income	3.85

STERNDENT CORPORATION (DEC)

Notes to Financial Statements

Note 14: Acquisition of Universal Optical Company, Inc.—In February, 1977, the Company purchased all of the outstanding stock of Universal Optical Company, Inc. ("Universal") for $19,250,000. The acquisition was financed from the proceeds of a $22,000,000 financing from two insurance companies. Universal designs, manufactures, imports and markets high quality eyeglass frames, primarily used with prescription lenses, for distribution through wholesalers. On a pro-forma basis, assuming the Universal purchase had occurred on January 1, 1976, net sales, net loss and primary loss per share for 1976 would have been $151,341,000, $4,004,000 and $2.07 respectively.

The financing involved the sale of $18,000,000 10% Senior Notes due in varying installments through 1992 and $4,000,000 10½% Subordinated Notes due in varying installments through 1983 plus warrants. The purchase agreements contain restrictions on the payment of dividends and other distributions and on the repurchase of the Company's stock. These restrictions provide that the Company may not make restricted payments except out of 50% of its consolidated net earnings after January 1, 1977 plus $750,000, less the aggregate of all dividends and other distributions on the Company's stock and the excess of amounts expended to reacquire the Company's stock over the cash proceeds of any sales thereof. In addition, the Company is required to maintain consolidated working capital of at least $23,000,000, and a ratio of consolidated current assets to consolidated current liabilities of not less than 1.60 to 1.

The warrants issued to the two insurance companies entitle them to purchase 100,000 shares of the Company's common stock at $10.25 per share (subject to adjustment). The warrants are exercisable immediately and expire in 1992.

LIGGETT GROUP INC. (DEC)

Notes to Financial Statements

Note 9: Subsequent Event—Effective February 17, 1977, the Company acquired all of the oustanding shares of Diversified Products Corporation in exchange for approximately 785,000 shares, subject to adjustment for fractional shares, of the Company's common stock. Diversified manufactures and distributes health and physical fitness products, sporting goods, and athletic games. The merger will be accounted for as a pooling of interests; accordingly, historical financial data presented in future reports will be restated to include the financial statements of Diversified for all periods. Pro forma combined data are indicated below.

Summary of Operations

	1976	1975*
	(Dollars in thousands)	
Revenues	$903,747	$837,607
Operating income	102,770	93,228
Income taxes	38,397	35,992
Earnings from continuing operations	38,987	37,614
Discontinued operations	—	(250)
Utilization of tax loss carryforward	—	(375)
Net earnings	$ 38,987	$ 38,239
Net earnings per common share		
Primary	$4.17	$4.10
Assuming full dilution	$4.12	$4.00

Condensed Balance Sheet

	1976	1975*
	(Dollars in thousands)	
Current assets	$458,113	$416,021
Investments in unconsolidated companies	7,177	5,400
Property, plant, and equipment (net)	123,205	114,605
Franchises and goodwill	113,289	115,407
Deferred charges and prepaid expenses	8,666	5,385
Total assets	$710,450	$656,818
Current liabilities	$105,762	$147,199
Long-term debt	186,396	113,834
Other long-term liabilities	16,277	13,270
Stockholders' equity	402,015	382,515
Total liabilities and equity	$710,450	$656,818

*Includes financial position of Diversified at June 28, 1975 and results of operations for the fiscal year then ended.

VICTOR COMPTOMETER CORPORATION (DEC)

Notes to Financial Statements

Note 10: Subsequent Events

A. New Plant

On January 17, 1977 the company announced plans to build a new electronic calculator and cash register plant in El Paso, Texas. The El Paso facility will encompass 86,000 square feet on a 10-acre site at an expected cost of $1,500,000. The operations of this plant will replace manufacturing presently conducted in Chicago.

B. Proposed Merger

On March 8, 1977 the company announced an agreement in principle for the merger of Victor Comptometer Corporation into a newly organized subsidiary of Walter Kidde & Company, Inc.

Under the proposed terms, the holders of Victor Comptometer common shares, other than the 382,341 shares owned by Kidde, may elect to receive $11.75 per share in cash for up to a maximum of approximately 1.8 million of the approximately 5 million Victor common shares outstanding not owned by Kidde. Each Victor common share not acquired for cash will be converted into one-half of a new Kidde Series D convertible cumulative preference share. The new Series D shares will pay an annual dividend of $1.64 and will be convertible into Kidde common shares under a specified formula. Each of the 77,545 outstanding Victor convertible preferred shares will be exchanged for one share of Kidde's existing Series C convertible cumulative preference shares.

The transaction is subject to the execution of a definitive merger agreement, receipt of a favorable tax ruling and any necessary approvals of the Board of Directors and Shareholders.

Litigation

AMPEX CORPORATION (APR)

Notes to Consolidated Financial Statements

Note 5: Settlement of Class Action Suits—Subsequent to the closing of the fiscal year ended May 1, 1976, the Company entered into an agreement for the proposed settlement of class action suits brought by purchasers of the Company's securities during the period from May 1970 to August 1972 against the Company and certain present and former officers and directors. These suits generally allege certain violations of the Securities Exchange Act of 1934 in the issuance of reports and press releases between May 1970 and August 1972. The proposed settlement, if finally approved by the Court after notice of its terms has been given to the plaintiffs and present shareowners, will involve the payment of $2,250,000 by Ampex and $5,500,000 by the settling defendants' insurers. The agreement has been submitted to the U.S. District Court in San Francisco and has received preliminary approval. A hearing on final approval has been scheduled for August 26, 1976. The proposed settlement does not include claims against the Company's former auditing firm which is also a defendant.

While the proposed settlement is subject to final approval by the Court, management expects that the proposed settlement will be approved in substantially its existing form and, consequently, provision has been made for the Company's share of the settlement.

FORD MOTOR COMPANY (DEC)

Notes to Financial Statements

Note 14: Litigation and Claims—Various legal actions, governmental proceedings and other claims are pending against the Company and certain of its subsidiaries, some of which are, or purport to be, class actions and seek damages in very large amounts, as well as other relief, which, if granted, would require very large expenditures. Included among the pending actions are 46 treble damage antitrust actions—mostly class actions—brought by a number of governmental bodies and private fleet purchasers based on the same matters for which the U.S. Department of Justice has brought civil and criminal cases against the Company and General Motors Corporation alleging a conspiracy to fix prices in and to monopolize sales to the automobile fleet market. The government's civil action was dismissed by the court in October 1974. Earlier in the criminal case, the court dismissed the monopoly charge and a jury acquitted the defendants on the price-fixing charge. A joint trial, without a jury, on the issue of liability in the 46 treble damage actions commenced June 1, 1976 and concluded July 23, 1976. Although the Company and its counsel believe that the judgments in the U.S. government cases were correct and that the Company should be successful in defending against the treble damage actions as well, in the event the actions were decided adversely to the Company, the damages for which it could be held liable could be substantial.

An unaudited event subsequent to the date of, and not covered by, the Auditors' Opinion occurred on March 10, 1977, when the trial court in the treble damage antitrust actions described above entered a judgment order in favor of the Company and the other defendants and dismissed the complaints with prejudice. The plaintiffs have 30 days from entry of the order in which to file a notice of appeal to the Court of Appeals for the Seventh Circuit.

Litigation is subject to many uncertainties, the outcome of individual litigated matters is not predictable with assurance and it is reasonably possible that some of the foregoing legal actions, governmental proceedings and claims could be decided unfavorably to the Company or the subsidiary involved. Although the amount of liability at December 31, 1976 with respect to these pending actions, governmental proceedings and claims cannot be ascertained, the Company believes that any resulting liability should not materially affect the consolidated financial position of the Company at December 31, 1976.

THE RATH PACKING COMPANY (SEP)

Notes to Financial Statements

Note 10: Subsequent Event—On December 27, 1976 the company received legal notice which named the company and a former employee as defendants in a lawsuit filed in New York State alleging the breach of a brokerage contract for the sale of certain products. The plaintiff in the action seeks compensatory and punitive damages. While the company believes it will be successful in its defense of this lawsuit, legal counsel, due to the current nature of this notice, has not yet completed its investigation of the matter.

Stock Dividends or Splits

MCCORMICK & COMPANY, INCORPORATED (NOV)

Notes to Financial Statements

Note 1 (in part): Capital Stocks—On January 24, 1977 the Board of Directors approved for submission to the stockholders at the March 16, 1977 meeting: (1) amendments to the Articles of Incorporation that provide for the authorized Common Stock being increased to 4,000,000 shares and the authorized Common Stock Non-Voting being increased to 12,000,000 shares and (2) a resolution that the issued shares of both classes of common stock be split two-for-one. The recommended changes have not been reflected in the accompanying consolidated financial statements.

OPELIKA MANUFACTURING CORPORATION (SEP)

Notes to Consolidated Financial Statements

Note 9: Subsequent Event—Changes in capital stock

On November 22, 1976, the Board of Directors declared a four-for-three stock split on the Company's common stock effected in the form of a stock dividend payable in February, 1977. Stock option data and earnings and dividend-per-share amounts in the Consolidated Financial Statements have been restated to give effect to the stock split.

NEPTUNE INTERNATIONAL CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 13: Events Subsequent to Balance Sheet Data—On January 26, 1977, the corporation's Board of Directors voted to split the common stock three-for-two, to be effected in the form of a stock dividend. The additional shares are to be issued February 25, 1977, to shareholders of record February 10, 1977. Accordingly, the average number of common shares and common share equivalents, income per share and related data have been retroactively adjusted to give effect to this transaction.

On January 10, 1977, the corporation through its wholly owned subsidiary, Neptune Measurement, Ltd., acquired all of the issued capital stock of Johnson-Progress Limited of Stoke-on-Trent and London, England, a chemical and filtration engineering company, for £503,105 ($868,000 translated at the rate in effect at date of purchase). The transaction will be accounted for as a purchase and the results of operation will be included in consolidated operations from the effective date. Had the transaction taken place on January 1, 1976, consolidated results for 1976 would not have been significantly affected.

On January 25, 1977, the corporation announced agreement to purchase all of the outstanding capital stock of Air Pollution Industries, Inc., Englewood, N.J., for approximately $870,000. The transaction is subject to approval by stockholders of Air Pollution Industries, Inc. and directors of both corporations.

UV INDUSTRIES, INC. (DEC)

Notes to Consolidated Financial Statements

Note 15: Subsequent Event—The Board of Directors passed a resolution March 17, 1977 to recommend that the shareholders approve an increase in the number of authorized shares of Common Stock, from 10,000,000 to 25,000,000 shares. Subject to such approval the Board voted a two-for-one stock split to be distributed on June 14, 1977 to holders of record on May 19, 1977.

Other

THE ANSUL COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 14: Subsequent Events—On January 10, 1977 we entered into an agreement with a former stockholder of Dover Chemical Corporation which would have permitted us, subject to certain conditions, to repurchase 193,062 shares of our common stock issued for the purchase of Dover for $1,716,450. As part of the transaction, we would have secured certain releases from the stockholder including a release of claims arising from the acquisition of Dover and a release from any obligation for the registration of these shares. This agreement has been allowed to expire.

This shareholder has informed us that he has claims against the Company and certain of its present and former officers and Directors that relate principally to an asserted failure to disclose certain facts in connection with our 1974 acquisition of Dover. Although we are not aware of a valid basis for any such claims, we are unable at this time to make a meaningful evaluation of these claims.

BELDEN CORPORATION (DEC)

Notes to Consolidated Financial Statements

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

Interim Accounting Cycle—Effective January 1, 1977, the Corporation changed its accounting cycle from calendar month to the 21 working day concept. This change will minimize variations in monthly figures caused by the fluctuating number of working days in the twelve designated periods. Annual figures will not be affected by this change.

THE BUDD COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 13: Subsequent Event—On February 25, 1977, the Company expects to file with the Securities and Exchange Commission a registration statement for a public offering of 600,000 common shares. The offering is to include approximately 350,000 common shares issuable on the exercise of warrants issued with the 10¾% Promissory Notes of the Company at an exercise price of $9 per share.

The estimated net proceeds to the Company of $7,200,000 will be applied to the reduction of short-term debt. Assuming the retirement of such debt as of the beginning of 1976 and the elimination of the related interest expense, net of tax effect, and no exercise of the Underwriters' over-allotment privilege, pro forma primary and fully diluted earnings per share for the year ended December 31, 1976, would have been $3.89 and $3.33, respectively.

CRANE CO. (DEC)

Financial Review

Subsequent Event—Subsequent to the year end, The Anaconda Company merger with Atlantic Richfield Company was completed on January 12, 1977. As a result of the merger, Crane received a cash dividend of $24,721,380, subject to a dividend tax of 7½ percent, and 2,060,115 Atlantic Richfield common shares in a tax free exchange for 4,120,230 common shares of The Anaconda Company. In accordance with Accounting Principles Board Opinion No. 29, an additional non-recurring substantial gain will be required to be reported in the first quarter of 1977, even though an actual sale of this common stock has not taken place. The amount of this additional accounting gain will depend upon the value assigned by the company to the Atlantic Richfield common shares received.

ETHYL CORPORATION (DEC)

Notes to Financial Statements

Note 19: Subsequent Event—On March 4, 1977, the Company announced its offer, expiring March 22, 1977, to purchase up to 750,000 shares of its outstanding Common Stock, $1.00 par value, at a price of $46 per share. Payment for the shares acquired will be from general corporate funds; however, the Company expects to offset the reduction in funds by selling a new Cumulative First Preferred Stock, 7¾%, Series C in a private offering for $35,000,000. Convertible Preferred shareholders may convert their shares and tender the common shares issuable upon conversion. If more than 750,000 shares are validly tendered the Company is not obligated to purchase any of the excess although, it may purchase all or any part thereof; but will not purchase more than 1,000,000 shares in any event.

GRANITEVILLE COMPANY (DEC)

Note to Consolidated Financial Statements

Note 11: Significant Events Subsequent to the Balance Sheet Date—On January 11, 1977, the Company signed a contract with the Aiken County (South Carolina) Public Service Authority committing the Company to participate in a waste water treatment facility. The Company agreed to assume liability for payment of its prorata portion of annual operating and maintenance costs and for repayment of its prorata portion of capital construction costs. These costs to be financed by an Environmental Protection Agency grant (75% of eligible costs), a Farmers Home Administration loan and the balance by the four major customers in their individual capacities. The Company will be liable for repayment of approximately 28% of the debt service on the Farmers Home Administration loan and 22% of the noninterest bearing Environmental Protection Agency grant. The Company intends to finance most, if not all, of its remaining prorata portion of total construction costs through Aiken County Pollution Control Facilities Revenue Bonds. The net present value of the Company's portion of such liabilities is estimated to be approximately $5,000,000. The Company's portion of estimated annual debt service requirements approximates $425,000 for thirty years. The Company's portion of estimated annual operating and maintenance costs approximates $200,000. In the opinion of management, participation in the facility will not significantly affect earnings, capital expenditures or the competitive position of the Company.

MONSANTO COMPANY (DEC)

Notes to Financial Statements

(Dollars in millions, except per share)

Subsequent Event—Following a February, 1977, announcement by the Food and Drug Administration (FDA) of its intention to suspend the food additive regulations permitting the use of acrylonitrile copolymers in the fabrication of plastic containers for carbonated beverages, Monsanto temporarily suspended production of its acrylonitrile/styrene copolymer *Cycle-Safe* container.

Data produced by the most sensitive validated test methods acceptable to the FDA show no detectable migration of acrylonitrile from the *Cycle-Safe* container into the container's contents under normal conditions of use. Management continues to believe that no health hazard exists in the use of the *Cycle-Safe* container and is taking all appropriate steps to demonstrate the safety of the container to the FDA. As of December 31, 1976, the Company had net investment of approximately $55 million in working capital, building and equipment related to the *Cycle-Safe* container. In management's opinion, the ultimate resolution of the current uncertainties surrounding the *Cycle-Safe* container, whatever that resolution may be, will not have a materially adverse effect on the accompanying financial statements.

NL INDUSTRIES, INC. (DEC)

Notes to Financial Statements

Note 12: Subsequent Events

(a) Preferred Stock:

The Company has negotiated an agreement for the private placement of 500,000 shares of a series of preferred stock at a sales price of $100 per share, or a total of $50,000,000. The holders of such series will be entitled to receive cumulative dividends, payable quarterly, at an annual dividend rate of 8⅝%. No dividends will be paid or provided for on shares of the Company's common stock (other than dividends payable in common stock) until all accrued dividends on the shares of preferred stock for the current and all prior dividend periods have been paid or provided for, unless the Company has made all payments for mandatory repurchases of shares and unless the Company has complied with an equity test.

Under the terms of the proposed series of Preferred Stock, beginning in 1982 the Company will be obligated to retire, at a price of $100 per share, 50,000 shares of the series of preferred stock annually and would have a non-cumulative option to retire at a price of $100 per share up to an additional 50,000 shares annually. In addition, the Company will have the option to redeem shares of the series of preferred stock at a per share price of $108.625 during the first year after issuance, with such redemption price declining on a graduated scale to a per share price of $100 in the fourteenth year after issuance.

Holders of the series of preferred stock will not have voting rights, except that if six quarterly dividends shall be in arrears in part or in full, or two full mandatory purchase retirements shall be in arrears, holders of preferred stock voting separately as a class and without regard to series will be entitled to elect two directors of the Company until such time as all such dividends or mandatory retirements in arrears on all outstanding shares of preferred stock have been satisfied.

(b) Other:

At a special meeting of shareholders held on January 18, 1977, the shareholders approved an Amendment to the Certificate of Organization of NL, the principal effects of which were to (1) eliminate all preemptive rights of holders of common stock and (2) increase the authority of the Board of Directors to fix, without further shareholder approval, the terms governing the powers, preferences and rights and the qualifications, limitations or restrictions of shares of preferred stock.

ROWE FURNITURE CORPORATION (NOV)

Notes to Consolidated Financial Statements

Note 10: Subsequent Event and Related Party Transactions—Subsequent to November 30, 1976, the Company granted stock options for 55,750 shares from the 1973 non-qualified plan at 100% of market value. These options were exercised on date of grant and the Company received payment in the form of demand notes in the amount of $181,000 with interest at the rate required by the Internal Revenue Code.

RELATED PARTY TRANSACTIONS

Statement on Auditing Standards No. 6 specifies the nature of information which should be disclosed about related party transactions in financial statements. In 1976, 108 survey companies disclosed related party transactions. Examples of such disclosures follow.

Transactions Between Parent and Affiliate

MARATHON OIL COMPANY (DEC)

Notes to Consolidated Financial Statements

Note L: Transactions with Affiliated Companies—The Company sells crude oil and refined products to affiliated companies, the investments in which are accounted for by the equity method. Such sales amounted to $280,952,000 in 1976 (1975—$200,284,000). The December 31, 1976 balance in accounts receivable resulting therefrom was $49,224,000 (1975—$29,330,000). Company purchases of refined products from one such affiliate amounted to $156,449,000 in 1976 (1975—$122,203,000). The December 31, 1976 balance in accounts payable resulting therefrom was $27,757,000 (1975—$20,003,000).

MCGRAW-HILL, INC. (DEC)

Notes to Consolidated Financial Statements

Note 2: Investment in and Advances to Rock-McGraw, Inc.—Rock-McGraw owns the Company's headquarters building in New York City. It is owned 45 percent by the Company and 55 percent by the Rockefeller Center, Inc.

The Company occupies the major portion of the rentable space. The lease is for 30 years and includes renewal options for two additional 15-year periods. The Company is paying Rock-McGraw gross annual rentals of $11.8 million for the occupied space. In addition, the Company is committed for annual rentals of $5.7 million for space which it has sublet. Over the lease term, the Company expects to recover a profit element in the rentals through its share of earnings of Rock-McGraw.

At December 31, Rock-McGraw had assets of $175.9 million for 1976 and $182.6 million for 1975, and liabilities of $122.4 million for 1976 and $129.5 million for 1975. The building is financed by an 8⅛ percent, 25-year mortgage repayable in quarterly installments of $916,667 plus interest with the balance of $18.3 million at maturity in 1998. The principal balance outstanding at yearend was $97.2 million for 1976 and $100.8 million for 1975. In addition, during 1975 Rock-McGraw borrowed $7 million under a term loan maturing in September 1982 and bearing interest at 125 percent of the prime rate. The principal is repayable in varying quarterly installments. The balance at December 31, 1976, was $6.3 million and the principal payments to be made in 1977 total $800,000.

Operations for 1976 resulted in revenue of $27.7 million and net income of $304,000 after depreciation of $3.3 million (straight-line method). Comparable 1975 results were revenue of $26.0 million and net income of $98,000 after depreciation of $3.3 million.

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

1976 Review of Operations and Financial Information

J. C. Penney Financial Corporation, a wholly owned, unconsolidated finance subsidiary, purchased $2.9 billion of customer receivables from JCPenney in 1976, compared with $2.5 billion in 1975. Under its agreement with JCPenney, Financial withholds from the purchase price of the customer receivables an amount sufficient to provide a contract reserve account equal to 5 percent of the total receivables owned by Financial at the end of each month. In addition, Finance charges JCPenney a discount on the receivables purchased, which is calculated to produce earnings sufficient to cover Financial's fixed charges, chiefly interest on borrowings, at least one and one-half times.

To finance its purchases of receivables, Financial sells its short term notes (commercial paper and master notes) directly to investors and from time to time issues long term debt and utilizes short term bank borrowings. Average short term note borrowings in 1976, net of short term investments, were $612.8 million, compared with $645.8 million in 1975. Financial's interest expense declined from the 1975 level as a result of lower short term interest rates. Short term rates averaged 5.3 percent in 1976, compared with 8.2 percent in 1975. The rate of interest paid on total debt averaged 6.2 percent, down from the 1975 average of 6.8 percent.

In September 1976, Financial entered into a note agreement with an institutional investor to sell $75 million of 8⅞% senior notes due October 1, 1996 and $25 million of 9¼% subordinated notes due October 1, 1996. In accordance with the agreement, Financial sold one half of the dollar amount of each class of notes in September 1976, and is expected to sell the balance of the notes during March 1977.

Following is the condensed balance sheet of J. C. Penney Financial Corporation:

(In millions)	January 29 1977	January 31 1976
Assets		
Customer receivables	$1,413.1	$1,289.5
Other assets	45.0	22.5
	$1,458.1	$1,312.0
Liabilities and equity		
Notes payable	$ 549.8	$ 524.5
Accrued liabilities	12.1	9.0
Due to J. C. Penney Company, Inc.	70.7	64.5
Long term senior debt	504.5	424.4
Subordinated debt	12.5	—
Equity of J. C. Penney Company, Inc.	308.5	289.6
	$1,458.1	$1,312.0

None of Financial's obligations is guaranteed by JCPenney. At year end, Financial had confirmed lines of credit with 514 banks totaling $876.6 million, including $796.6 million available to either JCPenney or Financial, none of which was in use.

The complete financial statements of J. C. Penney Financial Corporation are contained in its 1976 annual report, which is available upon request.

PEOPLES DRUG STORES, INCORPORATED (SEP)

Notes to Consolidated Financial Statements

Note 12: Transactions with Affiliates—During 1976 and 1975 the Company engaged in the transactions described below with parties that may be deemed affiliated. Management believes that the transactions with these parties were consummated on terms no less favorable than those that could have been obtained from other firms performing these services.

The Company, in 1976 and 1975 purchased approximately 8% of its greeting cards and related items from a company 30% owned (until October 18, 1976, when such interests were sold) by two executive officers of Lane.

American Security & Trust Company is the Company's principal lending bank and one of its officers is a director of the Company. The bank's Trust Department's nominee is record holder of approximately 10% of the Company's outstanding common stock. As of September 25, 1976, the Company had a $12,000,000 line of credit with American Security and it will act as agent as well as a substantial lender under the new long-term loan agreement discussed in Note 2.

The $176,000 due to an affiliate, as of September 25, 1976, is the unpaid balance of the 1975 purchase price

(526,000 in total) for one store acquired by Lane pursuant to a 1972 agreement.

During 1976 and 1975 the Company invested excess funds with and had short-term borrowings from a company controlled by a principal stockholder of the Company. Interest on such transactions was paid at the prevailing interest rates. No such amounts were outstanding as of September 25, 1976.

Transactions Between Company and Management or Stockholders

AMERICAN BUILDING MAINTENANCE INDUSTRIES (OCT)

Notes to Consolidated Financial Statements

Note 11: Related Party Transactions—On June 15, 1976, the Board of Directors authorized the purchase of real property located in San Francisco, California and Portland, Oregon from Theodore Rosenberg, Chairman of the Board and Sydney J. Rosenberg, President and Chief Executive Officer. The purchase price of $1,412,000 was established by a committee of the Board of Directors after a review of independent appraisals of the property. In the fiscal year ended October 31, 1976 the company paid approximately $133,000 rental for these properties. In addition, Messrs. Rosenberg have a one-third interest in a limited partnership from which the Company leases a parking facility at a minimum annual rent of $200,000.

LA MAUR INC. (DEC)

Notes to Financial Statements

Note G: Related Party Transactions—Charges for legal services of Leonard, Street and Deinard amounted to $90,000 in 1976 and $68,770 in 1975. A partner of the firm, Amos S. Deinard, is a director of La Maur Inc.

Insurance premiums payable to Alexander & Alexander, Inc. amounted to $178,026 in 1976 and $180,225 in 1975. An account executive of the firm (retired December, 1976), Harold A. Gottlieb, is a director of La Maur Inc.

SPARTON CORPORATION (JUN)

Notes to Consolidated Financial Statements

Note 7: Related Party Transactions—Sparton Corporation has participated in various transactions (principally oil and gas transactions) with McClure Oil Company and certain of its subsidiaries and affilites (McClure). Harold M. McClure, Jr., who is a director of Sparton Corporation and Chairman of the Board of Michigan Oil Company, a subsidiary of Sparton Corporation, is the president of McClure Oil Company. Following is a summary of transactions for the respective fiscal years, exclusive of amounts related to the sale of certain oil and gas drilling programs to Chase Resources Corporation (Note 2), and the amounts due from and to McClure at each year end.

	1976	1975
Billings issued	$1,072,000	$608,000
Billings received	558,000	708,000
Receivable	690,000	238,000
Payable	249,000	8,000

TYSON FOODS, INC. (SEP)

Notes to Consolidated Financial Statements

Note 7 (in part): Lease Commitments—The Company is leasing certain properties from related parties as follows:

Lessor	Property	Annual Rental	Payable To
Tyson Foods, Inc., Profit-Sharing Trust:			
Long-Term Leases	Farm and restaurant site	$122,604	1979-1990
Month-To-Month Leases	Office building and hatchery buildings	295,800	
Members of the Tyson Family:			
Month-To-Month Leases	Farms	60,269	
Star Farms, Inc. (1):			
Long-Term Leases	Farms	61,306	1979-1980
Month-To-Month Lease	Farm	53,856	
J.F. Starr (2):			
Long-Term Leases	Farms	44,364	1977-1978
Month-To-Month Leases	Farms	24,480	

(1) Controlled by J.F. Starr, a Director of the Company.

(2) Includes Partnerships in which J.F. Starr is a partner.

In the opinion of management, the terms of the leases are not less favorable than could have been obtained if the properties were leased from unaffiliated persons.

Note 9: Transactions with Related Parties

Loans and Advances to Stockholders, Officers and Directors

The Company makes loans and advances to stockholders, officers and directors partly on an interest-free basis. The maximum amount of such loans during the year amounted to $472,949 with a balance at October 2, 1976 of $159,337 which is included in accounts receivable-trade on the consolidated balance sheet. Of the amount due, $142,663 was due on an interest bearing loan, the proceeds of which were used to construct farm improvements for the benefit of the Company.

Transactions with an Unconsolidated Affiliate

The Company has an unconsolidated affiliate, Thompson Poultry, Inc. with which it bought and sold poultry during the year. Sales of live poultry for the year amounting to $9,365,929 are included in the consolidated sales in the statement of income and purchases of dressed poultry amounting to $6,965,064 are included in consolidated cost of sales. The account payable to Thompson at October 2, 1976 in the amount of $580,328 is included in accounts payable on the balance sheet.

Lease Transactions

Details of lease transactions with related parties are set forth in Note 7.

Transactions Between Companies Under Common Ownership

GENERAL REFRACTORIES COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 15 (in part): 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 and others alleging, among other things, violations of the reporting and disclosure standards of the Securities Exchange Act of 1934 with respect to business transactions with, and shareholdings of, a European shareholder of the Company, Hermann Mayer, and certain companies owned or controlled by him (the Mayer companies).

* * *

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 marketing, sales, technical and related services in the refractory field to refractory consuming industries, primarily in Europe. 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 manufacture of refractory products.

The Company, Mr. Mayer and certain of the Mayer companies have proposed to enter into certain transactions relating to their business relationships. Consummation of the proposed transactions is subject, inter alia, to the approval of the Company's board of directors and settlement of the derivative suits. The proposed transactions include the Company's acquisition of certain of the Mayer companies for approximately $5,500,000 and the restructuring of the Company's agreements with other Mayer companies. As a part of the proposed transactions, as of May 31, 1976 one of the Mayer companies ceased to sell to the Company and its subsidiaries magnesite purchased from units of the Company; however, if the proposed transactions are not consummated, the Mayer company will be entitled to receive the compensation which would have been paid had such sales continued and to make such sales thereafter. Such compensation for the period from June 1, 1976 to December 31, 1976 would be approximately $70,000.

A summary of transactions between the Mayer companies and the Company and its subsidiaries for the years 1976 and 1975 is as follows:

	1976	1975
	(dollars in thousands)	
Sales of finished products to or through the Mayer companies (principally foreign refractory sales)	$56,883	$64,133
Estimated gross commission and markup earned by the Mayer companies on sales of finished products	$ 3,687	$ 4,029
Total purchases of magnesite by the Mayer companies	$ 2,797	$11,118
Magnesite purchased by the Mayer companies and resold to the Company and its subsidiaries (included above)	$ 949	$ 9,262

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 in 1975 and transportation expenses for both years, approximated $30,000 and $600,000 for 1976 and 1975, respectively. This markup and the estimated gross commission on sales of finished products have not been reduced by any other related operating expenses incurred by the Mayer companies.

* * *

Great Lakes Carbon Corporation, a holder of approximately 26 percent of the Company's common shares, purchased from the Company and its subsidiaries, in the ordinary course of business, certain refractory products and services aggregating approximately $500,000 and $2,500,000 in 1976 and 1975, respectively.

MARHOEFER PACKING COMPANY, INC. (OCT)

Notes to Financial Statements

Note 7: Related Party Transactions—Muncie Leasing Corporation, an Indiana corporation engaged in the business of leasing automobiles and trucks, is wholly owned by John G. Marhoefer, Elfrieda M. Marhoefer and Jacob R. Marhoefer, owners of more than fifty percent of the outstanding voting shares of the company. This corporation leases vehicles to the company. The aggregate amounts paid by the company under these leases during fiscal 1976 and 1975 were $130,500 and $150,300, respectively, representing approximately 100% of Muncie Leasing Corporation's total income. These vehicles have been capitalized in the company's accounts as discussed in Note 3.

Richmond Provision Company, an Indiana corporation engaged in the sale of meat products, is wholly owned by Jacob R. Marhoefer, a director of the company. Richmond Provision Company purchased $59,900 and $74,700 of meat products from the company during fiscal 1976 and 1975, respectively.

Management believes that the terms of these transactions are no less favorable than those that would have been obtained if the transactions had been with unrelated parties.

Transactions With Major Customers

TEXTONE, INC. (DEC)

Notes to Consolidated Financial Statements

Note 7: Sales to Major Customers—Sales with two customers accounted for approximately 38% of sales in 1976. Outstanding accounts receivable for these two customers at December 31, 1976 accounted for approximately 39% of total accounts receivable.

WHIRLPOOL CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note L: Sales—The following percentages of consolidated net sales from continuing operations were to Sears, Roebuck and Co.: 1976—54%; 1975—56%; 1974—58%; 1973—58%; and 1972—57%.

INFLATION ACCOUNTING

Effective for fiscal years ending on or after December 25, 1976, Securities and Exchange Commission Regulation S-X requires 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 applies 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 does 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.

In 1976, the financial statements of 316 survey companies contained inflation accounting information. Of these 316 survey companies, 50 presented replacement cost data, 263 referred to replacement cost data presented in Form 10-K, 2 presented supplementary inflation information adjusted for price level changes, and 1 presented both historical cost basis and current-value financial statements.

Reference To Replacement Cost Data In Form 10-K

AMERICAN BILTRITE INC. (DEC)

Notes to Consolidated Financial Statements

Note L: The Impact of Inflation (Unaudited)—The impact of inflation over the past few years on the Company's production costs has been substantial. The Company has attempted to compensate for such cost increases by increased selling prices in an amount sufficient to maintain profit margins, but the Company has met with competitive resistance to some of these increases during the past two years.

Replacing items of plant and equipment with assets having equivalent productive capacity has usually required a substantially greater capital investment that was required to purchase the assets which are being replaced. The additional capital investment principally reflects the cumulative impact of inflation on the long-lived nature (approximately 14 years for machinery and 35 years for buildings) of these assets.

The Company's annual report on Form 10-K (a copy of which will be available upon request after March 31, 1977) will contain unaudited data regarding the estimated year end 1976 replacement cost of inventories and productive capacity (plant and equipment) and the approximate effect which such replacement costs would have had on the computation of cost of sales and depreciation expense for the year.

ALAN WOOD STEEL COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 12: Replacement Cost Information (Unaudited)—Rule 3-17 of Regulation S-X of the Securities and Exchange Commission requires disclosure of certain financial data regarding current replacement cost in the Company's Annual Report on Form 10-K (a copy of which is available to stockholders upon request). The Company has considered the requirement for this data and has decided not to furnish the replacement cost information. In the opinion of management of the Company, the data is irrelevant in light of the Company's losses and current financial position and, in addition, the expenditure of funds to comply with the regulation was not considered in the best interest of the Company.

ALLEGHENY LUDLUM INDUSTRIES, INC. (DEC)

Notes to Consolidated Financial Statements

Note 13: General Description of the Impact of Inflation (Unaudited)—Sales for the year 1976 were substantially higher than in 1975 but earnings from continuing operations for the current year fell slightly below the comparable 1975 earnings. Although the higher 1976 sales reflect a modest increase attributable to higher selling prices, the decline in earnings largely reflects the difficulties experienced by the Corporation during 1976 in effecting reasonable price increases which were necessary to offset higher employee costs and the escalating costs of purchased materials and services.

While the cumulative impact of inflation over a number of years has resulted in higher cost for replacement of existing plant and equipment, such inflationary increases have been partially offset by technological improvements and design changes which have often resulted in increasing the productivity of the newly acquired assets. Reference is made to the Corporation's annual report on Form 10-K (a copy of which is available on request) for additional information with respect to the estimated cost of replacing inventories and plant and equipment at December 31, 1976 and the related estimated effect of such costs on cost of goods sold and depreciation for the year then ended.

ALLIED CHEMICAL CORPORATION (DEC)

Notes to Financial Statements

Note 8 (in part): Unaudited Financial Information

Replacement Cost Information—In order to focus on certain key aspects of accounting under inflationary conditions, the Securities and Exchange Commission has required major corporations, including the Company, to publish supplementary data in their 1976 Form 10K report. This report will be filed with the Commission on or about March 30, 1977, and will be mailed by the Company to stockholders upon request. The supplementary data in that report, titled "Replacement Cost Information," is intended to provide information to investors to assist them in obtaining an understanding of the effects of inflation on certain assets, and related depreciation and amortization and costs of sales not otherwise attainable through the use of historical financial statements.

The Company is keenly aware and recognizes the impact of escalating costs of goods and services by substantially reflecting in cost of goods sold the most recent prices of essentially all qualifying domestic inventories. However, this method produces a lower inventory amount on the balance sheet as the quantities on hand are valued at costs and prices incurred at dates earlier than the balance sheet date. For year-end 1976, the balance sheet inventory presented is significantly below the inventory value based on current replacement cost. Management believes that the economic advantages to the Company under this procedure outweigh the disadvantages of balance sheet presentation.

Property, plant and equipment on the balance sheet represents a compilation of assets acquired over a long period at different price levels. After exclusion of mineral reserves and certain other assets in accordance with the Commission's instructions, the Company's December 31, 1976 replacement cost for gross fixed assets, computed in compliance with the Commission's requirements, would be approximately twice as great as the value at historical cost. The related replacement cost reserve for depreciation, depletion and amortization would be increased by approximately the same magnitude. The 1976 annual charge for depreciation, depletion and amortization at replacement cost for qualifying assets would significantly exceed the historical charge to income.

The replacement cost information, however, as required by the Commission, cannot be calculated with precision because of the need to make several highly subjective judgments in the estimating process and assumptions as to the replacement of inventories and property, plant and equipment at December 31, 1976. Decisions concerning actual replacement will be made in light of economic, regulatory and competitive conditions existing on the date such determinations are made and could differ substantially from the assumptions made in meeting this requirement. Furthermore, the requirement covers only selected accounts rather than all categories, and therefore does not reflect the total impact of inflation and its effects on the results of operations and the financial position of the Company. Replacement cost information as required by the Commission is discussed more fully in the 1976 Form 10-K which also includes the appropriate calculations.

THE BOEING COMPANY (DEC)

Notes to Financial Statements

Note 10: Replacement Cost Information (Unaudited)—In compliance with Securities and Exchange Commission regulations, the Company has included certain estimated replacement cost data in the Form 10-K annual report filed with the SEC.

Disclosures with respect to inventories and cost of sales are not applicable because most of the Company's inventories relate to products built to specifications under binding contracts, and inflation does not result in inventory profits under these circumstances.

Although the cumulative impact of inflation over a number of years results in indicated higher costs for replacement of existing plant and equipment, such costs would be partially offset by increased productivity and the reduction of other costs attendant to overall efficiencies inherent in replacing existing productive capacity. Disclosures with respect to replacement cost of productive capacity represent, in the Company's view, a reasonable approximation of the information required by the Securities and Exchange Commission.

CHICAGO BRIDGE & IRON COMPANY (DEC)

Notes to Financial Statements

Note 12: Supplemental Unaudited Replacement Cost Information—In accordance with interpretations of the replacement cost disclosure requirements issued by the Securities and Exchange Commission, no estimate has been made for the effect of applying those disclosure requirements to historical contract costs. The Company prices products sold based upon its estimate of material, labor and other costs to be incurred during the future performance of a customer's contract. Many contracts taken by the Company provide for escalation of the contract price to cover certain unanticipated increases in costs. Over the years the Company has demonstrated an ability to adjust selling prices to maintain profit margins.

Replacing items of plant and equipment with assets having equivalent productive capacity normally requires greater capital investment than was required to purchase those assets which are being replaced. This additional capital investment is the result of the cumulative impact of inflation on the long-lived nature of these assets. Replacement cost information is based on the hypothetical assumption that the Company would replace its entire inventory and productive capacity at the end of the current year. The reader should not infer that the Company actually has present plans to replace its productive capacity or that actual replacement would or could occur in the manner assumed.

Reference is made to the Company's annual report Form 10-K (a copy of which is available on request) for additional information with respect to estimated replacement costs of inventories and productive capacity at December 31, 1976, and the related depreciation expense for the year then ended.

COLGATE-PALMOLIVE COMPANY (DEC)

Notes to Financial Statements

Note 13: Impact of Inflation (Unaudited)—The Company's products and services are subject in varying degrees to the inflationary pressures affecting the general economy and the goods and services purchased by the Company. In 1976, inflationary cost increases have been generally offset by increases in the selling prices for various Company products and by cost control and reduction programs.

Replacement of existing plant and equipment and related depreciation has been affected by the cumulative impact of inflation over the years. However, such inflationary increases have been partially offset by technological improvements, design changes and operating efficiencies which often result in increasing the productivity of the newer asset addition and lower production costs.

Reference is made to the Annual Report, Form 10-K (copy of which is available on request) for additional information with respect to the estimated replacement cost of inventories and plant and equipment at December 31, 1976, and the related estimated effect of such costs on cost of sales and depreciation expense for the year then ended.

COMMONWEALTH OIL REFINING COMPANY, INC. (DEC)

Notes to Consolidated Financial Statements

Note P: General Impact of Inflation (Unaudited)—Although a substantial portion of the dollar increase in consolidated net sales is attributable to higher selling prices, competitive factors have restricted such price increases to amounts which are less than that required to recover escalating product costs. As a result, Corco has not been able to maintain a gross margin percentage in line with the levels generally experienced in prior years. When net sales prices are matched with current replacement cost, reported margins are further reduced. The rapid escalation of product costs is greater than that which would have occurred as a result of increases in the general level of prices since shortages in the supply of the basic raw materials used in production have compounded the effects of the general inflationary pressures.

Replacing items of plant and equipment with assets having equivalent productive capacity has usually required a substantially greater capital investment than was required to purchase the assets which are being replaced. The additional capital investment principally reflects the cumulative impact of inflation over the lives (approximately 33 years for refinery and petrochemical plants, 3 to 20 years for marketing facilities, and 10 to 15 years for marine transportation and other equipment) of these assets.

Reference is made to Corco's annual report on Form 10-K (a copy of which is available on request) for additional quantitative information with respect to the estimated replacement cost of inventories and plant and equipment at December 31, 1976, and the related estimated effect of such costs on cost of sales and depreciation expense for the year then ended.

COPPERWELD CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 9: Replacement Cost Information (Unaudited)—The cost of inflation has historically had an impact on the presentation of the Corporation's financial position and results of operations. In recent years the replacement costs of inventories have generally increased at a greater rate than in the past. However, the Corporation has historically been able to compensate for most cost increases by increasing sales prices in an amount sufficient to maintain a relatively constant gross margin. The Corporation uses the last-in, first-out (LIFO) method for its principal inventories used in the making of alloy steel and tubing products to achieve a better matching of costs with revenues.

In addition to replacing inventories, replacement of plant and equipment with assets of approximately equivalent productive capacity would require a substantially greater capital investment than the original cost of such assets. The additional capital investment principally reflects the cumulative impact of inflation on the long-lived nature of these assets.

The Corporation's annual report on Form 10-K (a copy of which is available upon request) contains specific information with respect to year-end 1976 estimated replacement costs of inventories and productive capacity (generally buildings, machinery and equipment), and the approximate effect which replacement costs would have had on the computation of cost of products sold and depreciation expense for the year.

HERSHEY FOODS CORPORATION (DEC)

Notes to Financial Statements

Note 8: Impact of Inflation (Unaudited)—The Company's products and services have been subject in varying degrees to the inflation affecting the general economy and the goods and services purchased by the Company.

Since the major portion of inventories are costed at LIFO (last-in, first-out) the rapid escalation in product costs has been substantially reflected currently in cost of sales. The same situation does not exist with respect to plant and equipment and related depreciation charges. The cumulative impact of inflation over a number of years would result in replacement cost of existing plant and equipment and related depreciation being higher than actual historical cost.

Reference is made to the Annual Report Form 10-K (copy available on request) for additional information with respect to the estimated replacement cost of inventories and plant and equipment at December 31, 1976, and the related estimated effect of such costs on cost of sales and depreciation expense for the year then ended.

HUDSON PULP & PAPER CORP. (DEC)

Notes to Financial Statements

Replacement Cost Data (Unaudited)—In compliance with recently adopted reporting requirements, the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission contains data relating to estimates of the replacement cost of inventories and productive capacity at December 31, 1976, together with the estimated cost of goods sold and depreciation expense for the year then ended on the basis of replacement cost.

Due to the cumulative impact of inflation on long-lived assets, the replacement of productive capacity would require substantially greater capital investment than its original cost. Depreciation computed on current replacement costs would be substantially higher than the historical depreciation charged to cost of goods sold. While manufacturing cost benefits would most likely accrue from such replacement, it is impractical to quantity the effect on the Company's cost of sales.

The replacement cost data in the 10-K should not be interpreted as the manner in which productive capacity will actually be replaced or the actual related cost of replacement in the future. Although these estimates were developed in good faith, the Company makes no representation as to the usefulness of the replacement cost information and believes such information to be of questionable value.

JOHNSON & JOHNSON (DEC)

Notes to Financial Statements

Note 14: Replacement Cost Information (Unaudited)—Under new rules of the Securities and Exchange Commission, current replacement cost information for certain assets and expenses is to be disclosed in the Company's Annual Report Form 10-K filed with the Commission.

The current replacement cost of the applicable inventories and plant and equipment and the amount of the associated cost of products sold and depreciation expense calculated using replacement costs are generally higher than the comparable historical cost amounts shown in the financial statements. Such replacement costs, however, are not necessarily indicative of either the amounts for which the assets could be sold or management's intentions for replacement of such assets; nor are they necessarily representative of costs that might be incurred in a future period.

KRAFT, INC. (DEC)

Notes to Financial Statements

Replacement Cost Information (Unaudited)—In compliance with Securities and Exchange Commission regulations, beginning with the year 1976, the company has computed replacement cost data for property, plant and equipment, depreciation, cost of products and inventories.

These computations indicate that the estimated cost of replacing the productive capacity of the property, plant and equipment at the end of 1976 and the related depreciation on a replacement cost basis would be higher than the historical costs actually incurred. This is due to the cumulative results of inflation over the long useful lives of these assets.

In addition, the replacement cost of products for 1976 would be somewhat higher than on the historical cost basis. This difference is due primarily to increased depreciation to reflect replacement costs of productive capacity and fluctuations in prices of the major raw ingredients, cheese and vegetable oil. However, the replacement cost of inventories at year-end 1976 would approximate historical cost.

The impact of inflationary pressures on the company's operations have been reduced through increased productivity, cost effectiveness programs, improvements in technology and changes in selling prices.

Kraft, Inc.'s Annual Report to the Securities and Exchange Commission on Form 10-K (a copy of which is available on request) contains more specific information with respect to replacement cost of property, plant and equipment, depreciation, cost of products and inventories.

MARATHON OIL COMPANY (DEC)

Notes to Consolidated Financial Statements

Note N: Replacement Cost (Unaudited)—The Securities and Exchange Commission Regulations require that the Company disclose certain replacement cost data on inventories and productive capacity of plant and equipment as of December 31, 1976, and the approximate effect which replacement cost would have had on the computation of cost of sales and depreciation expense for 1976.

Due to a one year exemption permitted by the Regulations, a significant portion of the Company's productive assets was not subject to the replacement cost disclosure requirements, including all assets relating to petroleum and natural gas reserves and other assets located outside North American and the European Economic Community.

In an inflationary environment, the replacement cost of equivalent productive capacity may be substantially greater than the historical cost of the assets in service; however, the new productive capacity may introduce operating efficiencies which could totally or partially offset higher depreciation cost. There are also inflationary pressures on selling prices which can result in increased revenues. The Company's revenues have been restricted due to governmental pricing regulations which, in addition to not recognizing replacement cost, limited the recovery of escalating costs of sales and operating costs.

The replacement cost of inventories exceeds recorded cost primarily because the Company uses the LIFO method to account for a significant portion of its inventories. Cost of purchased crude oil, petroleum products and merchandise included in the statement of consolidated income, would be approximately the same for both replacement cost and historical cost because the use of the LIFO inventory method generally matches current costs with current revenues.

The Company's annual report on Form 10-K (a copy of which is available upon request) contains specific information with respect to 1976 replacement cost data.

NORTHROP CORPORATION (DEC)

Notes to Consolidated Financial Statements

General Description of the Impact of Inflation (Unaudited)—The nature of the company business and its emphasis on efficiency and cost control tend to minimize the effects of inflation on its financial performance. Most of the company's products and services are built or provided to customers' specifications under binding long-term contracts with the Government of the United States and, through it, with the governments of other nations. Many of these contracts include cost escalation clauses to give recognition both to inflation and to the substantial risks and uncertainties inherent in the development and production of the company's unique, highly technical products and over extended time periods. Price is but one of the many factors considered by our customers and potential customers in the decision to purchase our products and services. Some of the key ingredients in the selection process are the company's technical capability, production capacity and efficiency, plant facilities, quality assurance, ability to meet delivery schedules, financial strength, and past performance record. Cost estimates to complete programs provide for estimated inflation rates. The company could therefore be adversely affected by inflation only to the extent that cost escalation is not provided for, or that future rates of inflation are underestimated in arriving at the estimated cost to complete a program.

The company's annual report on Form 10-K (a copy of which is available upon request) contains specific information on the estimated replacement cost of productive capacity (principally buildings, machinery, and equipment) as of the end of 1976, as well as the approximate impact which estimated replacement costs would have had on the computation of depreciation expense for the year. Current replacement costs lie somewhere between historical costs as reflected in the balance sheet and future replacement costs which will reflect prices prevailing at the date of purchase. Management considers this information to be of little value in forecasting the future costs of doing business or the impact on profits therefrom.

Replacement Cost Data Presented In Annual Report

ABBOTT LABORATORIES (DEC)

Notes to Consolidated Financial Statements

Note 13: Estimated Replacement Cost Information (Unaudited)—The Securities and Exchange Commission requires that the Company's Annual Report and Form 10-K contain certain estimated replacement cost information for inventories, productive capacity (buildings and equipment) and related depreciation and amortization, and their effect on the Company's cost of products sold. These requirements do not deal with all effects of inflation on the financial position and results of operations of the Company, nor with the current value of all assets and liabilities. They also do not deal with the probabilities of selling price adjustments and possible tax impacts if such costs were used as a basis for business decisions. Because of these limitations and the many subjective judgments required to compute this data, as well as the other qualifying factors discussed below and in more detail in the 10-K, the estimated replacement cost information shown below cannot and should not be used to impute the effects of inflation on the net earnings of the Company.

	Reported Historical Amounts	Estimated Replacement Cost (Unaudited)
At December 31, 1976—		
Inventories	$225,764,000	$238,858,000
Buildings and equipment	$444,873,000	$786,756,000
Less—accumulated depreciation and amortization	174,191,000	362,183,000
Net buildings and equipment	$270,682,000	$424,573,000
For the year ended December 31, 1976—		
Cost of products sold, including applicable depreciation and amortization	$614,461,000	$626,861,000
Depreciation and amortization:		
Included in cost of products sold	$ 20,789,000	$ 30,569,000
Included in other costs and expenses	5,728,000	8,560,000
Total depreciation and amortization	$ 26,517,000	$ 39,129,000

If existing property and equipment were completely replaced as assumed in this computation (which the Company has no intention of doing) it is the judgment of management that the increases in depreciation costs could be significantly offset by cost reductions resulting from improved technology and productivity.

AMERICAN HOSPITAL SUPPLY CORPORATION (DEC)

Notes to Financial Statements

Note K: Estimated Replacement Cost Information (Unaudited)—Economists, government and business policy makers, investment analysts, academicians and others have been concerned that conventional financial statements presented on the basis of historical costs do not fully reflect the impact of inflation on company-reported results of operations and financial condition. As an experiment to aid in further study of accounting for the effects of inflation, the Securities and Exchange Commission has issued new rules requiring the disclosure of certain replacement cost information beginning in 1976. In compliance with these requirements, AHSC has estimated the replacement costs of inventories and plant and equipment at December 31, 1976, and the 1976 replacement costs of products and services sold and depreciation.

Various acceptable, alternative methods, which are considered appropriate in each instance, were used to estimate replacement costs and, therefore, a significant degree of comparability may not exist between the data presented and the similar information reported by other companies. Furthermore, these estimates of replacement costs do not imply that the related assets will be replaced in the form and manner assumed in developing these costs, nor are these estimates intended to reflect their current market values. The replacement cost estimates do not imply that the increased costs of replacing plant and equipment would or would not be offset by increased efficiency, nor that the customary profitable relationship between AHSC's prices and costs of products and services sold will or will not continue in the future.

Replacement costs presented in the table below include information for consolidated domestic and international operations of AHSC:

$ in millions	Estimated replacement costs	Comparable historical costs
December 31, 1976:		
Inventories	$273.9	$267.9
Plant and equipment:		
Buildings	$230.9	$151.1
Machinery and equipment	210.7	160.7
Furniture and fixtures	27.4	21.2
	469.0	333.0
Less accumulated depreciation	155.3	99.8
	$313.7	$233.2
Year ended December 31, 1976:		
Cost of products and services sold:		
Depreciation	$ 18.4	$ 14.0
Other	867.1	850.0
	$885.5	$864.0
Depreciation included in selling, distribution and administrative expenses	$ 7.5	$ 5.9

The following table reconciles the historical costs for which replacement cost data is presented to appropriate total historical costs as reflected in the consolidated financial statements:

$ in millions	Inventories	Property, plant and equipment	Accumulated depreciation	Cost of products and services	Depreciation
Historical costs for which replacement cost is presented	$267.9	$333.0	$ 99.8	$864.0	$19.9
Land and construction in progress, at cost	—	22.6	—	—	—
Research and development	—	—	—	17.0	—
Limited use assets, adjustments and other	(3.7)	6.1	3.5	.5	.6
Totals as shown on the accompanying consolidated financial statements	$264.2	$361.7	$103.3	$881.5	$20.5

The replacement costs of purchased raw materials and finished goods are primarily derived from published vendor prices or by applying relevant indices to historical costs. The replacement costs of work in process and manufactured finished goods inventories are estimated on the basis of standard costs adjusted to reflect current material, labor, and overhead variances as well as replacement cost depreciation of plant and equipment determined on a straight-line basis.

The replacement costs of buildings were determined primarily by applying published construction cost indices to the acquisition price of the building. The remaining building estimates were determined by either professional appraisals or by estimates of current construction cost of equivalent floor space.

The replacement costs of machinery, equipment, furniture and fixtures at AHSC's domestic product distribution locations were statistically derived from the comparisons of the replacement costs with historical costs of sample items using published prices and vendor quotations. Published indices, current prices, vendor quotations and engineering estimates were also used.

Replacement costs of products sold were estimated through adjustments of historical costs for the approximate time lag between incurring inventory costs and their subsequent sale. These esimates reflect replacement cost depreciation but do not reflect any estimate for direct or indirect cost savings as the result of the assumed replacement of plant and equipment.

Estimated replacement cost depreciation was based on the average replacement costs of plant and equipment during 1976 using the straight-line method and the same lives and proportionate salvage values used in AHSC's historical cost records exclusive of the effect of previously fully depreciated plant and equipment still in use. The replacement cost depreciation effect of such fully depreciated plant and equipment using revised economic lives would have increased the corresponding total amount above by $2.5 million of which $2.2 million would have been included in cost of products and services sold.

ANHEUSER-BUSCH, INCORPORATED (DEC)

Notes to Consolidated Financial Statements

Replacement Cost Information (Unaudited)—Many large companies are required by the Securities and Exchange Commission to report certain replacement cost data in their Form 10-K annual report filed with the Commission for the year 1976.

The intent of the SEC in requiring disclosure of replacement cost data is to provide investors with meaningful additional information about the current cost of operating a business in an inflationary economy. Guidelines for developing the required data are limited and not well defined; however, the SEC insists that experimentation begin in an effort to disclose to the public the effect of inflation. The SEC recognizes the significant limitations of the usefulness of the required disclosure with the following admonition:

> "The Commission cautions investors and analysts against simplistic use of the data presented. It intentionally determined not to require the disclosure of the effect on net income of calculating cost of sales and depreciation on a current replacement cost basis, both because there are substantial theoretical problems in determining an income effect and because it did not believe that users should be encouraged to convert the data into a single revised net income figure."

The company believes many readers of the replacement cost data will not heed the SEC's comments on the usefulness of the data and will, in fact, do exactly what the SEC has advised against. Hence, care must be taken in the use and interpretation of this information. Nevertheless, the company has decided to disclose the same information in the annual report to shareholders as is required in the Form 10-K, even though comments of a more general nature are permitted.

General Information Regarding Replacement Cost Data

The information presented represents estimates of replacement cost for inventories, gross (new) and depreciated replacement cost of productive capacity, related replacement cost depreciation expense, operating efficiencies, and their effects on cost of sales. This information is based on the assumption that the company would replace its plant and equipment with assets having equivalent productive capacity based on the latest technology at December 31, 1976. The company believes that the replacement cost information has been reasonably estimated but cautions readers of the many subjective judgments required in the estimating process.

Replacement cost does not represent current value, reproduction costs, or the amounts that could be realized if the assets were sold. Rather, it represents an estimate of the cost to replace the productive capacity of the company at a single point in time—December 31, 1976. The difference between historical cost and replacement cost does not represent additional book value of the company's common stock. In periods of inflation, the cost to replace productive capacity will be significantly higher in the future than the amounts reported herein.

In the normal course of business, the company will replace its productive capacity over an extended period of time. Investment decisions concerning replacement cost will be determined based on economic conditions at a particular point in time and may differ substantially from the assumptions on which the data included here are based. The capital for the replacement of the company's productive capacity may be provided by retained earnings, investment tax credit, deferred income taxes, debt or issues of stock. The source of funds will be determined at the time the funds are required. The information presented is only the estimated replacement cost of inventories, plant and equipment, and related depreciation and operating efficiencies, and does not include the effect of inflation on other assets and liabilities. Therefore, this information has significant limitations in evaluating the effect of inflation on the company.

Summary of Replacement Cost Data

The estimated replacement cost information required by the SEC, compared to reported historical cost for Anheuser-Busch, Inc. and its subsidiaries, is summarized below:

	Replacement Cost (Unaudited)	Historical Cost
	(In Thousands)	
Balance sheet information—as of December 31, 1976		
Inventories	$ 175,000	$ 153,200
Buildings, machinery and equipment and other real estate	$2,131,000	$1,251,527
Less accumulated depreciation	894,000	475,040
Depreciated cost	$1,237,000	$ 776,487
Income statement information—year ended 1976		
Depreciation		
Included in cost of products sold	$ 69,000	$ 51,269
Included in marketing, administrative and general expenses, and other expenses, net	2,000	1,836
	$ 71,000	$ 53,105
Cost of products sold		
Historical cost as reported	$1,175,055	$1,175,055
Additional replacement cost depreciation	17,000	
Less effect of operating efficienceis	(24,000)	
	$1,168,055	$1,175,055

Methods of Estimating Replacement Cost Data:

Current Replacement Cost of Productive Capacity

The estimated current replacement cost of the company's major plant facilities was based on engineering estimates of representative plant facilities adjusted for current technology to determine a cost per unit of productive capacity. The engineering estimates used in determining replacement cost were based on the company's current costs of plant construction, vendor quotations, and published engineering construction indices. Construction cost indices were used to determine the per unit cost of capacity at these facilities depending on the geographic location. This method of estimating replacement cost assumes the replacement of existing facilities at their present capacity and general location. Accordingly, these replacement cost estimates do not consider different locations than now exist and the associated effects—availability of labor, supply, raw material sources, proximity to customers, etc.—which must be considered before actual replacement occurs.

The estimated current replacement cost for the balance of the company's productive capacity was derived by applying relevant indices as published by the Bureau of Labor Statistics and private organizations to the historical cost of assets.

Depreciated Replacement Cost

The replacement cost of productive capacity for calculation of depreciated replacement cost was estimated by year of acquisition of existing assets. The depreciated replacement cost for these assets was then determined by utilizing their historical useful life on a straight line basis.

Depreciation Expense

Depreciation expense for productive capacity at replacement value was calculated using historical useful lives on a straight line basis, as required by the SEC. Historical depreciation is computed principally on the sum-of-the-years-digits method for property acquired between January 1, 1954 and December 31, 1974, and the straight line method is used for property acquired prior to and after this period. The difference between replacement cost depreciation and historical cost depreciation would have been greater if the straight line method had been used for calculating historical depreciation.

Inventories

The estimated replacement cost of inventories at December 31, 1976 was based on the current cost of individual inventory items. Work-in-process and finished goods inventories have been adjusted for the net effect of higher replacement cost depreciation and lower labor costs resulting from operating efficiencies, as discussed below. Replacement cost of these inventories represents the cost to produce them with new productive capacity.

Operating Efficiencies

If the company were to replace its productive capacity at December 31, 1976, certain operating efficiencies associated with current technology could be achieved in the company's Beer Division. The estimated savings resulting from these operating efficiencies were based on engineering analysis of actual labor currently required by the company's newer, more modern beer production facilities. The company believes that these efficiencies and related savings are quantifiable and reasonably assured based on the assumptions used in developing the replacement cost of productive capacity. Therefore, because of the significance of the impact, the company believes it is appropriate to include them as a reduction in cost of products sold.

The efficiencies were determined for only that period of operations not affected by the work stoppage. On this basis it is estimated that the savings would reduce cost of products sold for 1976 by approximately $24 million. If there had been no work stoppage in 1976, the total savings resulting from operating efficiencies would have been significantly greater.

Cost of Products Sold

Cost of products sold has been estimated based on the premise that the products were manufactured by the replaced productive facilities. The company has adjusted cost of products sold by the net effect of increased depreciation expense on a replacement cost basis of approximately $17 million and a reduction for operating efficiencies as described above of $24 million. The net result of these adjustments is a decrease of $7 million in cost of products sold. Management believes that the cost of products sold, as restated on a replacement cost basis for 1976, is reasonably estimated based on the replacement of existing productive capacity.

Implications of Replacement Cost Information

According to the SEC, the effect of the disclosure of replacement cost information is an attempt to provide investors with meaningful additional information about the current cost of operating a business in an inflationary economy. Conventional financial reporting, based on historical cost, recognizes in subsequent periods only changes in cost of inventories and plant and equipment when they have actually been replaced. The effect of conventional financial reporting, during periods of rising cost, is that a portion of reported earnings for the current period will be used to replace inventories and plant and equipment at higher cost in future periods.

The SEC believes that replacement cost data provides stockholders and potential investors improved information about the effect of inflation. Management believes that the replacement cost information presented does not include all aspects of the impact of inflation on conventional financial statements which should be considered, such as gains or losses from monetary assets and liabilities.

Development of replacement cost information represents experimentation in financial reporting. Stockholders, potential investors and analysts must consider this as they make investment decisions based on the information presented. Furthermore, since individual companies will develop replacement cost information differently, the data will not necessarily be comparable between companies.

BAUSCH & LOMB INCORPORATED (DEC)

Notes to Financial Statements

Replacement Cost (Unaudited)

(a) General

In accordance with procedures set forth by the Securities and Exchange Commission, the company has estimated certain replacement costs for inventories, productive capacity, cost of sales and depreciation as they apply to units located in North America and the European Economic Community. The amounts reported are the result of the calculations described below and are not necessarily indicative of either the amounts for which the assets could be sold or management's intentions for replacement of such assets, nor do they necessarily represent costs that might be incurred in a future period.

The replacement cost data presented do not reflect any operating cost savings which may result from the replacement of existing assets with technologically improved assets. If the company's productive capacity were to be replaced in the manner assumed, many costs other than depreciation (e.g., direct labor costs, repairs and maintenance, utility and other indirect costs) would be altered. In addition, the replacement cost information presented does not reflect all of the effects of inflation on the company's current costs of operating the business, and no attempt was made to quantify the total impact of inflation because of the many unresolved conceptual problems involved.

(b) Inventories

For purposes of calculating the replacement cost of inventories, the first-in, first-out method of costing ending inventories was applied. Froeign inventories are translated into U.S. dollars at exchange rates in effect at year end.

(c) Productive Capacity

All applicable productive capacity was aged, according to year of acquisition, in three broad categories: Buildings, Machinery and Equipment, and Leasehold Improvements. Appropriate indices published by government and private organizations were applied to the historical cost of the aged assets to arrive at estimated replacement costs. However, the company does not take responsibility for the accuracy, consistency, weighting or other factors which may affect such indices. The replacement costs of certain of the company's assets were independently developed through the use of engineering estimates to verify the reasonableness of the replacement costs derived from the use of indices. Approximately 29% of the assets covered were tested in this manner.

(d) Depreciation

Accumulated replacement cost depreciation has been calculated by applying the same rate of depreciation to the replacement cost of assets in the three broad categories as was reflected in this historical cost asset records for those same categories. The current annual depreciation rate for each of the categories of assets was applied to the replacement value to determine the effect of replacement depreciation.

(e) Cost of Products Sold

Where applicable, LIFO calculations currently included in cost of products sold satisfy the requirements of replacement cost of products sold, and for items not currently on LIFO, a LIFO-type dollar value index has been calculated to approximate replacement cost of products sold. These indices have been developed using inflation rates in the countries in which the assets are located, converted at average annual exchange rates.

(f) Replacement cost (In thousands)

	Balance Sheet			Income Statement	
	Inventories	Properties (Excl. Land)	Accum. Depreciation	Cost of Products Sold	Depreciation
Accounts as shown on consolidated financial statements	$110,382	$103,381	$46,655	$177,370	$7,429
Less—Assets and operations located outside North America and the European Economic Community, at cost	21,719	9,395	3,649	34,189	973
Amounts for which replacement cost data are provided	$ 88,663	$ 93,986	$43,006	$143,181	$6,456
Estimated replacement cost of items for which data are provided	$100,400	$140,098	$63,317	$143,762	$9,534

CPC INTERNATIONAL INC. (DEC)

Notes to Financial Statements

Current Replacement Cost Information (Unaudited)—The following replacement cost information for certain of the Company's assets has been estimated by management in accordance with the requirements of the Securities and Exchange Commission. The information does not purport to represent the amounts at which the assets could be sold. The replacement costs are based upon various subjective judgments and assumptions including the hypothetical assumption that the Company would replace its entire inventory and productive capacity at the end of the fiscal year. Although the survey revealed higher costs using replacement values it should be noted that such costs would be somewhat offset by the improved productivity of the new assets. The data should not be interpreted to indicate that the Company actually has present plans to replace its productive capacity or that actual replacement would or could take place in the manner assumed in estimating the information.

Inventories	(Millions of Dollars) Estimated Replacement Cost	Comparable Historical Cost
Inventories as at December 31, 1976		
Finished and goods in process..	$ 215	$ 199
Raw materials and supplies.....	193	184
	$ 408	$ 383

Replacement cost represents historical costs revalued to reflect the change in the cost of major raw material components between the cost used for inventory valuation and the approximate prices at the year end. Replacement costs do not exceed net realizable value.

Fixed Assets	(Millions of Dollars) Estimated Replacement Cost	Comparable Historical Cost
Plants and properties as at December 31, 1976		
Buildings	$ 525	$ 230
Machinery & equipment.........	1,574	869
	2,099	1,099
Less accumulated depreciation .	987	486
	$1,112	$ 613

Replacement costs are based upon engineering estimates developed by the Company's engineers incorporating the latest technology in conformity with existing governmental regulations. Accumulated depreciation was factored in accordance with the historical relationship of depreciation to cost on the basis of major asset categories. The machinery and equipment category includes the Company's current construction work in progress at cost.

The Company has an active on-going capital expenditure program in which it has invested approximately $458 million in the last five years to keep its productive capacity up-to-date. This program will continue in an orderly fashion in the future as the need arises.

Cost of Sales	(Millions of Dollars) Estimated Replacement Cost	Comparable Historical Cost
Cost of sales for the year ended December 31, 1976................	$1,991	$1,981

Cost of sales on a replacement cost basis represents historical costs plus an amount sufficient to increase historical costs carried forward in the opening inventory to current costs. Depreciation expense included in cost of sales is calculated on historical costs.

The Company adopted in 1973 the LIFO method of valuing certain basic raw materials in its United States operation in order to minimize the amount of profit generated solely by inflation.

Depreciation Expense	(Millions of Dollars) Estimated Replacement Cost	Comparable Historical Cost
Depreciation expense for the year ended December 31, 1976.....	$ 99	$ 48

Depreciation expense was calculated on the replacement cost of assets disclosed above using the approximate historical lives on a composite basis.

EXXON CORPORATION (DEC)

Notes to Financial Statements

Note 17: Replacement Cost Information (Unaudited)— Regulations of the Securities and Exchange Commission require that certain replacement cost data be stated in 1976 reports filed with the Commission. The corporation, believing that such information may be of interest to shareholders, is including the required data, plus additional data below.

	Millions of dollars	
	Historical costs	Replacement costs
	For year ending 12/31/76	
Depreciation and depletion..........	$ 1,448	$ 2,500
Cost of sales, excluding depreciation and depletion	31,467	31,505
	At December 31, 1976	
Inventories		
Crude, products and merchandise	3,794	6,020
Materials and supplies	440	440
Property, plant and equipment		
Gross investment		
Land, leases and easements	1,302	2,930
Incomplete construction	4,778	4,778
Producing (mineral resource)	8,340	15,420
All other.....................	15,082	32,830
Total	29,502	55,958
Net investment		
Land, leases and easements	1,248	2,820
Incomplete construction	4,778	4,778
Producing (mineral resource)	4,221	7,220
All other.....................	8,424	17,850
Total	$18,671	$32,668

The Commission has warned, and the corporation agrees, that the data set forth above should not be interpreted as showing the complete effect of inflation on net income. Among other possible effects, no consideration has been given in these data to: holding gains or losses, revised economic lives of replaced assets versus existing assets, replacement of assets with a different type, non-replacement of assets, operating cost efficiencies of replacement of existing assets, future price and cost levels, tax and other effects which might be encountered.

The replacement costs presented herein, while believed reasonable, are necessarily subjective. They do not necessarily represent amounts for which the assets could be sold, costs which will be incurred in future periods, or the manner in which actual replacement of assets will occur. Actual costs of replacement, where, when and to the extent made, may differ significantly from the amounts reported here.

The replacement cost data have been developed for the most part, by application of appropriate indices to historical cost; no attempt has been made to reengineer or redesign worldwide facilities. Thus, for the most part, the data reflect replacement in-place, in kind.

Replacement cost of refining and substantial amounts of other plant and equipment was determined through application of an internally developed construction cost index, available for major worldwide locations, which reflects current local labor and material markets, competition and corporation experience. Other local industry indices were applied where considered more appropriate to achieve a credible result. In the case of ocean tankers, current construction costs were used even though, for limited amounts, current market prices for purchase of existing tonnage were less. Items such as automotive equipment and office buildings were costed at current market prices.

Land, a major item in the case of the corporation, did not require updating in the Commission's requirements but has been in the foregoing data, based on appraised value or estimated current market prices. The historical cost of "mineral resource assets" on the corporation's books has been updated by use of appropriate indices; no value of the underlying oil, gas or other underground reserves is included in either the historical or replacement costs. Refining capacity in total is included in replacement cost data even though, in some areas, there is significant capacity that is currently idle.

UMC INDUSTRIES, INC. (DEC)

Notes to Financial Statements

Note 12: Replacement Cost (Unaudited)—In accordance with Securities and Exchange Commission regulations, the Company has developed information as to the "replacement cost" of inventories and productive capacity, together wtih the depreciation expense, accumulated depreciation, and cost of goods sold based on such replacement cost. A comparison of the replacement cost basis for these items, which have not been audited, with the historical cost basis as reflected in the audited financial statements is included below.

Although the information presented herein represents the disclosure required and, in management's view, was developed in a reasonable manner, it must be emphasized that the replacement cost information is too theoretical, subjective, and selective to be of use in determining the effect on net earnings. Some of the factors not considered in the disclosure include:

1. Operating cost savings resulting from the replacement of assets with assets of improved technology.
2. Changes in the cost of utilities, repairs and maintenance, and other indirect costs.
3. Changes in selling prices which might result from such cost changes.
4. Cost of appropriate financing to fund the replacement of existing productive capacity.

Because of the various subjective judgments and assumptions which management was required to make in the process of estimating replacement cost and because the nature of the information does not permit the establishment of uniform standards for its determination, the information presented herein may not be comparable with the replacement cost information disclosed by other companies.

Replacement cost information required by the Securities and Exchange Commission is as follows:

	Replacement Cost (Unaudited)	Historical Cost
	(000's omitted)	
At December 31, 1976:		
Inventories	$ 44,700	$ 37,600
Productive capacity:		
Land (at cost)	$ 2,200	$ 2,200
Plant, machinery and equipment	130,000	67,400
Gross productive capacity	132,200	69,600
Less accumulated depreciation	91,400	44,200
Net productive capacity	$ 40,800	$ 25,400
Year ended December 31, 1976:		
Cost of goods sold	$151,700	$149,200
Depreciation expense—total	$ 5,800	$ 3,900
Less amount included in cost of goods sold	5,200	3,500
Net depreciation expense included in selling, general and administrative expenses	$ 600	$ 400

The replacement cost of inventories was developed by pricing the inventories at year-end current costs. The historical cost of the majority of inventories is stated on a LIFO basis and is approximately $6,500,000 less the cost determined on a FIFO basis.

The replacement cost of plants was estimated by applying current construction cost estimates appropriate for the size and type of the replacement plants in the geographical area of such plants.

The replacement cost of machinery and equipment was established on the basis of current quoted market prices, where available (approximately 70% of such assets), for new machinery and equipment of equivalent capacity. The replacement cost of the remaining machinery and equipment was determined by applying appropriate indexes of price increases to the cost at date of acquisition.

The replacement cost of goods sold was developed for 70% of the total cost of goods sold by using the LIFO method of accounting, and the remainder was determined by the use of appropriate indexes applied to historical cost of goods sold, resulting in the estimated cost at the time such products were sold. Depreciation on the replacement cost of productive capacity is based on the assumption that such productive capacity has been originally acquired at the average replacement cost during 1976. Such depreciation, and accumulated depreciation (based on year-end replacement cost) has been computed on a straight-line basis using the same estimated lives utilized in preparing the historical financial statements.

WHIRLPOOL CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note R: Estimated Replacement Cost Information (Unaudited)—The following replacement cost information has been estimated by management and is presented pursuant to Rule 3-17 of Regulation S-X, as announced in the Securities and Exchange Commission's (SEC) Accounting Series Release No. 190. In assembling this information, management expended considerable effort in an attempt to comply with the release. However, the Company believes the general nature of the rules makes them susceptible to many interpretations and consequently urges the reader to exercise discretion when considering this information. Amounts related to replacement cost of assets do not purport to represent the amounts at which such assets could be sold.

	Estimated Replacement Cost	Comparable Historical Cost
	(thousands of dollars)	
December 31, 1976:		
Inventories (1):		
Finished products	$ 202,324	$ 159,030
Work in process	44,019	33,790
Raw materials	65,739	52,789
	$ 312,082	$ 245,609
Plant and equipment (2):		
Buildings	$ 303,422	$ 158,055
Machinery, equipment and tools	490,387	304,512
	793,809	462,567
Allowances for depreciation and amortization	490,194	260,496
	$ 303,615	$ 202,071
Year ended December 31, 1976:		
Cost of products sold (3)	$1,283,465	$1,283,465
Depreciation and amortization (4)	$ 54,688	$ 39,373

Description of Methods Used

(1) The replacement cost of inventories has been estimated on the basis of standard costs adjusted to reflect current material, labor and overhead variances; however, it is estimated that the increases in overhead which would result by applying the replacement cost provisions for depreciation of plant and equipment and amortization of tooling are minor and therefore not included therein.

(2) The replacement cost of buildings was estimated by using either geographic construction costs or architectural estimates.

The replacement cost of machinery and equipment of equivalent productive capacity was estimated on the basis of engineering studies for 37% of such assets. These studies included, where practicable, vendor quotes of current market prices. The replacement cost of the remaining 63% of the machinery and equipment was estimated by applying index numbers derived from published sources for the appropriate classifications of assets.

Consideration to improved technology and the impact of environmental and other governmental controls was given by the Company in estimating replacement cost of productive capacity.

The productive life of all classes of tooling was estimated by the Company. An index was applied to the gross additions for each year of estimated productive life to obtain replacement cost.

All 1976 additions to plant and equipment are at historical cost.

(3) Since the Company uses the last-in, first-out (LIFO) method of inventory valuation for the majority of its inventories, the amount shown as cost of products sold in the financial statements approximates the estimated replacement cost of products sold which does not include the increase arising from the use of estimated replacement cost depreciation and amortization.

(4) Depreciation and amortization based on the replacement cost of productive capacity has been estimated on a straight-line basis using the same estimates of useful life and salvage value utilized in preparing the historical cost financial statements. Average replacement cost of productive capacity as estimated, exclusive of 1976 additions, was used in determining the basis upon which depreciation expense was computed. Depreciation and amortization for current year additions are stated on a historical cost basis.

Reconcilement to Historical Amounts

		Property, Plant and Equipment		
	Inventories	Cost	Allowances for Depreciation and Amortization	Depreciation Expense
		(thousands of dollars)		
Amounts for which replacement cost data are provided	$245,609	$462,567	$260,496	$39,373
Land—at cost	—	7,128	—	—
Assets with limited use, the productive capacity of which would not be replaced	—	10,420	6,445	801
Fully depreciated and amortized assets removed from the accounts	—	(123,762)	(123,762)	—
Total as shown on the accompanying consolidated financial statements	$245,609	$356,353	$143,179	$40,174

Current-Value Financial Statements

IOWA BEEF PROCESSORS, INC. (OCT)

Current-Value Consolidated Balance Sheet

Assets	Current Value Basis	Historical Cost Basis
Current Assets:		
Cash	$ 11,582,000	$ 11,582,000
Accounts receivable, less allowance for doubtful accounts	89,019,000	89,019,000
Inventories	38,199,000	38,199,000
Deferred tax benefit	—	2,139,000
Prepaid expenses	533,000	533,000
Total current assets	139,333,000	141,472,000
Other assets	1,455,000	1,455,000
Property, plant and equipment:		
Land and land improvements	16,284,000	11,696,000
Buildings and stockyards	77,390,000	43,480,000
Equipment	127,053,000	82,268,000
Construction in progress	4,251,000	4,251,000
	224,978,000	141,695,000
Less accumulated depreciation	69,397,000	34,022,000
	155,581,000	107,673,000
Deferred financing costs	—	2,837,000
	$296,369,000	$253,437,000
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 30,992,000	$ 33,131,000
Federal and state income taxes	16,514,000	16,514,000
Current maturities on long-term obligations	2,325,000	2,325,000
Total current liabilities	49,831,000	51,970,000
Deferred income taxes	—	11,460,000
Long-term obligations	55,690,000	55,715,000
Contingencies	—	—
Stockholders' equity	190,848,000	134,292,000
	$296,369,000	$253,437,000

Consolidated Statement of Net Results of Operations and Changes in Value

	Current Value Basis	Historical Cost Basis
Results of operations:		
Sales	$2,077,158,000	$2,077,158,000
Less— Cost of products sold	1,991,188,000	1,990,176,000
— Inventory value change	4,000,000	—
	1,995,188,000	1,990,176,000
	81,970,000	86,982,000
Expenses:		
Selling, general and administrative	24,746,000	24,374,000
Interest expense	3,703,000	3,666,000
Income taxes	30,302,000	30,164,000
	58,751,000	58,204,000
Net results of operations and inventory value change	23,219,000	28,778,000
Changes in value		
Change in current costs of depreciable assets during the year	9,011,000	—
Change in current value of debt and accruals	(1,153,000)	—
Amount required to recognize impact on stockholders' equity of increase in the general price level during the year	(7,994,000)	—
Total of net results of operations and changes in value	$ 23,083,000	$ 28,778,000

Current-Value Consolidated Statement of Stockholders' Equity

	Current Value Basis	Historical Cost Basis
Balance, November 2, 1975	$ 161,824,000	$ 107,557,000
Amount required to recognize impact on stockholders' equity of increase in general price level during the year	7,994,000	—
Restated at November 2, 1975	169,818,000	107,557,000
Common stock options exercised	488,000	477,000
Shares acquired for treasury	(771,000)	(771,000)
Cash dividends paid	(1,770,000)	(1,749,000)
Net results of operations and changes in value during the year	23,083,000	28,778,000
Balance, October 30, 1976	$ 190,848,000	$ 134,292,000

Notes to Current-Value Consolidated Financial Statements

1. General:

In the inflationary environment of the past several years, financial information reported on the conventional basis of historical costs fails to fully reflect economic reality of the financial condition and results of operations of business enterprises.As a result, the Company is presenting financial statements reflecting the current values of its assets, liabilities, operating results and changes in value by estimating:

a. The current replacement cost for assets and resources expected to be retained and net realizable value for assets expected to be disposed of.

b. The present value of estimated future cash out-flows for liabilities.

c. The effects of changes in general purchasing power of the net resources of the Company.

2. Current Assets and Liabilities:

Inventories at year end are stated on the same basis as used in the historical cost financial statements since they are stated at amounts that approximate current replacement cost or net realizable value. Other current assets and liabilities are substantially the same as at historical cost except for imputed income taxes of $2,139,000 which have been deducted from accrued liabilities.

3. Property, Plant and Equipment:

Property, plant and equipment is stated at current replacement cost less accumulated depreciation. Current replacement cost was developed principally by using engineering estimates for the cost of replacing existing productive capacity after giving recognition to technological changes. The costs so determined have not been adjusted for anticipated reductions in operating expenses as such reductions are not estimated to be significant. Accumulated depreciation has been restated to reflect depreciation which would have been incurred in 1976 and in prior years based on the current replacement costs. Current value depreciation expense for the year was $12,869,000 which is an increase over historical cost depreciation of $5,384,000. Cost of products sold and selling, general and administrative expenses have been charged for the increased current value depreciation during the year. The increase in replacement cost of property, plant and equipment during the year is reported as a value change in the Consolidated Statement of Net Results of Operations and Changes in Value.

4. Long-term Debt:

Long-term debt is stated at the present value of future cash flows based on the current applicable interest rates of 9.25% for conventional debt and 7.25% for tax exempt industrial development authority obligations. The rates include an element for estimated financing costs. Current value interest expense is calculated at average current rates for the year.

5. Income Taxes:

Income tax expenses shown in the current-value statements is the amount currently payable. No income taxes have been imputed on the differences of $71,800,000 between current-value and income tax bases of property, plant and equipment expected to be replaced as these differences are considered to be permanent differences in an inflationary environment. Certain accrued liabilities have been reduced by an amount equal to the income tax benefits that will be realized when these liabilities are deducted for income tax purposes. These tax benefits increased $1,416,000 during the year and this increase is reported as a change in value in the accompanying current-value financial statements.

6. Cost of Products Sold:

Prices for live cattle, dressed carcasses, processed cuts and by-products all fluctuated during the year. The inventory value changes as reported in the results of operations represents the net decline in the value of inventories held throughout the year. The inventory value changes are measured from the date the product is received until the product is shipped.

7. Stockholders' Equity:

Stockholders' equity at the beginning of the year and the amounts shown for sales and purchases of stock and dividends paid during the year have been restated as appropriate to give effect to the increase in general price level during the year as measured by the GNP Implicit Price Deflator.

The amount required to recognize the impact on stockholders' equity of the business in the general price level during the year is comprised of the following:

Net non-monetary assets	$8,936,000
Net monetary liabilities	(368,000)
Operations	(574,000)
	$7,994,000

8. Notes to Historical Cost Basis Financial Statement:

The current-value financial statements and the historical cost basis information contained therein should be read in conjunction with the notes to the historical cost basis financial statements.

Current-Value Accountants' Report

Board of Directors and Stockholders
Iowa Beef Processors, Inc.
Dakota City, Nebraska

The accompanying current-value financial statements of Iowa Beef Processors, Inc. and subsidiaries—Consolidated Balance Sheet, Consolidated Statement of Net Results of Operations and Changes in Value and Consolidated Statement of Stockholders' Equity—as of October 30, 1976, and for the year then ended, are presented on the basis explained in the notes thereto. Because current-value accounting is presently in the experimental stage, uniform criteria for the preparation and presentation of current-value financial information have not yet been established and acceptable alternatives exist as to their nature and content; accordingly, as experimentation proceeds, the principles followed in the accompanying current-value financial statements may be modified.

The current-value financial statements are not intended to (1) present financial position and results of operations in conformity with generally accepted accounting principles applicable to historical cost basis financial statements or (2) measure the net realizable value or market value of the entity taken as a whole.

Our examination of these current-value statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records, a review of data necessary to obtain current values, and such other auditing procedures as we consider necessary in the circumstances. In our opinion, the current-value financial statements referred to above are a reasonable and appropriate presentation on the basis indicated therein.

Price Level Data

SHELL OIL COMPANY (DEC)

Notes to Financial Statements

Note 16 (in part): Unaudited Information (not covered by report of independent accountants)

Replacement Cost Data—As explained in the Financial Review on page 28 the Securities and Exchange Commission (SEC) requires certain replacement cost data be included in filings with the Commission beginning year-end 1976. In the audited Supplementary Price Level Adjusted Financial Information appearing on pages 40 and 41 historical cost information has been restated for the effects of changes in the purchase power of the dollar. Shell believes that this provides relevant information about the current economics of its business in an inflationary economy. Replacement cost data will be included in Shell's Annual Report on Form 10-K filed with the SEC.

Supplementary Price Level Adjusted Financial Information

Although the rate of inflation has moderated, it continues to erode the purchasing power of the dollar and distort traditional measurements of income and wealth. During the five years covered by this report the purchasing power of the dollar declined 29 percent. In the last thirty years it has been reduced to less than one third of its former purchasing power. 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 purchasing power of the dollar has changed materially, this change must be considered for a proper assessment of economic results.

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 ages of the investments and subsequent changes in the purchasing power of the dollar.

In the accompanying price level adjusted financial statements all historical dollar amounts have been restated to a common unit of measurement, i.e., the December 1976 dollar. For example, a capital asset acquired in 1966 for $1 is restated to $1.78 in terms of 1976 dollars for each year shown and depreciation is similarly restated. Each year is therefore expressed on a comparable basis which provides a better measure of economic progress.

Profitability ratios for Shell are substantially lower when both income and investments are stated in common units of measurement. Some of the profits reported for 1976 and prior years are therefore not a true economic gain, but merely the result of erosions in the purchasing power of the dollar. One of the principal factors is depreciation, depletion and amortization. When the historical cost of assets is restated in equivalent current dollars, the 1976 depreciation provision increased 30 percent or $194 million. Other meaningful comparisons are the indicated purchasing power gain on long-term debt relative to the interest and discount amortization on this indebtedness. Also, a high proportion of income is absorbed by taxes. Because of inflation, effective tax rates are significantly greater than the rates enacted by legislative bodies.

Historical Dollars 1976	(Millions of dollars except per share amounts)	Dollars of Current Purchasing Power* 1976	1975	1974	1973	1972
	Summary statement of Income					
$9,309	Revenues	$9,495	$8,885	$9,042	$6,375	$5,593
	Cost and expenses:					
639	Depreciation, depletion, etc.	833	781	735	704	658
780	Income and operating taxes	796	763	563	332	298
79	Interest and discount amortization on indebtedness	80	77	71	79	81
7,105	Other costs and expenses	7,263	6,857	7,099	4,973	4,344
706	Income before purchasing power gain or loss on monetary items	523	407	574	287	212
	Purchasing power gain (loss) on:					
—	Long-term debt	65	72	131	93	41
—	Other monetary items	5	(17)	(5)	(5)	3
$ 706	Net income	$ 593	$ 462	$ 700	$ 375	$ 256
	Summary Balance Sheet					
$2,465	Current assets	$2,615	$2,738	$2,429	$2,195	$2,163
244	Investments and long-term receivables	277	130	146	124	119
5,032	Property, plant and equipment (net)	6,650	6,154	5,782	5,513	5,532
45	Deferred charges	51	54	48	69	76
1,653	Current liabilities	1,653	1,616	1,430	1,233	1,251
1,175	Long-term debt	1,175	1,269	1,097	1,257	1,382
417	Deferred credits-federal income taxes	417	388	360	382	395
$4,591	Shareholders' equity	$6,348	$5,803	$5,518	$5,029	$4,862
	Per Share Data†					
$10.11	Net income	$ 8.50	$ 6.82	$10.39	$ 5.57	$ 3.80
$ 2.80	Cash dividends paid	$ 2.85	$ 2.80	$ 2.88	$ 3.10	$ 3.27
	Ratios (see definitions on page 57)					
18.0%	Net income to shareholders' equity	10.2%	8.4%	13.9%	7.7%	5.3%
14.6%	Net income to total capital	9.0%	7.6%	11.7%	6.6%	5.0%
7.6%	Net income to revenues	6.2%	5.2%	7.7%	5.9%	4.6%
27.6%	Dividends paid to net income	33.5%	41.1%	27.7%	55.7%	86.1%
20.4%	Long-term debt to total capital	15.6%	17.9%	16.6%	20.0%	22.1%

*Based on purchasing power of the dollar at December 31, 1976.
†Per weighted average shares outstanding each year.

Explanatory Note

The accompanying supplementary price level adjusted financial information, expressed in terms of December 31, 1976 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 this 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 proposal issued by the Financial Accounting Standards Board which give general guidance for the preparation of price level financial statements, treat 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 five years.

Report of Independent Accountants

To the Board of Directors and Shareholders of Shell Oil Company:

We have examined the consolidated financial statements of Shell Oil Company appearing in the Annual Reports to Shareholders for the five years ended December 31, 1976. 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 price level adjusted financial information for the five years ended December 31, 1976 restated for effects of changes in the general price level as described in the Explanatory Note on page 41. In our opinion, the supplementary Summary Statement of Income, Summary Balance Sheet and Per Share Data shown on page 41 present fairly the historical financial information restated in terms of the general purchasing power of the U.S. dollar at December 31, 1976 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.

QUARTERLY FINANCIAL DATA

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. One hundred and sixty-eight survey companies disclosed quarterly financial data for each quarter of 1975 and 1976 in a note to their 1976 financial statements.

ALLIED CHEMICAL CORPORATION (DEC)

Notes to Financial Statements

Note 8 (in part): Unaudited Financial Information

Quarterly Financial Information

	Quarter Ended				
	Mar. 31	June 30	Sept. 30	Dec. 31	Year
1976	(Dollars in millions except per share amounts)				
Net sales	$636.9	$706.0	$628.2	$658.5	$2,629.6
Income from operations	54.3	74.4	46.3	57.1	232.1
Income before extraordinary charge	28.2	37.2	23.5	37.4	126.3
Net income	28.2	37.2	10.3(a)	41.1(a)	116.8
Per share amounts:					
Income before extraordinary charge	1.01	1.33	.84	1.34	4.52
Net income	1.01	1.33	.37(a)	1.47(a)	4.18
Dividends paid	.45	.45	.45	.45	1.80
Market price (New York Stock Exchange)					
High	44.88	42.75	40.75	40.38	44.88
Low	33.50	35.50	36.25	33.38	33.38
1975					
Net sales	$550.9	$593.4	$569.9	$618.9	$2,333.1
Income from operations	42.0	68.6	43.7	69.3	223.6
Net income	22.5	36.6	23.3	33.8	116.2
Per share amounts:					
Net income	.81	1.31	.83	1.22	4.17
Dividends paid	.45	.45	.45	.45	1.80
Market price (New York Stock Exchange)					
High	38.25	42.00	39.50	35.25	42.00
Low	27.00	34.00	31.13	30.25	27.00

(a) See Note 3 of Notes to Financial Statements.

The interim information for 1976 was subjected to a limited review in accordance with standards established by the American Institute of Certified Public Accountants. The 1975 interim information was not subjected to such a review. The interim information for both years was not audited by Price Waterhouse & Co. in accordance with generally accepted auditing standards and accordingly they expressed no opinion thereon.

AMAX INC. (DEC)

Notes to Financial Statements

Note 21: Quarterly Earnings (Unaudited)—Quarterly earnings for the year 1976 are summarized in the Financial Review on page 36.

Page 36:

Quarterly Summary

(Dollars in millions except per share amounts)

	First	Second	Third	Fourth	Year
1976					
Sales	$266.6	$312.9	$303.7	$284.3	$1,170.5
Earnings from operations	38.0	41.6	45.3	34.3	159.2
Net earnings	33.8	38.6	37.7	40.0	150.1
Per share					
Primary	$ 1.00	$ 1.11	$ 1.08	$ 1.15	$ 4.34
Fully diluted	.95	1.05	1.02	1.08	4.10
Common dividends					
Per share	.43¾	.43¾	.43¾	.43¾	1.75
1975					
Sales	$249.4	$242.4	$218.6	$251.7	$ 962.1
Earnings from operations	46.5	35.0	24.8	29.5	135.8
Net earnings	36.1	36.2	29.4	32.7	134.4
Per share*					
Primary	$ 1.37	$ 1.26	$ .88	$ .98	$ 4.43
Fully diluted	1.25	1.16	.84	.92	4.13
Common dividends					
Per share	.43¾	.43¾	.43¾	.43¾	1.75

*As a result of the common shares issued during 1975, the sum of earnings per share for the four quarters, which are based on average shares outstanding during each period, exceeded the annual earnings per share, which are based on the average shares outstanding during the year.

An income tax credit of $6.3 million was recorded in the fourth quarter of 1976 due principally to an adjustment of prior tax accruals. Income tax charges in the first, second and third quarters of 1976 were $3.3 million, $2.8 million and $6.7 million, respectively. In addition, earnings from operations in the fourth quarter of 1976 were adversely affected by substantially lower Base Metals earnings, as well as lower earnings from Coal, Iron Ore and Chemicals.

ANCHOR HOCKING CORPORATION (DEC)

Notes to Financial Statements

Note 9: Quarterly Financial Information (Unaudited)—The following table sets forth certain unaudited quarterly financial information for the two years ended December 31, 1976 (in thousands, except per share data):

Quarter Ended	Net Sales	Income from Operations	Net Income	Net Income per Common Share
March 31, 1975	$105,778	$ 6,859	$ 3,707	$ .54
June 30, 1975	118,045	9,087	4,488	.67
September 30, 1975	127,272	11,382	6,088	.90
December 31, 1975	142,469	12,756	7,421	1.09
	$493,564	$40,084	$21,704	$3.20
March 31, 1976	$150,298	$13,786	$ 7,431	$1.10
June 30, 1976	157,373	17,017	9,286	1.38
September 30, 1976	163,028	15,852	7,430	1.10
December 31, 1976	158,044	15,992	3,227(1)	.48(1)
	$628,743	$62,647	$27,374	$4.06

(1) During the fourth quarter of 1976, the company provided $8,100 for the planned phase out of the Los Angeles container plant. This provision reduced net income and earnings per common share by $3,975 and $.59 respectively. In addition, net income for the fourth quarter reflects foreign exchange translation losses of approximately $800.

The unaudited quarterly financial information for the year ended December 31, 1976, was subjected to limited review procedures by the company's independent accountants at the end of each quarter. Such review procedures were not conducted with respect to the 1975 quarterly data.

BURNDY CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 12: Quarterly Financial Data (Unaudited)—The following table sets forth certain unaudited quarterly financial data:

	1976	1975 (Note)
Net sales:		
1st Quarter	$33,913,000	$34,549,000
2nd Quarter	33,268,000	31,724,000
3rd Quarter	31,816,000	29,199,000
4th Quarter	31,955,000	31,270,000
Cost of sales:		
1st Quarter	20,158,000	21,470,000
2nd Quarter	18,188,000	18,941,000
3rd Quarter	18,863,000	17,502,000
4th Quarter	17,225,000	17,835,000
Net earnings:		
1st Quarter	2,510,000	2,493,000
2nd Quarter	2,659,000	2,603,000
3rd Quarter	2,416,000	1,750,000
4th Quarter	2,574,000	1,966,000
Net earnings per share:		
1st Quarter	$ .40	$ .40
2nd Quarter	.42	.41
3rd Quarter	.38	.28
4th Quarter	.41	.31

Note—Net earnings and net earnings per share for 1975 quarters have been restated for foreign currency transactions in accordance with Financial Accounting Standards Board Statement No. 8.

CHRYSLER CORPORATION (DEC)

Notes to Financial Statements

Quarterly Financial Data (Unaudited)—Condensed Consolidated Statement of Net Earnings—quarterly financial data for 1976 and 1975 is as follows:

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	1976	1975*	1976	1975*	1976	1975*	1976	1975*
	(in millions of dollars)							
Revenue	$3,568.6	$2,547.4	$4,118.9	$2,903.8	$3,820.4	$2,926.8	$4,050.7	$3,220.8
Costs, other than taxes on income	3,475.6	2,671.2	3,925.8	2,955.0	3,712.6	2,989.8	3,904.1	3,163.6
Taxes on income (credit)	35.9	(10.0)	68.0	4.3	46.6	9.8	61.8	22.3
Earnings (loss) from continuing operations	57.1	(113.8)	125.1	(55.5)	61.2	(72.8)	84.8	34.9
Discontinued operations—(loss) from operations and sale of Airtemp Division	—	(3.1)	—	(3.2)	—	(6.2)	—	(62.6)
Earnings (loss) before cumulative effect of accounting change and extraordinary item	57.1	(116.9)	125.1	(58.7)	61.2	(79.0)	84.8	(27.7)
Accounting change—Effect as of January 1, 1975 of changing to the flow-through method of accounting for the investment tax credit	—	22.8	—	—	—	—	—	—
Extraordinary item—Effect of utilization of tax carryforward benefits	15.0	—	30.0	—	15.0	—	34.4	—
Net earnings (loss)	$ 72.1	$(94.1)	$ 155.1	$(58.7)	$ 76.2	$(79.0)	$ 119.2	$(27.7)
Per share data:								
Earnings (loss) from continuing operations	$ 0.95	$(1.91)	$ 2.08	$(0.93)	$ 1.01	$(1.20)	$ 1.41	$ 0.58
Discontinued operations	—	(0.05)	—	(0.05)	—	(0.11)	—	(1.04)
Earnings (loss) before accounting change and extraordinary item	0.95	(1.96)	2.08	(0.98)	1.01	(1.31)	1.41	(0.46)
Accounting change	—	0.38	—	—	—	—	—	—
Extraordinary item	0.25	—	0.50	—	0.25	—	0.57	—
Net earnings (loss)	$ 1.20	$(1.58)	$ 2.58	$(0.98)	$ 1.26	$(1.31)	$ 1.98	$(0.46)

*Restated to conform to 1976 classifications.

GRUMMAN CORPORATION (DEC)

Notes to Financial Statements

Note 3: Quarterly Results–Unaudited

(Dollars are stated in thousands except per share amounts)

Quarter Ended 1976	Sales and Other Income	Net Income: As Reported	Net Income: After Restatement for LIFO Change	Primary Earnings Per Share: As Reported	Primary Earnings Per Share: After Restatement for LIFO Change
March 31	$ 360,314	$6,886	$ 6,388	$ .90	$ .84
June 30	374,590	7,708	7,193	1.00	.93
September 30	379,309	8,621	8,102	1.10	1.03
December 31	408,909		5,471		.71
	$1,523,122		$27,154		$3.51

For the quarters ended March 31, June 30, and September 30, 1976, the Fully diluted Earnings per share were $.77, $.87 and $.95 as reported and $.72, $.81, $.89 after restatement for LIFO change. The Fully Diluted Earnings per share for the quarter ended December 31, 1976, were $.63, totaling $3.05 per share for the year.

Quarter Ended 1975	Sales and Other Income	Net Income	Primary Earnings Per Share	Fully Diluted Earnings Per Share
March 31	$ 251,551	$ 4,137	$ .54	$ .48
June 30	331,187	5,371	.71	.61
September 30	356,410	6,121	.80	.70
December 31	441,406	7,918	1.03	.89
	$1,350,554	$23,547	$3.08	$2.68

The earnings per share for the first three quarters of 1975 have been adjusted to reflect the 10% stock dividend declared on December 18, 1975, and paid January 30, 1976.

S. S. KRESGE COMPANY (JAN)

Notes to Consolidated Financial Statements

Note M: Quarterly Financial Information (Unaudited)—The quarterly financial information for 1975 has not been subjected to the limited review procedures established in 1976 by the American Institute of Certified Public Accountants. Each of the quarters contain thirteen weeks.

Consolidated Statements of Income (Unaudited)

(Millions)

1976	Quarter			
	First	Second	Third	Fourth
Sales	$1,683.1	$1,986.7	$2,029.4	$2,682.7
Licensee fees and rental income	23.8	25.8	26.4	25.7
Gross revenue	1,706.9	2,012.5	2,055.8	2,708.4
Cost of merchandise sold	1,275.2	1,491.4	1,522.6	1,933.1
Selling, general and administrative expenses	350.1	406.3	426.0	572.6
Interest—net	.9	2.4	3.6	1.5
Income before estimated income taxes	80.7	112.4	103.6	201.2
Estimated income taxes	37.7	54.2	48.6	91.2
Income from retail operations	43.0	58.2	55.0	110.0
Net income (loss) from insurance operations	(.1)	(.2)	.5	.2
Net income	$ 42.9	$ 58.0	$ 55.5	$ 110.2
Earnings per common and common equivalent share	$ .35	$ .47	$ .45	$ .88

1975	Quarter			
	First	Second	Third	Fourth
Sales	$1,348.6	$1,656.3	$1,634.1	$2,159.1
Licensee fees and rental income	18.1	21.8	21.9	23.7
Gross revenue	1,366.7	1,678.1	1,656.0	2,182.8
Cost of merchandise sold	1,034.9	1,251.8	1,226.9	1,539.5
Selling, general and administrative expenses	292.7	343.3	349.9	426.1
Interest—net	2.8	3.5	3.3	2.6
Income before estimated income taxes	36.3	79.5	75.9	214.6
Esimated income taxes	17.3	38.6	36.3	105.1
Income from retail operations	19.0	40.9	39.6	109.5
Net income (loss) from insurance operations	.5	.2	.1	(9.0)
Net income	$ 19.5	$ 41.1	$ 39.7	$ 110.5
Earnings per common and common equivalent share	$ .16	$ .34	$ .33	$ .81

The gross margins used in calculating cost of goods sold on a quarterly basis include estimates of the annual LIFO charge. This charge cannot be known precisely until the year-end physical inventory is completed and until the BLS Department Store Index is published in March. If the annual adjustment for the LIFO charge had been properly reflected in each quarter based on the results of these two factors, earnings per share on a quarterly basis would have been increased (decreased) as follows:

Quarter	1976	1975
First	$ .04	$ .05
Second	.04	.04
Third	.02	.02
Fourth	(.10)	(.11)

The loss of $.07 per share from insurance operations recognized in the 4th quarter of 1975 was due primarily to the write-down of certain real estate investments to market values, increases in claims and reserves as well as losses and policy lapse rates which were higher than anticipated.

PITNEY-BOWES, INC. (DEC)

Notes to Consolidated Financial Statements

Note 13: Quarterly Financial Data (Unaudited)— Summarized quarterly financial data (in millions of dollars except for per share amounts) for 1976 and 1975 is as follows:

	Three months ended			
1976	Mar. 31	June 30	Sept. 30	Dec. 31
Sales and rentals	$102.2	$110.7	$110.8	$140.1
Service	18.4	18.4	18.4	20.2
Total revenues	$120.6	$129.1	$129.2	$160.3
Cost of sales and rentals	$ 41.0	$ 45.2	$ 46.1	$ 58.2
Income from continuing operations	$ 6.3	$ 8.0	$ 5.8	$ 10.7
Estimated additional loss on 1973 disposition of point-of-sale terminal business	—	—	10.0	—
Net income (loss)	$ 6.3	$ 8.0	($ 4.2)	$ 10.7
Net income (loss) per share of common stock:				
Continuing operations	$ .47	$ .60	$ .43	$ .80
Disposition of point-of-sale terminal business	—	—	(.75)	—
Net income (loss)	$ .47	$ .60	($ .32)	$ .80
1975				
Sales and rentals	$ 86.6	$ 98.0	$ 97.4	$114.0
Service	15.6	15.9	16.1	17.3
Total revenues	$102.2	$113.9	$113.5	$131.3
Cost of sales and rentals	$ 29.6	$ 35.7	$ 37.6	$ 46.8
Net income	$ 5.4	$ 6.9	$ 6.0	$ 7.7
Net income per share of common stock	$ .41	$ .52	$ .45	$ .57

The 1975 quarterly results were not subjected to review by independent accountants in accordance with standards set in 1976 by the American Institute of Certified Public Accountants.

LABARGE, INC. (DEC)

Notes to Consolidated Financial Statements

Note 7: Unaudited Quarterly Financial Data—Summarized quarterly financial data (unaudited) is in the following table:

	Sales	Operating margin	Net income	Earnings per share Primary	Earnings per share Fully diluted
Quarter ended 1976					
March 31	$15,610,213	$ 2,824,789	$ 370,783	$.05	$.05
June 30	14,378,024	2,943,187	406,623	.06	.06
September 30	14,913,736	2,810,079	326,576	.05	.05
December 31	14,203,456	3,199,771	376,360	.05	.05
Year	$59,105,429	$11,777,826	$1,480,342	$.21	$.21
1975					
March 31	$23,477,751	$ 5,187,620	$1,474,780	$.21	$.20
June 30	21,206,393	5,593,309	1,934,681	.28	.26
September 30	13,975,049	4,619,455	1,262,581	.18	.18
December 31	14,648,711	4,022,074	544,483	.08	.08
Year	$73,307,904	$19,422,458	$5,216,525	$.75	$.72

MONSANTO COMPANY (DEC)

Notes to Financial Statements (dollars in millions, except per share)

Selected Quarterly Financial Data (Unaudited)—Selected unaudited quarterly financial data for 1976 and 1975 follow:

	Net Sales	Cost of Goods Sold	Net Income	Earnings per Common Share Primary	Earnings per Common Share Fully Diluted
1976:					
First Quarter	$1,173.6	$ 769.8	$156.9	$ 4.40	$4.19
Second Quarter	1,063.4	760.8	98.4	2.69	2.62
Third Quarter	998.4	753.8	63.4	1.69	1.69
Fourth Quarter	1,034.8	812.4	47.6	1.27	1.27
Year	$4,270.2	$3,096.8	$366.3	$10.05	$9.77
1975:					
First Quarter	$ 912.7	$ 625.8	$ 97.4	$ 2.79	$2.62
Second Quarter	884.7	638.3	74.1	2.08	1.98
Third Quarter	884.8	657.8	56.1	1.56	1.51
Fourth Quarter	942.5	694.5	78.7	2.20	2.11
Year	$3,624.7	$2,616.4	$306.3	$ 8.63	$8.22

The 1976 third quarter operating results include a $10.3, $0.28 per primary share, charge due to the devaluation of the Mexican peso.

The 1976 fourth quarter operating results include two unusual charges aggregating $12.9 or $0.35 per primary share. One charge of $7.3, $0.20 per primary share, results from the closing of the Olympia Industries, Inc. plant at Tuscaloosa, Alabama. The other charge of $5.6, $0.15 per primary share, results from acceleration of provisions for obsolescence of certain machinery and equipment of the Commercial Products Company.

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

	1976	1975	1974	1973
Balance Sheet	534	537	469	527
Statement of Financial Position	54	48	58	57
Statement of Financial Condition	12	15	16	16
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

	1976	1975	1974	1973
Account form	409	409	424	490
Report form	181	180	163	94
Financial position form	10	11	13	16
Total Companies	**600**	**600**	**600**	**600**

TABLE 2-3: CASH—BALANCE SHEET CAPTIONS

	1976	1975	1974	1973
Cash	468	469	469	466
Cash includes certificates of deposit or time deposits	68	64	75	79
Cash combined with marketable securities	64	67	56	55
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*. Of the 64 companies showing a balance sheet caption combining cash and marketable securities, 37 disclosed separate amounts in a note to the financial statements. Fifty-five companies, in addition to showing a caption for cash, presented a separate caption for certificates of deposit or time deposits. Examples of captions for cash and cash items follow.

AMERICAN BILTRITE INC. (DEC)

	1976	1975
Current assets		
Cash (including time deposits of $300,000 in 1976 and $2,651,043 in 1975)	$3,016,319	$4,837,508

ANHEUSER-BUSCH, INCORPORATED (DEC)

	1976	1975
	(In thousands)	
Current Assets:		
Cash (including certificates of deposit of $10,875,000 in 1976 and $16,810,000 in 1975)	$ 28,439	$ 23,159
Marketable securities, at cost which approximates market	106,551	200,916
Accounts and notes receivable, less allowance for doubtful accounts of $1,020,000 in 1976 and $1,034,000 in 1975	59,129	58,193
Inventories—		
Raw materials and supplies	115,149	101,759
Work in process	30,403	28,172
Finished goods	7,648	7,470
Total current assets	$347,319	$419,669

ASG INDUSTRIES INC. (DEC)

	1976	1975
Current Assets:		
Cash and temporary investments (Note 2)	$ 4,899,998	$ 4,382,524
Accounts and notes receivable (less allowance for doubtful accounts of $850,000—1976 and $750,000—1975)	12,407,666	10,044,937
Refundable Federal income taxes (Note 7)	—	129,453
Inventories (Notes 1 and 3)	15,798,509	13,434,125
Prepaid expenses	486,706	142,523
Total current assets	$33,592,879	$28,133,562

Notes tó Financial Statements

Note 2: Cash and Temporary Investments—Cash and temporary investments included certificates of deposit, commercial paper and U.S. Treasury Notes totaling $4,500,000 and $3,900,000 at December 31, 1976 and 1975, respectively. Temporary investments were valued at cost, which approximated market.

BRISTOL-MYERS COMPANY (DEC)

	1976	1975
Current Assets:		
Cash	$32,835,000	$34,968,000
Time deposits	54,636,000	18,437,000

THE CARBORUNDUM COMPANY (DEC)

	1976	1975
	($000)	
Current Assets		
Cash, including interest bearing deposits of $11,501 and $15,167, respectively	$ 17,860	$16,111
Marketable securities at cost and accrued interest, which approximates market	69,177	64,153
Accounts receivable, less allowance for losses of $2,581 and $2,980, respectively	120,038	97,079

CELANESE CORPORATION (DEC)

	Notes	1972	1973	1974	1975	1976
				(millions)		
Current assets:						
Cash and marketable securities	H	$79	$160	$117	$146	$135

Note H: Cash and Marketable Securities

	1972	1973	1974	1975	1976
Cash on hand and demand deposits	$16	$ 19	$ 20	$ 43	$ 48
Time deposits	15	113	60	60	44
Marketable securities, primarily short-term commercial paper, at cost (approximates market)	48	28	37	43	43
Total	$79	$160	$117	$146	$135

In connection with outstanding loans and borrowing agreements, the Corporation and certain of its subsidiaries generally maintain compensating balances with the lending banks equal to 10% of total commitments and an additional 10% of outstanding loans. These deposits at December 31, 1976, were $24 million, after adjusting for average "float."

The Corporation also maintains certain bank balances that are considered reasonable in return for the services performed.

DICTAPHONE CORPORATION (DEC)

	1976	1975
Cash	$ 3,774,000	$ 2,716,000
Time deposits and accrued interest	699,000	14,938,000
Accounts receivable, less allowance for doubtful accounts, 1976—$1,136,000, 1975—$959,000	32,141,000	17,250,000

HUMANA INC. (AUG)

	1976	1975
	($000)	
Current assets:		
Cash (including restricted balances of $1,344-1976 and $1,354-1975) (Note 7)	$ 5,242	$ 6,124
Accounts receivable, less allowance for losses of $10,552-1976 and $7,180-1975	45,442	33,027
Hospital inventories (Note 1)	7,754	7,818
Other current assets	3,232	3,508
Total current assets	$61,670	$50,477

Note 7 (in part): Long-Term Debt—Several hospital lease agreements require additional annual payments based upon such factors as revenue, pretax income and the lessors' equity investments. Restricted cash shown on the balance sheet represents the portion of trusteed cash accounts to be used for the payment of the current portion plus accrued interest of certain capitalized hospital lease obligations.

S. S. KRESGE COMPANY (JAN)

	1977	1976
Current Assets:		
Cash	$106,225,000	$103,888,000
Certificates of deposit	23,655,000	29,624,000
Marketable securities, at cost approximating market	282,158,000	247,700,000
Customer and other accounts receivable, less allowance for possible losses of $7,137,000 in 1975	66,190,000	51,290,000

OWENS-ILLINOIS, INC. (DEC)

	1976	1975
	($000)	
Current assets:		
Cash and short-term investments	$144,205	$ 37,949
Receivables, less allowances for losses and discounts (1976-$14,696; 1975-$12,333)	266,703	244,394

Financial Review

Cash and Short-Term Investments—Cash and short-term investments at December 31, 1976 and 1975, were as follows:

	Thousands of Dollars	
	1976	1975
Cash	$ 23,381	$20,340
Time deposits	14,489	12,587
Short-term investments, at cost (approximately market)	106,335	5,022
	$144,205	$37,949

Checks outstanding of $26.4 million in 1976 and $20.7 million in 1975 in excess of certain domestic cash balances are included in accounts payable.

THE PARKER PEN COMPANY (FEB)

	1976	1975
Current Assets:		
Cash	$3,919,133	$2,352,927
Certificates of deposit	1,711,121	842,795
Marketable securities, at cost which approximates market	8,193,574	3,114,982

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 their present realizable cash values. . . . However, practice varies with respect to the carrying basis for current assets such as marketable securities and inventories. In the case of marketable securities where market value is less than cost by a substantial amount and it is evident that the decline in market value is not due to a mere temporary condition, the amount to be included as a current asset should not exceed the market value . . . It is important that the amounts at which current assets are stated be supplemented by information which reveals, for temporary investments, their market value at the balance-sheet date . . .

FASB *Statement of Financial Accounting Standards 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 apparanetly had marketable equity securities of the type covered by Statement No. 12.

TABLE 2-4: MARKETABLE SECURITIES—VALUATION

	1976	1975	1974	1973
Cost				
Approximates market	248	232	228	220
No reference to market	15	19	31	44
Market value disclosed	5	7	17	25
Lower of cost or market	28	25	15	10
Market value	4	8	7	7
	300	291	298	306
Valuation basis not disclosed	88	66	66	70
	388	357	364	376
Companies not showing marketable securities as current assets	212	243	236	224
Total Companies	**600**	**600**	**600**	**600**

Lower of Cost or Market

ARCHER DANIELS MIDLAND COMPANY (JUN)

	1976	1975
Current Assets		
Cash	$13,747,397	$ 13,126,608
Marketable securities—Note 3.....	23,638,007	134,056,250

Note 3: Marketable Securities—Marketable securities are carried at the lower of cost or market and consist of the following:

	1976	1975
Certificates of deposit:		
With National City Bank of Minneapolis.......................	$10,576,400	$ 32,755,779
Other banks......................	1,231,885	28,844,385
Commercial paper..................	—	32,881,000
United States Government obligations	10,608,263	37,352,716
Other	1,221,459	2,222,370
Total	$23,638,007	$134,056,250

CHOCK FULL O'NUTS CORPORATION (JUL)

Consolidated Balance Sheets

			1976	1975
			($000)	
Current assets:				
Cash			$ 1,177	$ 3,404
	1976	1975		
Marketable securities (note 1(b)):				
At cost—preferred and common stocks:				
Public utilities................	$15,151	$17,154		
Industrials and other	129	140		
	$15,280	$17,294		
Provision for decline in market value.........................	3,300	5,058	11,980	12,236

Consolidated Statements of Operations

	1976	1975
Other income (expense):		
Investment income:		
Dividends	$ 1,224	$1,316
Realized capital gains (losses)—net............	80	(470)
Decrease in provision for decline in value of marketable securities	1,758	2,341
	3,062	3,187
Interest expense............	(2,180)	(1,960)
Loss from discontinuance and disposition of brewery facility...............	(3,264)	—
Other, net....................	(36)	250
Total other income (expense)	$(2,418)	$1,477

Notes to Financial Statements

Note 1 (in part): Summary of Accounting Policies

(b) Marketable Securities and Dividend Income—Marketable securities are carried at the lower of aggregate portfolio cost or market value. The provision for decline in market value consists of gross unrealized gains of $3,438 and $10,774 and gross unrealized losses of $3,303,438 and $5,068,774 at July 31, 1976 and 1975, respectively. At October 28, 1976, the market value of the portfolio had increased approximately $675,000 (including $500,000 realized on sales since July 31, 1976).

Gains and losses on sales of securities are determined on an average cost basis. Dividends are recorded as income as of declaration date.

GENERAL ELECTRIC COMPANY (DEC)

	1976	1975	Additional information
	(In millions)		
Cash	$1,059.0	$760.0	(note 9)
Marketable securities	554.3	100.3	(note 9)

Note 9: Cash and Marketable Securities—Time deposits and certificates of deposit aggregated $875.2 million at December 31, 1976 and $595.4 million at December 31, 1975. Deposits restricted as to useage and withdrawal or used as partial compensation for short-term borrowing arrangements were not material.

Marketable securities (none of which are equity securities) are carried at the lower of amortized cost or market value. Carrying value was substantially the same as market value at year-end 1976 and 1975.

W.R. GRACE & CO (DEC)

	1976	1975
	($000)	
Current Assets		
Cash, including time deposits of $112,900 (1975-$26,866)	$ 131,007	$ 57,917
Common stock subscribed	—	104,000
Marketable securities	101,035	46,498
Notes and accounts receivable:		
Trade, less allowances of $13,970 (1975-$13,753)	460,891	419,796
Other, less allowances of $3,398 (1975-$2,927)	36,851	63,314
Inventories	616,552	585,959
Prepaid expenses	30,671	32,287
Total current assets	$1,377,007	$1,309,771

Summary of Significant Accounting and Financial Reporting Policies

Marketable Equity Securities—Marketable equity security portfolios (current and noncurrent) are carried at the lower of aggregate cost or market value. Valuation allowances adjust aggregate cost to market value when market value is less than aggregate cost.

Notes to Financial Statements
(dollar amounts in thousands except per share)

Note 1: Marketable Equity Securities—Current marketable securities are carried at cost which approximates market except that equity securities at a cost of $17,532 have been reduced by a valuation allowance of $1,116 (1975-$3,037) to adjust their carrying value to approximate market. The noncurrent portfolio of marketable equity securities is included in noncurrent assets at a cost of $15,175 (1975-$9,579) which has been reduced in 1976 by a valuation allowance of $1,663 that, net of applicable taxes, has been charged to shareholders' equity (1975-None).

In 1976, there were no gains realized on the sale of marketable equity securities (1975-$675). Aggregate unrealized gains and losses related to marketable equity securities in the portfolios at December 31, 1976, are as follows:

	Gains	Losses
Current	$ —	$1,116
Noncurrent	$762	$2,425

INTERNATIONAL BUSINESS MACHINES CORPORATION (DEC)

	1976	1975
Current Assets:		
Cash	$ 208,607,210	$ 183,869,340
Marketable securities, at lower of cost or market	5,947,653,848	4,584,445,162

Notes to Consolidated Financial Statements

Marketable Securities

	December 31, 1976	December 31, 1975
U.S. Treasury securities	$3,427,875,207	$2,213,666,502
U.S. Federal agency securities	493,757,350	762,061,269
State and municipal securities	192,311,232	451,724,310
Time deposits—non-U.S.	1,501,289,060	892,801,165
Corporate bonds, notes and other fixed-term obligations	332,420,999	264,191,916
Total	$5,947,653,848	$4,584,445,162
Market value	$6,006,352,128	$4,623,040,566

At Cost—Approximates Market

THE FIRESTONE TIRE & RUBBER COMPANY (OCT)

	1976	1975
	($000)	
Current Assets		
Cash	$ 25,920	$ 25,525
Time deposits and certificates of deposit	191,097	91,456
Short-term investments	108,806	76,032
	325,823	193,013
Accounts and notes receivable, less allowance for doubtful accounts: 1976-$11,076; 1975-$10,932	682,328	704,977
Inventories		
Raw materials and supplies	281,387	188,437
In-process products	63,158	57,146
Finished goods	428,204	558,272
Total inventories	772,749	803,855
Total current assets	$1,780,900	$1,701,845

Significant Accounting Policies

Short-Term Investments—Short-term investments, principally commercial notes and United States Treasury Notes and Bills, are carried at cost. In the accompanying consolidated balance sheet, carrying value approximates market value.

CONGOLEUM CORPORATION (DEC)

	1976	1975
	(In Thousands)	
Current Assets		
Cash and Temporary Investments (Note 2)	$ 40,424	$ 6,428

Note 2: Cash and Temporary Investments—Cash and temporary investments includes cash of $2,602,000 and $5,428,000 in 1976 and 1975, respectively, and marketable securities as follows:

Title of Each Issue	Principal Amount of Bonds and Notes	Amount At Which Shown in the Balance Sheet
Balances—December 31, 1976:		
Municipal Securities (Due 1/27/77) at 4.45%	$ 1,475,000	$ 1,563,000
Repurchase Agreements (Due 1/3/77) at 4.25%	660,000	660,000
Certificates of Deposit (Due 1/10/77) at 4.85%	7,000,000	7,020,000
Eurodollar Deposits (Due with maturity dates from 1/4/77 through 1/19/77) Interest range (4.85%-5.10%)	28,500,000	28,579,000
Total Marketable Securities.	$37,635,000	37,822,000
Balances—December 31, 1975:		
Repurchase Agreements (Due 1/2/76) at 4.75%	$ 1,000,000	$ 1,000,000

The amounts shown in the balance sheet are at cost plus accrued interest which approximates fair market value at those dates.

GEO. A. HORMEL & COMPANY (OCT)

	1976	1975
Current Assets		
Cash	$ 9,576,620	$ 18,386,542
Short-term marketable securities—at cost which approximates market	12,243,567	—
Accounts receivable, less allowance of $207,500	49,225,189	51,898,818
Inventories of products, livestock, packages and supplies—Note B	56,172,526	65,431,633
Prepaid insurance and other expenses	828,129	322,267
Total current assets	$128,046,031	$136,039,260

INTERCO INCORPORATED (FEB)

	1976	1975
	($000)	
Current assets:		
Cash	$ 5,457	$ 9,444
Marketable securities, principally commercial paper, at cost which approximates market	79,595	38,607
Receivables, less allowance for doubtful accounts and cash discounts of $8,460 ($6,946 in 1975)	177,819	171,307

KELLOGG COMPANY (DEC)

	1976	1975
	(In Thousands)	
Current assets		
Cash, including certificates of deposit of $78,904,000 in 1976 and $79,377,000 in 1975	$ 87,733	$ 85,555
Marketable securities and other investments, at cost which approximates market	30,000	74,456
Accounts receivable, less allowances of $1,577,000 in 1976 and $1,504,000 in 1975	84,111	77,978
Inventories:		
Raw materials and supplies	87,841	79,848
Finished goods and materials in process	61,065	59,021
Prepaid taxes and other expenses.	13,983	9,713
Total Current Assets	$364,733	$386,571

Notes to Consolidated Financial Statements

Note 5: Marketable Securities and Other Investments—Marketable securities and other investments include:

	1976	1975
	(In Thousands)	
United States Government Securities	$ 9,772	$40,000
Municipal Project Notes, guaranteed by the U.S. Government		15,000
Repurchase agreements	10,000	9,000
Commercial paper	10,000	10,000
Other	228	456
	$30,000	$74,456

Yields on investments ranged from 4.5% to 9.0% in 1976.

NEPTUNE INTERNATIONAL CORPORATION (DEC)

	1976	1975
Current assets:		
Cash, including certificates of deposit of $6,601,600 in 1976; $1,600,000 in 1975	$ 9,195,395	$ 3,023,680
Short-term money market investments, at cost which approximates market	1,983,830	2,579,625
Accounts receivable less allowance for doubtful account—1976, $789,259; 1975, $832,910	29,406,319	27,391,486
Unbilled costs and related income on contracts in progress	5,595,415	6,508,896
Income tax benefit relating to provision for relocation costs (note 6)	—	110,400
Inventories (note 2)	21,090,227	21,569,728
Prepayments and other current assets	2,075,413	1,469,954
Total current assets	$69,346,599	$62,653,769

RAYTHEON COMPANY (DEC)

	1976	1975
Current assets		
Cash	$ 12,077,948	$ 8,591,215
Marketable securites (*Notes A and B*	606,679,060	122,162,298
Accounts receivable, less allowance for doubtful accounts: 1976-$8,467,188; 1975-$6,006,709	183,098,054	184,637,276
Contracts in process (*Notes A and C*)	179,408,310	222,267,211
Inventories (*Notes A and D*)	219,438,079	208,256,692
Prepaid expenses	7,494,285	5,819,005
Total current assets	$1,208,195,736	$751,733,697

Notes to Financial Statements

Note A (in part): Accounting Policies

Marketable Securities—Marketable securities are valued at cost plus accrued interest which approximates market value.

Note B: Marketable Securities—Marketable securities consist of the following at December 31:

	1976	1975
U.S. Government securities	$356,960,735	$ 44,542,973
State and municipal securities	99,060,441	34,347,116
Time deposits	71,963,203	20,282,709
Commercial paper	51,592,115	22,989,500
Industrial bonds and other	27,102,566	—
	$606,679,060	$122,162,298

THE L. S. STARRETT COMPANY (JUN)

	1976	1975
Current Assets:		
Cash	$ 2,192,757	$ 1,469,250
Short-term investments—at cost, which approximates market	4,372,393	6,474
Accounts receivable (less allowance for doubtful accounts of $185,000 in 1976, $247,500 in 1975)	8,696,382	8,947,916
Inventories	22,961,538	26,421,394
Prepaid expenses and other current assets	1,831,281	1,767,066
Total current assets	$40,054,351	$38,612,100

TIME INCORPORATED (DEC)

	1976	1975
Current Assets		
Cash	$ 32,648,000	$ 35,854,000
U.S. Government and other short-term securities—at cost (approximately market)	92,929,000	13,094,000
Receivables, less allowances of $30,869,000 in 1976 and $26,149,000 in 1975	126,772,000	118,555,000
Notes receivable	4,875,000	3,300,000
Inventories—at the lower of cost or market:		
Work in process and finished goods	67,898,000	69,274,000
Paper and other materials	29,370,000	29,727,000
Prepaid expenses and other current assets	52,088,000	44,784,000
Total current assets	$406,580,000	$312,588,000

ROWE FURNITURE CORPORATION (NOV)

	1976	1975
	($ Thousands)	
Current Assets		
Cash	$ 1,550	$ 1,316
United States Treasury bills—Note 1	1,987	1,388
Accounts receivable (net of allowance for losses of $119 in 1976 and $179 in 1975)—Note 3	5,045	7,495
Inventories—Notes 1 and 3		
Finished goods	2,929	2,945
Work in process	1,423	1,526
Raw materials and supplies.	3,796	3,709
	8,148	8,180
Prepaid expenses	575	604
Total current assets	$17,305	$18,983

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

United States Treasury bills are stated at cost which approximates market.

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 shown as current assets follow.

TABLE 2-5: CURRENT RECEIVABLES

	1976	1975	1974	1973
Trade Receivable Captions				
Accounts receivable	206	215	207	211
Receivables	169	174	172	170
Accounts and notes receivable	145	148	160	160
Trade accounts receivable	80	63	61	59
Total Companies	**600**	**600**	**600**	**600**
Receivables Other Than Trade Receivables				
Tax refund claims	49	46	43	44
Investees	29	29	23	27
Installment notes or accounts	22	37	39	41
Government	19	30	25	28

Income Tax Refund Claims

ESMARK, INC. (OCT)

	1976	1975
	(In thousands of dollars)	
Current assets		
Receivables	$318,042	$292,735
Refundable federal income taxes	14,600	

Financial Comments

Working Capital (in part)—Receivables have been reduced by allowances of $6.1 million ($4.7 million in 1975) for possible losses.

Refundable federal income taxes consist of the excess of estimated tax payments made in 1976 over federal income taxes payable and 1976 investment tax credits to be carried back to prior years.

INTERSTATE BRANDS CORPORATION (DEC)

	1976	1975
Current Assets		
Accounts receivable	$22,586,744	$21,543,815
Recoverable federal and state income tax (Note 3)	959,230	—

Note 3 (in part): Income Tax—The provision for federal and state income tax represents 30.0% of pre-tax income for 1976 and 43.7% for 1975 as follows:

	Percent of Pre-tax Income	
	1976	1975
Computed "expected" federal tax	48.0%	48.0%
State income tax	3.9	2.5
Investment tax credit	(18.4)	(6.7)
Depreciation on higher tax basis assets	(1.6)	—
Miscellaneous items	(1.9)	(.2)
	30.0%	43.7%

Recoverable income tax of $959,230 at January 1, 1977 is the result of advance payments on 1976 federal and state income tax liability and carryback of investment tax credit.

MOUNT VERNON MILLS, INC. (DEC)

	1976	1975
Current Assets:		
Cash	$ 1,051,652	$ 1,041,668
Marketable securities at cost plus accrued interest (which approximates market)		497,589
Current maturities of non-current receivables:		
Customer (Note 3)	108,443	108,443
Notes receivable (Note 4)	228,056	
Receivables:		
Customers	18,432,627	14,886,589
Others	770,053	259,067
Refundable income taxes (Note 1)	857,519	1,029,827
Inventories (Notes 1 and 2):		
Raw materials, goods in process, and finished goods	9,400,369	8,629,763
Supplies, etc.	1,460,841	1,298,295
Future income tax benefits (Notes 1 and 4)		236,806
Prepaid expenses	165,582	236,242
Total current assets	$32,475,142	$28,224,289

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

Income Taxes—Refundable income taxes result from (1) the carryback to prior years of investment tax credits and net operating losses for tax purposes (resulting principally from items discussed in the following paragraph) and (2) overpayments on estimates of current year's income taxes.

Future income tax benefits resulted from the recognition for financial reporting purposes of the loss on the closing of the Rock Hill plant (see Note 4) in advance of its deductibility for tax purposes. Deferred income taxes arose principally from using straight-line depreciation for accounting purposes and accelerated depreciation for income tax purposes.

The Company and Turner Halsey Company Incorporated file consolidated federal income tax returns and accordingly the provisions for income taxes have been made on this basis.

The companies use the flow-through method of accounting for investment tax credits.

Receivables from Investees

GENERAL ELECTRIC COMPANY (DEC)

	1976	1975	Additional information
	(In millions)		
Current receivables	$2,717.3	$2,687.2	(Note 10)

Note 10: Current Receivables

December 31	1976	1975
	(In millions)	
Customers' accounts and notes	$2,330.1	$2,312.2
Associated companies	87.5	100.9
Nonconsolidated affiliates	2.1	1.1
Other	353.4	326.8
	2,773.1	2,741.0
Less allowance for losses	(55.8)	(53.8)
	$2,717.3	$2,687.2

INTERNATIONAL HARVESTER COMPANY (OCT)

	1976	1975
	($000)	
Current Assets		
Cash	$ 40,032	$ 49,428
Marketable securities, principally at cost which approximates market	521	597
Receivables, net (Note 9)	603,010	630,118

Notes to Financial Statements

Note 9: Receivables—Receivables at October 31 by major classifications were as follows:

	1976	1975
	(Thousands of dollars)	
Trade notes	$ 82,250	$106,323
Less unearned finance charges	4,396	5,266
Sub-total	77,854	101,057
Trade accounts	420,778	416,880
Nonconsolidated companies	61,768	52,474
Other	57,393	71,333
Total	617,793	641,744
Less allowance for losses	14,783	11,626
Receivables, net	$603,010	$630,118

Included in trade notes at October 31, 1976 is $13 million maturing after October 31, 1977 at interest rates which range from 5% to 24%.

Sales finance subsidiaries purchase nearly all notes receivable and some accounts receivable arising from sales by operations in Australia, Canada, New Zealand and the United States and some receivables arising from sales by other affiliated companies.

REYNOLDS METALS COMPANY (DEC)

	1976	1975
Current Assets		
Cash—including time deposits and commercial paper of $19,104,000 (1975-27,488,000)	$ 65,016,000	$ 65,622,000
Receivables:		
Customers, less allowances of $4,800,000 (1975-$5,100,000)	236,987,000	177,274,000
Unconsolidated subsidiaries and associated companies	28,169,000	25,172,000
Other	20,610,000	17,715,000
	$285,766,000	$220,161,000
Inventories—Note A	583,429,000	550,855,000
Prepaid expenses	8,583,000	8,281,000
Total current assets	$942,794,000	$844,919,000

Installment Receivables

BEECH AIRCRAFT CORPORATION (SEP)

	1976	1975
Current Assets		
Cash	$ 4,783,990	$ 5,266,154
Marketable securities—at cost (approximate market)	239,618	407,952
Trade notes and accounts receivable:		
Installment receivables, less allowances for losses and unearned finance charges—Note C	29,610,041	31,499,153
United States Government and prime contractors	6,216,018	5,645,064
Other, less allowances of $283,789 in 1976 and $307,262 in 1975	6,966,163	6,342,348
	42,792,222	43,486,565
Inventories	106,044,518	100,682,865
Prepaid expenses	695,027	1,207,164
Total current assets	$154,555,375	$151,050,700

Note C: Installment Receivables—Installment receivables are reduced by allowances for losses of $1,067,064 and $892,539 and by unearned finance charges of $4,621,459 and $6,656,589 in 1976 and 1975, respectively. Installment receivables include $12,534,117 in 1976 and $15,950,243 in 1975 (exclusive of unearned finance charges) which are not due within one year.

BRUNSWICK CORPORATION (DEC)

	1976	1975
	($000)	
Current Assets		
Cash (Note 8)	$ 3,778	$ 17,951
Bank time deposits (Note 8)	8,690	2,325
Marketable securities, at cost, which approximates market	28,864	763
Accounts and notes receivable:		
Accounts	119,002	116,583
Installment notes (Note 2)	52,608	68,217
Unearned interest	(11,095)	(15,277)
Allowance for possible losses on receivables	(10,119)	(10,441)
	150,396	159,082
Inventories (Note 3)	242,952	196,753
Prepaid expenses and prepaid income taxes	12,472	9,044
Total current assets	$447,152	$385,918

Note 2: Installment Notes Receivable—In 1975, the Company discontinued financing sales of bowling capital equipment. The maturities of the remaining installment notes as of December 31, 1976, are:

(dollars in thousands)	
1977	$12,764
1978	10,495
1979	8,955
1980	6,979
1981	4,986
1982	3,679
1983	2,749
1984, etc.	2,001
	$52,608

Amounts due after one year are classified as current assets in conformity with trade practices. Installment notes receivable include add-on interest equivalent to simple interest of 6% to 14%.

HARRIS CORPORATION (JUN)

	1976	1975
Current Assets		
Trade accounts and notes receivable:		
Accounts receivable	$ 87,472,718	$ 89,358,738
Installment notes (including $7,684,000 in 1976 and $11,900,000 in 1975 due after one year)	18,211,533	23,203,534
	105,684,251	112,562,272
Less deferred interest income ($2,358,000 in 1976 and $3,624,000 in 1975) and allowances for collection losses	6,474,672	7,825,444
Total trade accounts and notes receivable	$ 99,209,579	$104,736,828

HOBART CORPORATION (DEC)

	1976	1975
Current Assets		
Receivables	$95,502,262	$88,942,770

Notes to Consolidated Financial Statements

Receivables—Receivables include installment sales contracts of $19,000,000 ranging over periods of 12 to 60 months, of which approximately $5,400,000 is due after one year from December 31, 1976. Receivables at December 31 have been reduced as follows:

	1976	1975
Allowance for doubtful accounts	$1,312,000	$1,084,000
Unearned finance charges	2,373,000	2,422,000
Total	$3,685,000	$3,506,000

JOY MANUFACTURING COMPANY (SEP)

	1976	1975
Current Assets		
Receivables	$126,914,000	$109,176,000

Notes to Consolidated Financial Statements

Receivables—Receivables include the following:

	1976	1975
Trade receivables	$115,523,000	$ 96,222,000
Installment notes	5,139,000	6,197,000
Retentions on long-term contracts	5,703,000	5,740,000
Due from unconsolidated subsidiaries	1,447,000	2,270,000
	127,812,000	110,429,000
Less allowance for doubtful accounts	898,000	1,253,000
Receivables	$126,914,000	$109,176,000

In accordance with generally recognized trade practice, all installment notes, including those which mature subsequent to one year amounting to $2,312,000 at September 24, 1976 and $2,709,000 at September 26, 1975, have been included in current assets.

Retentions on long-term contracts include $1,179,000 at September 24, 1976 and $1,027,000 at September 26, 1975, which are collectible after one year.

SNAP-ON TOOLS CORPORATION (DEC)

	1976	1975
Current Assets		
Receivables:		
Customers	$14,910	$11,791
Installment (Note 1b)	41,937	29,358
	56,847	41,149
Less:		
Unearned finance charges	6,575	4,524
Allowance for doubtful accounts	937	821
	7,512	5,345
	49,335	35,804
Dealers, salesmen and other	4,133	3,267
Total accounts receivable	$53,468	$39,071

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of Accounting Policies

b: Installment Receivables—Installment receivables include amounts which are due subsequent to one year from balance sheet dates. It is impractical to present a segregation of receivables due within one year, Unearned interest applicable to the installment receivables is transferred to income, in part, in the month the receivable arises, as an offset to initial costs, and for periods prior to 1976 the remainder was taken into income in equal monthly amounts over the terms of the obligations. At January 1, 1976, the Company changed its method of transferring the remainder of unearned interest to income to the "liquidation method." The liquidation method requires that the percentage of collections, during a given month, of total installment receivables be applied to the unearned interest and the result taken into income. The effect of the change is immaterial to the consolidated statements.

Receivables from Government

CUTLER-HAMMER, INC. (DEC)

	1976	1975
Current Assets		
Accounts and notes receivable (Note 8)	$70,237,339	$72,795,022

Note 8: Accounts and Notes Receivable—Accounts and notes receivable at December 31 were as follows:

	1976	1975
Commercial Customers:		
Amounts billed	$60,676,004	$61,154,675
Unbilled	379,051	361,487
U.S. Government:		
Amounts billed	6,718,845	10,338,231
Unbilled	3,887,480	2,572,049
	71,661,380	74,426,442
Less—Allowance for doubtful items	1,424,041	1,631,420
	$70,237,339	$72,795,022

Unbilled receivables arise primarily from cost-plus contracts and multi-year contracts. Unbilled receivables arising from cost-plus contracts are generally billed in the month following the incurrence of costs. Unbilled receivables arising from multi-year fixed-price contracts of a very significant size, on which revenue is recognized on a percentage of completion basis related to costs incurred, are billed when units or systems are delivered under the contracts or, when permitted by the terms of the contract, prior to delivery as progress billings. It is anticipated that the majority of the latter will be billed and collected in 1977. Retainage included in the above amounts is insignificant.

NORTHROP CORPORATION (DEC)

	1976	1975
Current assets		
Accounts receivable—Note G	$128,404,000	$132,170,000

Notes to Consolidated Financial Statements

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

Accounts Receivable—Included in accounts receivable are amounts billed and currently due from customers under all types of contracts and amounts currently due but unbilled, plus certain estimated contract changes and claims in negotiation, and amounts retained pending contract completion.

Note G: Accounts Receivable—Accounts receivable are composed of the following elements:

	1976	1975
Amounts receivable from the U.S. Government, principally long-term contracts		
Current accounts		
Billed	$ 29,555,000	$ 19,479,000
Unbilled	33,856,000	17,286,000
Due upon negotiation of increases on contract values for customer changes and claims, unbilled	111,000	1,649,000
Due upon completion of contracts	3,394,000	3,058,000
Total due from U.S. Government	66,916,000	41,472,000
Amounts receivable from other customers, principally long-term contracts		
Current accounts		
Billed	48,531,000	42,375,000
Unbilled	7,756,000	16,330,000
Due upon negotiation of contract changes for customer-caused delays, changes, claims, and price escalation, including unbilled of $1,441,000 in 1975		1,635,000
Due upon completion of contracts	7,883,000	10,246,000
Total due from other customers	64,170,000	70,586,000
Due from the Government of Iran		19,661,000
Other accounts receivable	5,333,000	5,376,000
	136,419,000	137,095,000
Less allowances for doubtful amounts	8,015,000	4,925,000
	$128,404,000	$132,170,000

Unbilled current accounts represent revenues recognized on contracts for which billings have not been presented to customers at the balance sheet date. These revenues are billed and generally collected within one year.

The amounts due upon completion of contracts are retained for payment at the time of completion and customer acceptance of the work performed.

Accounts receivable at December 31, 1976 are expected to be collected in 1977, except for approximately $2,235,000 due in 1978 and $1,537,000 due in 1979 and later.

The amount recorded as Due from the Government of Iran has been reclassified to Other Assets: Notes and Accounts Receivable and Sundry Assets in the December 31, 1976 balance sheet. The reclassification of $19,382,000 was due to the possible further delay in arriving at a final contract price. This obligation relates to the performance for the Government of Iran of a long-term contract accounted for by the percentage-of-completion method. The construction portion was completed in mid-1975, and total contract performance was completed in late 1976. Due to additional customer requirements, changes, and delays, final costs exceeded the contract price. The corporation has submitted documentation in support of claims against the Government of Iran for the purpose of securing appropriate increases in the contract price. The total claims exceed the amount recorded as due from the Government of Iran. In 1973, the customer allocated to the program and paid to the corporation an additional $60 million, but did not agree to a final price.

When contract performance delays and other uncertainties first became evident in 1972 and it appeared that final cost would therefore exceed the contract price, management decided that no profit would be recorded subsequent to the date for work performed on the contract until the final contract price was determined.

Management believes that the final contract price will be negotiated within a reasonable period of time. However, in the event such a mutually agreeable settlement is not forthcoming, the contract terms provide the means to settle disputes. No material adverse effects upon the company's financial position or the results of its operations are anticipated as a result of final settlement.

GENERAL DYNAMICS CORPORATION (DEC)

	1976	1975
	($000)	
Current Assets:		
Accounts receivable:		
United States and Canadian Governments	$105,449	$ 84,049
Commercial customers, less allowances for doubtful accounts of $8,321 in 1976 and $7,812 in 1975	143,693	144,662

Other

ALBERTSON'S, INC. (JAN)

	1977	1976
Current Assets:		
Accounts and notes receivable	$12,679,549	$17,952,603

Notes to Consolidated Financial Statements

Accounts and Notes Receivable—Accounts and notes receivable consist of the following:

	January 29, 1977	January 31, 1976
Trade accounts receivable	$ 9,486,754	$ 8,893,942
Trade notes receivable	511,708	391,638
Notes receivable-other	2,698,648	8,801,193
Less allowance for doubtful accounts	(17,561)	(134,170)
	$12,679,549	$17,952,603

Notes receivable-other at January 29, 1977 is the current portion of the Mountain States Wholesale sale proceeds. The noncurrent portion of the note is included in other assets. Notes receivable-other at January 31, 1976 represented the expenditures for land and construction in progress made on behalf of the purchasers in connection with new store sale and leaseback financing. Upon completion of the stores the notes were paid.

FDI, INC. (APR)

	1976	1975
Current Assets:		
Cash	$ 655,111	$ 492,652
Accounts receivable, less allowance for doubtful accounts of $2,092,000 ($2,865,514 in 1975)	19,986,009	17,278,559
Receivable—sale of assets (Note 8)	729,356	—

Note 8: Closing and Sale of Certain Operations—As of April 30, 1976, an insignificant division of the Company was sold, which represented the principal portion of the charge to operations of approximately $226,000. The $729,356 receivable from the sale was collected in May, 1976.

During the five-month period ended April 30, 1975, management decided to eliminate an unprofitable portion of a product line, close one production facility and two warehouses and sell a foreign warehouse. Costs relating to these actions charged to operations for the five-month period included charge-off of deferred preproduction costs of $520,000, equipment $890,000, inventories and receivables of $830,000 and other intangible assets of $285,000.

LABARGE, INC. (DEC)

	1976	1975
Current Assets:		
Accounts receivable, net of allowance for doubtful accounts of $220,064 in 1976 and $413,562 in 1975	$7,113,910	$7,189,329
Other receivables	1,454,608	—

Notes to Consolidated Financial Statements

Note 9: Subsequent Event—During 1976, the Company expended approximately $1,400,000 on behalf of the City of Charleston, Coles County, Illinois for construction of a manufacturing facility to be used by the Company but owned by the City of Charleston, Coles County, Illinois. On February 17, 1977, the Company was reimbursed for such expenditures from proceeds of an industrial development bond issue of the City for the facility. At December 31, 1976, the Company classified the $1,400,000 as a current receivable as a result of the subsequent reimbursement.

MILTON ROY COMPANY (DEC)

	1976	1975
Current Assets:		
Cash	$ 378,878	$ 853,983
Marketable securities at cost which approximates market and certificates of deposit	1,126,045	864,461
Accounts receivable, less allowance for doubtful accounts of $568,773 and $319,693	8,882,993	8,244,723
Notes receivable, within one year	420,811	—

TABLE 2-6: RECEIVABLES USED FOR FINANCING

	1976	1975	1974	1973
Receivables sold with recourse	69	68	69	67
Receivables sold without recourse	9	16	12	9
Receivables used as collateral	25	28	21	16
Total References	**103**	**112**	**102**	**92**
Reference to receivable financing	96	107	98	87
No reference to receivable financing	504	493	502	513
Total Companies	**600**	**600**	**600**	**600**

RECEIVABLES USED FOR FINANCING

Table 2-6 shows that 96 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.
>
> .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 wtih 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 financing receivables follow.

Receivables Sold With Recourse

AMF INCORPORATED (DEC)

	1976	1975
	($000)	
Current Assets:		
Notes and accounts receivable (Note 3)	$226,006	$220,712

Note 3: Notes and Accounts Receivable—Notes and accounts receivable from customers at December 31 include the following, less unearned interest (in thousands of dollars):

	1976	1975
Amounts due within one year	$219,544	$225,268
Amounts due beyond one year	40,495	33,072
	260,039	258,340
Allowance for possible losses	(34,033)	(37,628)
	$226,006	$220,712

Amounts due beyond one year relate to the Company's bowling products business and are included in current assets in accordance with industry practice.

Unearned interest was $17,353,000 at December 31, 1976 and $13,897,000 at December 31, 1975.

Interest rates on notes receivables of $75,017,000 at December 31, 1976 and $89,063,000 at December 31, 1975 range generally from 10% to 13% in the United States, and from 6% to 23% overseas.

The Company is contingently liable on approximately $4,900,000 of long term installment notes and mortgages sold with recourse and has guaranteed approximately $5,700,000 related to dealer floor plan arrangements.

CENTRAL SOYA COMPANY, INC. (AUG)

	1976	1975
	(In Thousands)	
Current Assets:		
Cash	$ 9,556	$ 9,228
Notes and accounts receivable, net	102,241	114,501

Notes to Consolidated Financial Statements

Notes and Accounts Receivable—Notes and accounts receivable are reduced by an allowance for doubtful accounts of $4.7 million ($6.4 million at August 31, 1975). Receivables include $8.7 million ($7.2 million at August 31, 1975) of notes due on demand or without one year.

The Company is contingently liable for receivables discounted aggregating approximately $8.1 million.

DENTSPLY INTERNATIONAL INC. (DEC)

	1976	1975
Current Assets		
Notes and accounts receivable, less discounts and allowances: 1976-$1,680,197; 1975-$585,638	$32,847,375	$15,705,011

Notes to Consolidated Financial Statements

Note 11 (in part): Commitments and Contingencies—The Company has sold certain receivables with recourse liability approximating $3,320,000 and $2,102,000 at December 31, 1976 and 1975.

INTERNATIONAL MULTIFOODS CORPORATION (FEB)

	1976	1975
	(Dollars in thousands)	
Current Assets:		
Accounts and notes receivable, less allowance for doubtful receivables, $3,057 in 1976; $2,699 in 1975	$81,837	$83,841

Notes to Consolidated Financial Statements

Note 11 (in part): Commitments and Contingencies—At February 29, 1976, certain subsidiaries of the Company were contingently liable to repurchase notes receivable sold with recourse in the amount of approximately $3,100,000. At February 29, 1976, estimated costs to complete improvements in progress aggregated approximately $6,400,000.

UMC INDUSTRIES, INC. (DEC)

	1976	1975
Current Assets:		
Notes and accounts receivable, less allowances of $1,899,000 in 1976 and $1,451,000 in 1975	$34,970,000	$34,051,000

Notes to Financial Statements

Note 8 (in part): Commitments and Contingent Liabilities—At December 31, 1976 and 1975, the Company and its subsidiaries were contingently liable to the extent of approximately $5,297,000 (including $1,064,000 foreign) and $5,179,000 (including $906,000 foreign) respectively, principally on customers' finance receivables discounted. . . .

F.W. WOOLWORTH CO. (JAN)

	1977	1976
	(In thousands of dollars)	
Current Assets		
Trade receivables, less allowance of $4,500 and $10,700	$18,200	$229,700

Notes to Consolidated Financial Statements

Note 2: Sale of Trade Receivables—In January 1977 the Company, in the United States and Canada, sold to General Electric Credit Corporation (GECC) and Bank of Montreal (B of M) trade receivables aggregating approximately $216,100,000, less an initial discount of approximately $2,200,000. Most of the accounts were sold with recourse. The Company continues to offer credit plans to qualified customers; GECC and B of M have agreed to purchase, without recourse after a transitional period, future trade receivables, as they arise, at discounts ranging from 1.75% to 3% in the United States and 3% to 5% in Canada. In the United States, the Company will also pay a fee for each account billed.

Receivables Sold Without Recourse

WHITE MOTOR CORPORATION (DEC)

	1976	1975
	(In Thousands)	
Currnet Assets		
Trade receivables:		
Accounts	$111,122	$104,634
Notes and installment contracts	12,429	8,456
	123,551	113,090
Less allowances for doubtful receivables	3,262	5,108
	$120,289	$107,982

Notes to Financial Statements

Accounting Policies (in part)

The White Motor Credit Corporation—The investment in the finance subsidiaries represents cost ($23,000,000) and equity in undistributed earnings since inception. Substantially all notes acquired by the Corporation during the ordinary course of business through the sale of equipment are sold to its wholly-owned finance subsidiaries without recourse to the Corporation. Such notes are sold at prevailing market rates of interest and at a discount to provide for possible loan losses. Since notes received from dealers upon shipment of complete units are usually interest-free for varying periods of time, the Corporation and its subsidiaries pay interest to the finance subsidiaries on wholesale notes from the date notes are purchased until the dealer becomes liable for interest. The Corporation and its subsidiaries are paid for services rendered in the collection and maintenance of certain note records and are reimbursed for occupancy costs, employee compensation and employee benefits paid for the finance subsidiaries.

Note I (in part): Commitments and Contingencies—At December 31, 1976, the Corporation and its subsidiaries were contingently liable under certain repurchase agreements relating to notes discounted after reduction, where appropriate, for estimated potential realization of collateral, as follows:

	Domestic and Canadian	Other Foreign	Total
	(In Thousands)		
Notes discounted	$30,445	$6,432	$36,877
Less collateral	27,994	3,184	31,378
Contingent liability	$ 2,451	$3,248	$ 5,699

Receivables Used as Collateral

CONSOLIDATED PACKAGING CORPORATION (DEC)

	1976	1975
Current Assets:		
Cash	$ 166,000	$ 485,000
Receivables, less allowance for doubtful items—$130,000 in 1976 and $150,000 in 1975 (Note 3)	5,021,000	5,837,000

Note 3: Loans Payable—Loans payable represent a revolving loan agreement which bears interest at the prime rate plus four and one-half percentage points at December 31, 1976. The average outstanding loan balance was $7,300,000 in 1976 and $6,400,000 in 1975. The weighted average interest rate on these loans was 11.7% in 1976 and 12.4% in 1975. The maximum balance outstanding under this revolving loan agreement at any month-end in 1976 was $8,000,000 and in 1975 was $7,800,000.

A security interest is granted in all inventories and accounts receivable as collateral under the terms of the agreement.

U.S. INDUSTRIES, INC. (DEC)

	1976	1975
	(In Thousands)	
Current Assets		
Cash and time deposits (1976-$9,826,000; 1975-$14,564,000)	$ 46,056	$ 58,186
Trade receivables, less allowances (1976-$11,549,000; 1975-$11,286,000)—Note D	145,358	170,770

Note D (in part): Long-Term Debt and Revolving Credit Agreement—A summary of long-term debt outstanding at December 31, is as follows:

	1976 (Thousands)	1975 (Thousands)
Notes payable to banks under a Credit Agreement	$ 30,000	$ —
7.75% Sinking Fund Debentures due June 1, 1997	50,000	50,000
7.35% notes payable to insurance companies in annual installments of $3,000,000	21,000	24,000
Mortgage notes payable through 1994 (approximate average interest rate 7.8%)	13,693	14,360
Notes and other debt payable through 1988 (approximate average interest rate 7.1%)	12,046	12,229
	126,739	100,589
Less portion due within one year	6,893	8,388
	$119,846	$ 92,201

At December 31, 1976, approximately $3.6 million of receivables, $7.4 million of inventory and $30.8 million of property, plant and equipment were pledged as collateral for long and short-term indebtedness.

The maturities of long-term debt during the five years subsequent to December 31, 1976, are as follows: 1977-$6.9 million; 1978-$9.4 million; 1979-$11.3 million; 1980-$15.7 million; 1981-$15.4 million.

UNITED TECHNOLOGIES CORPORATION (DEC)

	1976	1975
	($000)	
Current Assets:		
Accounts receivable	$627,543	$742,904

Notes to Financial Statements

Note 4: Accounts Receivable—Allowances for doubtful accounts of $18,530,000 and $17,796,000 have been applied as a reduction in current accounts receivable at December 31, 1976 and 1975, respectively.

The Corporation has pledged to the lenders under the Corporation's 5% Sinking Fund Notes, long-term receivables in an amount at least equal to the unpaid principal amount of the Notes outstanding, in consideration for elimination of the major restrictive covenants of the Note Agreements. The amount of receivables so pledged at December 31, 1976 aggregated $30,243,000, including $12,271,000 currently receivable.

Factoring Agreements

DAN RIVER INC. (DEC)

	1976	1975
	amounts in thousands	
Current Assets:		
Notes and accounts receivable:		
Trade	$58,854	$56,391
Due from factor	21,972	12,501
Other	2,791	4,092
	83,617	72,984
Less allowance for discounts, interest and doubtful receivables	2,090	2,095
Net notes and accounts receivable	$81,527	$70,889

UNIFI, INC. (JUN)

	1976	1975
Current Assets:		
Receivables:		
Factors	$ 9,250,136	$10,459,552
Refundable income taxes	1,377,827	—
Other	1,520,875	332,920
	12,148,838	10,792,472
Less: Allowance for doubtful accounts	177,902	76,126
Net receivables	$11,970,936	$10,716,346

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of Accounting Policies and Practices

Accounts Receivable—Certain customer accounts receivable are factored without recourse as to credit risk. An allowance for loss is provided for accounts not factored.

ALLOWANCES FOR DOUBTFUL ACCOUNTS

Table 2-7 summarizes the captions used by the survey companies to describe an allowance for doubtful accounts. *APB Opinion No. 12* states that such allowances should be deducted from the related receivables and appropriately disclosed.

Approximately 10% of the survey companies, in addition to deducting an allowance for uncollectible accounts from receivables, also deducted amounts for unearned discounts or finance charges.

TABLE 2-7: DOUBTFUL ACCOUNT CAPTIONS

	1976	1975	1974	1973
Allowance for doubtful accounts	254	272	246	245
Allowance	117	125	122	116
Allowance for losses	38	34	44	44
Reserve	30	32	32	42
Reserve for doubtful accounts	11	13	12	10
Allowance for uncollectible accounts	11	9	12	11
Other caption titles	37	47	33	32
	498	532	501	500
Receivables shown net	14	7	9	9
No reference to doubtful accounts	88	61	90	91
Total Companies	**600**	**600**	**600**	**600**

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.

Forty-eight companies disclosed that certain LIFO inventory levels were reduced with the result that net income was increased due to the matching of older historical cost with present sales dollars.

Examples of disclosure and reporting practices for inventories follow.

TABLE 2-8: INVENTORY COST DETERMINATION

	1976	1975	1974	1973
Methods				
First-in first-out (fifo)........	389	376	375	394
Last-in first-out (lifo)........	331	315	303	150
Average cost................	232	235	236	235
Standard costs..............	31	48	49	52
Retail method...............	26	36	35	37
Other.........................	50	34	56	57
Total Disclosures................	**1059**	**1044**	**1054**	**925**
Use Of LIFO				
All inventories..............	9	11	14	8
50% or more of inventories	167	125	135	49
Less than 50% of inventories	84	86	67	68
Not determinable...........	71	93	87	25
Not used.....................	269	285	297	450
Total Companies.................	**600**	**600**	**600**	**600**

TABLE 2-9: INDUSTRY CLASSIFICATION OF COMPANIES USING LIFO

	1976 No.	1976 %*	1975 No.	1975 %*
Foods:				
Meat products..........	4	44	3	33
Dairy products..........	—	—	—	—
Canning, etc.	7	78	6	60
Packaged and bulk......	7	37	6	32
Baking..................	1	20	—	—
Sugar, confections, etc..	7	100	7	100
Beverages..................	3	50	3	50
Tobacco products...........	3	43	3	43
Textiles.....................	15	52	13	43
Paper products..............	15	94	15	94
Printing, publishing..........	3	38	3	38
Chemicals...................	22	88	22	88
Drugs, cosmetics, etc.	8	40	6	32
Petroleum..................	22	81	22	81
Rubber products............	8	89	8	89
Shoes—manufacturing, merchandising, etc.	3	38	3	38
Building:				
Cement.................	2	50	2	50
Roofing, wallboard......	10	91	11	92
Heating, plumbing.......	5	71	5	71
Other....................	9	53	9	50
Steel and iron...............	21	91	20	87
Metal—nonferrous.........	10	56	11	58
Metal fabricating...........	7	78	9	82
Machinery, equipment and supplies.................	19	53	18	49
Electrical equipment, appliances..............	9	50	9	53
Electrical, electronic equipment..............	12	32	12	32
Business equipment and supplies.................	8	53	6	46
Containers..................	6	75	6	75
Autos and trucks (including parts, accessories)......	12	52	8	35
Aircraft and equipment, aerospace..............	8	50	6	38
Railway equipment, shipbuilding, etc.............	3	43	3	43
Controls, instruments, medical equipment, watches and clocks, etc...........	7	44	7	50
Merchandising:				
Department stores.......	10	83	10	83
Mail order stores, variety stores..........	2	100	3	100
Grocery stores...........	7	47	7	44
Other....................	4	40	1	10
Motion pictures, broadcasting............	—	—	—	—
Widely diversified, or not otherwise classified.....	32	41	32	41
Total................................	**331**	**55**	**315**	**52**

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

FIFO

THE AMERICAN SHIP BUILDING COMPANY (SEP)

	1976	1975
Current Assets:		
Inventories, at lower of cost (first-in, first-out) or market (Note 6)	$15,646,572	$19,976,116

Note 6: Inventories—Inventories are stated at the lower of cost (first-in, first-out) or market and consist of the following:

	1976	1975	1974
Row materials—			
For use in shipbuilding, conversion and repairs	$ 7,997,508	$11,221,993	$11,220,745
Building products	4,429,090	4,444,967	3,813,948
Total raw materials	12,426,598	15,666,960	15,034,693
Finished goods—			
Barges held for sale	1,187,500	1,999,464	—
Building products	2,032,474	2,312,692	2,081,251
Total finished goods	3,219,974	4,309,156	2,081,251
Total inventories	$15,646,572	$19,976,116	$17,115,944

BIRD & SON, INC. (DEC)

	1976	1975
Current Assets:		
Cash, including $500,000 of certificates of deposit in 1975	$ 2,932,000	$ 4,161,000
Marketable securities, at cost which approximates market	4,052,000	11,245,000
Accounts and notes receivable, less allowances—$873,000 in 1976 ($646,000 in 1975)	27,148,000	23,423,000
Inventories—Notes 1 and 3	33,162,000	26,374,000
Prepaid expenses	1,592,000	1,398,000
Total current assets	$68,886,000	$66,601,000

Notes to Consolidated Financial Statements

Note 1 (in part): Accounting Policies

Inventories—Inventories are stated at the lower of cost (generally determined on a first-in, first-out basis) or market. Market for raw materials and supplies is based on current replacement cost and for work-in-process and finished goods on net realizable value.

Note 3: Inventories—Inventories are summarized as follows:

	December 31, 1976	1975
Raw materials and supplies	$12,711,000	$11,741,000
Work-in-process	6,837,000	4,823,000
Finished goods	13,614,000	9,810,000
	$33,162,000	$26,374,000

JOHNSON & JOHNSON (DEC)

	1976 ($000)	1975
Current Assets		
Cash and certificates of deposit	$ 47,509	38,300
Marketable securities, at cost which approximates market value	230,591	199,921
Accounts receivable, less allowances $11,182 (1975 $11,320)	315,179	288,465
Inventories (Notes 1 and 3)	456,170	396,940
Expenses applicable to future operations	17,883	21,281
Total current assets	$1,067,332	$944,907

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

Inventories—Inventories are valued at the lower of cost or market. While cost is determined principally by the first-in, first-out (FIFO) method, the majority of domestic inventories are valued using the last-in, first-out (Lifo) method.

Note 3: Inventories—The inventories consist of:

	January 2, 1977	December 28, 1975
Raw materials and supplies	$142,817,000	124,152,000
Goods in process	88,078,000	79,432,000
Finished goods	225,275,000	193,356,000
	$456,170,000	396,940,000

The following inventory amounts have been valued using the methods noted:

	January 2, 1977	December 28, 1975
LIFO Method	$137,299,000	124,198,000
FIFO Method	318,871,000	272,742,000
Total	$456,170,000	396,940,000

If all inventories were valued on the FIFO basis (which approximates replacement cost), total inventories would have been $506,945,000 and $442,641,000 at January 2, 1977 and December 28, 1975, respectively.

SUPERMARKETS GENERAL CORPORATION (JAN)

	1977 (000's omitted)	1976
Current Assets		
Merchandise inventories	$143,001	$118,729

Notes to Consolidated Financial Statements

Summary of Significant Accounting Policies (in part)

Merchandise Inventories: Inventories are valued at the lower of cost or market. Cost is determined on a FIFO (first-in, first-out) basis under methods common to the industry in which the particular segment of the Company operations, except for department store inventories which are valued on a LIFO (last-in, first-out) basis.

Merchandise Inventories

	January 29, 1977	January 31, 1976
	(000's omitted)	
Lower of FIFO cost or market—		
Retail method	$ 55,329	$ 49,902
Other	70,612	49,906
	125,941	99,808
LIFO cost—retail method	17,060	18,921
Total	$143,001	$118,729

Department store inventories, valued at LIFO cost, are lower by approximately $4,592,000 at January 29, 1977 and $4,348,000 at January 31, 1976, than if valued on a current cost basis.

LEAR SIEGLER, INC. (JUN)

	1976	1975
Current Assets		
Cash	$ 9,309,000	$ 12,430,000
Certificates of deposit and other short-term investments—at cost	18,651,000	2,100,000
Notes and accounts receivable (net of allowances for doubtful collections of $4,722,000 and $3,149,000)	103,465,000	94,280,000
Inventories—at lower of cost (principally first-in, first-out) or market:		
Raw materials	37,710,000	43,909,000
Work in process	34,533,000	33,661,000
Finished goods	27,953,000	29,379,000
Costs recoverable under contracts (net of progress billings of $8,654,000 and $8,128,000)	16,629,000	17,363,000
Fully and partially developed real estate	8,814,000	14,992,000
	125,639,000	139,304,000
Prepaid expenses	7,186,000	6,126,000
Total current assets	$264,250,000	$254,240,000

LIFO

AMSTAR CORPORATION (JUN)

	1976	1975
Current Assets		
Inventories (Note 1)		
Raw cane sugar	$22,901,000	$24,906,000
Stock in process		
Cane sugar	10,111,000	9,322,000
Beet sugar	2,273,000	2,041,000
Finished cane sugar products	19,667,000	16,717,000
Finished beet sugar products	21,318,000	19,918,000
Industrial tools and equipment inventories	23,530,000	14,127,000
Cane and beet materials and supplies	26,811,000	23,847,000
All other inventories	6,433,000	4,848,000

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

Inventories: Substantially all sugar inventories and the inventories of Duff-Norton Company, Inc. and Milwaukee Electric Tool Corporation are valued at cost under the last-in, first-out method (LIFO). These inventories at June 30, 1976, amounted to $93,946,000, which is approximately $54,807,000 (including approximately $5,118,000 applicable to Milwaukee Electric Tool Corporation) less than current costs. The difference at June 30, 1975, excluding Milwaukee Electric Tool Corporation, was $70,902,000.

All other inventories are valued at cost, either average or first-in, first-out.

BLUE BELL, INC. (SEP)

	1976	1975
	(In Thousands)	
Current Assets		
Cash on hand and demand deposits (Note 3)	$ 4,618	$ 4,352
Time deposits	27,070	18,074
Commercial paper, at cost which approximates market	17,308	—
Receivables, principally trade		
Notes	992	1,583
Accounts, less allowances (1976, $1,703; 1975, $1,609)	122,263	99,514
Inventories (Note 2)	163,312	122,433
Prepaid expenses, etc.	4,954	5,403
Total current assets	$340,517	$251,359

Notes to Financial Statements

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

Inventories in the United States generally are stated at cost using the dollar value (single pool) last-in, first-out method. Inventories outside the United States are stated at the lower of cost or market, with cost being determined principally using the first-in, first-out method.

Note 2: Inventories—A summary of inventories, by major classifications, is as follows:

	September 30 1976	1975
	(In Thousands)	
Finished goods	$ 99,066	$ 76,278
Work in process	17,355	13,725
Raw materials	46,891	32,430
Total	$163,312	$122,433

Inventories of finished goods, work in process, and raw materials priced using the last-in, first-out (LIFO) method of determining cost comprised approximately 64% of consolidated inventories at September 30, 1976 and 62% at September 30, 1975. The difference between cost of inventories using the first-in first-out method and cost using the LIFO method was $22,027,000 at September 30, 1976 and $15,575,000 at September 30, 1975. LIFO cost is not in excess of market.

CORNING GLASS WORKS (DEC)

	1976	1975
	($000)	
Current Assets		
Cash	$ 20,425	$ 19,723
Short-term investments, at cost which approximates market value	165,216	91,876
Receivables, net of doubtful accounts and allowances—$6,724/1976; $6,691/1975	135,696	142,833
Inventories	154,647	142,471
Prepaid expenses including deferred taxes on income	38,802	17,454
Total current assets	$514,786	$414,357

Statement of Accounting Policies

Inventories—Inventories are valued at the lower of cost or market. The LIFO (last-in, first-out) method of determining cost is used for substantially all inventories.

Notes to Consolidated Financial Statements

Note 5: Inventories—Inventories used in the determination of cost of sales were:

Dollars in thousands	January 2, 1977	December 28, 1975	December 29, 1974
Finished goods	$ 80,446	$ 77,558	$ 81,199
Work in process	51,462	39,486	63,938
Raw materials and accessories	38,856	39,203	42,776
Supplies and packing materials	16,844	21,092	23,245
Total inventories valued at current cost	187,608	177,339	211,158
Reduction to LIFO valuation	(32,961)	(34,868)	(16,710)
Balance sheet valuation	$154,647	$142,471	$194,448

Reductions of inventory quantities in 1976 and 1975 resulted in a liquidation of LIFO inventory quantities carried at costs prevailing in prior years which were lower than current costs. The effect of these reductions was to increase net income by approximately $930,000 ($.05 per share) in 1976 and $1,730,000 ($.10 per share) in 1975.

DIAMOND INTERNATIONAL CORPORATION (DEC)

	1976	1975
Current Assets		
Cash	$ 9,893,000	$ 6,667,000
Money market investments (at lower of cost or market)	5,773,000	13,364,000
Receivables and unbilled amounts for finished products manufactured under contracts (less allowances)	120,777,000	105,954,000
Inventories	126,824,000	108,626,000
Total current assets	$263,267,000	$234,611,000

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. Approximately 40% of the cost valuation of domestic inventories is valued by the last-in, first-out (LIFO) method. All remaining inventory valuations are determined by the first-in, first-out (FIFO) or average cost methods.

Note 2: Inventories—Inventories, classified by lines of business, consisted of the following (in thousands of dollars):

	December 31, 1976	1975
Lumber and retail operations	$ 37,293	$ 29,153
Packaging products	29,325	26,451
Pulp, paper and paperboard	17,758	14,336
Consumer products	23,777	20,164
Other lines of business and foreign operations	18,671	18,522
Total	$126,824	$108,626

Since a significant portion of the inventory valuation is determined under LIFO using the dollar value method for natural business unit pools, it is impracticable to separate inventories into the finished goods, work in process and raw materials components.

If all inventories valued on the LIFO basis were valued at current costs, inventories would be $25,617,000 and $19,887,000 greater at December 31, 1976 and 1975, respectively.

GOLDBLATT BROS., INC. (JAN)

	1977	1976
Current Assets:		
Merchandise inventories (Note 7)	$36,515,617	$34,690,764

Summary of Significant Accounting Policies

Merchandise Inventories—Retail store inventories are valued by use of the retail inventory method which involves pricing of individual items at current selling prices and the reduction of the amounts so determined to the lower of cost or market by the application of departmental markup ratios. Approximately 70% of inventories has been reduced from the lower of cost or market on a FIFO (first in, first out) basis to convert to a LIFO (last in, first out) cost basis for financial reporting purposes. All other inventories are stated at the lower of FIFO (first in, first out) cost or market.

Notes to Consolidated Financial Statements

Note 7: If the FIFO (first in, first out) method of inventory accounting had been used by the Company, merchandise inventories would have been $10,000,000 and $9,145,000 higher than reported at January 29, 1977, and January 31, 1976, respectively. During 1976 and 1975, the Company reduced certain inventory quantities. This resulted in a liquidation of applicable LIFO inventory quantities carried at lower costs prevailing in prior years. The effect of this was to reduce cost of sales by $279,000 and $629,000 in 1976 and 1975, respectively, and, accordingly, increase net income by approximately $130,000 ($.04 per share) in 1976 and $291,000 ($.10 per share) in 1975.

FRUEHAUF CORPORATION (DEC)

	1976	1975
Current Assets:		
Cash	$ 40,052,251	$ 45,236,738
Trade receivables:		
Accounts receivable	$174,570,352	$151,311,022
Installment contracts	29,282,109	21,183,887
From Fruehauf Finance Company	8,786,026	3,759,271
	$212,638,487	$176,254,180
Less allowance for doubtful receivables	4,250,000	4,250,000
	$208,388,487	$172,004,180
Refundable taxes on income		10,600,690
Inventories (Note A)	229,036,886	212,839,586
Prepaid expenses	7,667,608	7,510,160
Total current assets	$485,145,232	$448,191,354

Summary of Accounting Principles

Inventories—Inventory amounts are based upon physical determinations during the year. The Corporation utilizes the last-in, first-out (LIFO) method for determining cost for substantially all of its domestic inventories. All other inventories are stated at the lower of cost or market with cost prices determined by the first-in, first-out (FIFO) method.

Notes to Financial Statements

Note A: Inventories—A summary of inventories follows:

	December 31 1976	1975
New trailers	$ 25,435,699	$ 25,936,925
Trailer production parts	84,353,281	73,999,461
Automotive parts and components	84,304,424	73,979,482
Service parts and orders in process	24,859,143	27,560,087
Used trailers	10,084,339	11,363,631
Total	$229,036,886	$212,839,586

If the first-in, first-out (FIFO) method of inventory accounting had been used by the Corporation, inventories would have been $50,000,000 and $37,975,000 higher than reported at December 31, 1976, and December 31, 1975, respectively. In 1975, as a result of a reduction in LIFO inventory quantities which were carried at lower costs prevailing in prior years, net earnings were increased by approximately $6,400,000 or $0.54 per share.

OLIN CORPORATION (DEC)

	1976	1975
Current Assets:		
Cash and cash equivalents	$ 29,418,000	$ 98,189,000
Receivables, less allowance for doubtful items, $9,696,000 ($8,392,000 in 1975):		
Trade	178,292,000	161,371,000
Other	13,651,000	30,388,000
	191,943,000	191,759,000
Inventories	243,066,000	225,771,000
Other current assets	14,753,000	15,444,000
Total current assets	$479,180,000	$531,163,000

Notes to Financial Statements

Inventories—It is not practicable to separate the inventory into its components (raw materials, work in process and finished products) because of the use of the dollar value LIFO method.

If the first-in, first-out (FIFO) method of inventory accounting had been used by the company, inventories would have been $87,700,000 and $67,500,000 higher than that reported at December 31, 1976, and December 31, 1975, respectively.

A. E. STALEY MANUFACTURING COMPANY (SEP)

	1976	1975
Current Assets		
Cash	$ 6,375,000	$ 11,864,000
Marketable securities—at cost, which approximates market	—	34,995,000
Receivables—less allowances of $1,845,000 in 1976 and $1,919,000 in 1975	58,758,000	52,599,000
Inventories	100,804,000	75,346,000
Deferred income taxes	3,353,000	2,750,000
Prepaid expenses	1,665,000	794,000
Total current assets	$170,955,000	$178,348,000

Summary of Accounting Policies

Inventories—Corn and soybeans are costed on the last-in, first-out method for domestic operations and on the lower of average cost or market method for foreign operations. All other inventories are at the lower of cost, on a first-in, first-out basis, or market. The Company hedges certain inventories and commodity transactions to minimize risk due to market fluctuations and recognizes gains and losses thereon at the time of sale of the finished product.

Notes to Financial Statements

Inventories—A summary of inventories at year-end, in thousands of dollars, is set forth below:

	1976	1975
Corn and soybeans:		
Domestic operations at LIFO	$ 45,737	$15,026
Foreign operations	6,630	14,108
Finished and in-process	29,519	30,987
Ingredients and supplies	18,918	15,225
	$100,804	$75,346

The excess of replacement or current cost for domestic corn and soybeans over stated LIFO value was $1,600,000 at September 30, 1976 and $6,100,000 at September 30, 1975.

STANADYNE, INC. (DEC)

	1976	1975
	(In Thousands)	
Current Assets		
Cash and temporary cash investments	$18,253	$ 4,145
Marketable securities, at cost		1,429
Accounts receivable (less allowance for doubtful accounts of $400,000)	30,503	24,483
Inventories, at LIFO cost	30,587	25,299
Prepaid expenses	780	678
Total current assets	$80,123	$56,034

Notes to Consolidated Financial Statements

Note 1 (in part): Accounting Policies

Inventories—Inventories are generally stated on the last-in, first-out cost (LIFO) method of valuation adopted in 1956.

Note 2: Inventories—Inventories at December 31 were as follows:

	1976	1975
Raw materials	$ 5,153,000	$ 6,157,000
Partly finished product	15,053,000	10,680,000
Finished product	10,213,000	8,277,000
Supplies	168,000	185,000
	$30,587,000	$25,299,000

The above amounts reflect $21,246,000 in 1976 and $18,636,000 in 1975 for reduction of current costs to LIFO costs.

Average Cost

BELDING HEMINWAY COMPANY, INC. (DEC)

	1976	1975
Current Assets:		
Cash	$ 2,207,000	$ 1,550,000
Accounts receivable—trade (less allowances of $1,111,000 and $1,054,000)	15,081,000	18,254,000
Miscellaneous receivables	318,000	395,000
Merchandise inventories:		
Raw materials and greige goods	7,459,000	6,939,000
Work in process	5,919,000	6,042,000
Finished goods	14,170,000	12,696,000
Total current assets	$45,154,000	$45,876,000

Notes to Financial Statements

Summary of Significant Accounting Policies (in part):

Merchandise Inventories—Merchandise inventories are stated at the lower of cost (principally average cost) or market.

CAMPBELL SOUP COMPANY (JUL)

	1976	1975
	(000 omitted)	
Current Assets		
Cash	$ 19,466	$ 15,588
Marketable securities, at cost, which approximates market	67,866	71,458
Accounts receivable, less allowances ($1,458 in 1976 and $1,442 in 1975)	103,107	97,373
Inventories—Note 2	305,964	254,813
Prepaid expenses	13,719	14,401
	$510,032	$453,633

Summary of Significant Accounting Policies

Inventories—Raw materials, supplies and foreign subsidiaries' container inventories are priced at average cost but not in excess of current replacement cost. Domestic container inventories are priced at cost determined by the last-in, first-out (LIFO) method. Finished products, except for the domestic container components therein for which the LIFO method is used, are priced at average production cost but not in excess of selling price less distribution costs.

Notes to Consolidated Financial Statements

(000 omitted from dollar amounts)

Note 2: Inventories–

Raw materials, containers and supplies	$179,207	$155,154
Finished products	126,757	99,659
	$305,964	$254,813

If LIFO inventories, which represent approximately 13% of total inventories, were priced using the average cost method they would have been $10,675 and $8,342 higher than reported at August 1, 1976 and August 3, 1975, respectively.

INTERNATIONAL MINERALS & CHEMICAL CORPORATION (JUN)

	1976	1975
	(In millions)	
Current Assets:		
Cash	$ 18.0	$ 22.4
Deposits and marketable securities, at cost which approximates market	70.0	43.4
Receivables, less allowances of $7.1 in 1976 and $7.8 in 1975	195.0	196.3
Inventories		
Products (principally finished)	184.2	171.8
Operating materials and supplies	29.7	30.5
	213.9	202.3
Prepaid expenses	15.6	4.9
	$512.5	$469.3

Summary of Accounting Policies

Inventories—Inventories are stated at the lower of cost or market (net realizable value). Cost is determined on the basis of cumulative annual averages and specific items. In 1976, the last-in, first-out method was discontinued for a small segment of inventories.

Notes to Consolidated Financial Statements

Inventories—Product inventories at June 30, 1976 and 1975 are as follows:

(In millions)	1976	1975
Agriculture	$ 59.9	$ 83.4
Chemicals	31.9	34.3
Industry	80.4	43.9
Land held for sale	12.0	10.2
	$184.2	$171.8

The cost of U.S. inventories of CSC (acquired in 1975) was based on the LIFO method. In 1976, the average cost method was adopted to conform to IMC's inventory accounting policy. The change increased net earnings in 1976 by $2.1 million ($.12 per primary share).

Standard Cost

BAKER INTERNATIONAL CORPORATION (SEP)

	1976	1975
	(In thousands of dollars)	
Current Assets:		
Cash	$ 7,048	$ 15,220
Receivables—less allowance for doubtful accounts: 1976, $2,771,000; 1975, $2,198,000	115,463	100,887
Inventories—at lower of cost (generally average or standard which approximates actual) or market:		
Finished goods	97,573	83,960
Work in process	39,801	36,573
Raw materials	37,465	37,582
Prepaid expenses and other	5,205	3,833
Total current assets	$302,555	$278,055

THE GILLETTE COMPANY (DEC)

	1976	1975
	($000)	
Current Assets:		
Cash	$ 31,186	$ 34,415
Time deposits and certificates of deposit	38,037	13,077
Marketable securities, at cost which approximates market value	6,821	13,712
Receivables, less allowances of $14,728 ($12,606 in 1975)	294,400	290,446
Inventories:		
Raw materials and supplies	106,379	104,526
Work in process	44,536	43,504
Finished goods	172,527	162,568
Total inventories	323,442	310,598
Prepaid expenses	27,073	24,103
Total current assets	$720,959	$686,351

Notes to Financial Statements

Summary of Significant Accounting Policies (in part)

Inventory Valuation—Inventories are valued at the lower of cost or market. In general, cost is currently adjusted standard cost which approximates actual cost on a first-in, first-out basis.

HEWLETT-PACKARD COMPANY (OCT)

	1976	1975
	($000)	
Current Assets:		
Cash, including time deposits (1976-$77,653; 1975-$65,196)	$ 95,113	$ 68,047
Marketable securities, at cost which approximates market	11,682	9,586
Notes and accounts receivable, less provision for losses in collection (1976-$837; 1975-$1,280)	234,326	204,795
Inventories, at standard cost, which approximates first-in, first-out and average, not in excess of replacement market:		
Finished goods	70,685	62,060
Work in process	80,855	69,219
Raw materials	86,368	73,959
Deposits and prepaid expenses	17,777	11,777
Total current assets	$596,806	$499,443

WINNEBAGO INDUSTRIES, INC. (AUG)

	1976	1975
Current Assets		
Cash including certificate of deposit in 1976, $350,000	$ 2,199,034	$ 1,562,154
Marketable securities, at cost, which approximates market value	—	15,709,539
Trade receivables, less allowance for doubtful accounts $115,000 and $150,000	4,336,816	9,983,865
Income tax refund receivable	1,120,658	959,070
Inventories	40,551,944	38,835,326
Prepaid expenses	1,780,357	3,286,089
Deferred income tax charges	994,079	1,670,987
Total current assets	$50,982,888	$72,007,030

Notes to Consolidated Financial Statements

Note 1 (in part): Significant Accounting Policies

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

Production Cost

HOFFMAN ELECTRONCIS CORPORATION (DEC)

	1976	1975
Current Assets:		
Cash, including short-term bank notes of $500,000 in 1976 and $3,000,000 in 1975	$ 1,592,000	$ 5,252,000
Accounts receivable, less allowances of $163,000 in 1976 and $206,000 in 1975 for doubtful accounts	8,313,000	7,507,000
Income taxes refundable (Note 7)	310,000	—
Inventories, at the lower of cost (first-in, first-out) or market (Note 3)	6,728,000	5,344,000
Government contract inventories, less progress payments and advances (Note 2)	4,887,000	7,386,000
Prepaid expenses	553,000	374,000
Deferred income tax benefits	1,039,000	1,095,000
Deferred fees and commissions	1,572,000	952,000
Total current assets	$24,994,000	$27,910,000

Notes to Consolidated Financial Statements

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

Inventories—Inventories, other than government inventories applicable to long-term contracts, are stated at the lower of cost (principally first-in, first-out) or market and include materials, labor and manufacturing overhead.

Government inventories applicable to long-term contracts are accounted for on a "project" basis (which may include several contracts) and are stated at production cost, including factory overhead and other related costs, reduced by portions applicable to units delivered. These inventories include amounts relating to projects with production cycles longer than one year and a portion thereof may not be sold within one year.

Note 2: Government Contract Inventories and Receivables—Following is a summary of government contract inventories and inventoried costs:

December 31	1976	1975
Finished goods	$ 360,000	$ 519,000
Inventoried costs relating to long-term contracts and projects net of amounts applicable to revenues recognized to date	12,776,000	13,755,000
Miscellaneous small orders in process	482,000	665,000
Common parts and supplies	513,000	436,000
	14,131,000	15,375,000
Less—progress payments and advances related to long-term contracts	9,244,000	7,989,000
	$ 4,887,000	$ 7,386,000

The following tabulation shows the cost elements included in inventoried costs related to long-term contracts and projects.

December 31	1976	1975
Production costs of goods currently in process	$12,328,000	$12,917,000
Excess of production costs of delivered units over the estimated average cost of all units expected to be produced	291,000	375,000
Unrecovered costs subject to future negotiation	157,000	463,000
	$12,776,000	$13,755,000

The excess of production costs of delivered units over the estimated average cost of all units expected to be produced under these projects is based on the total number of units ordered under firm contracts and the assumption that production costs (principally labor) will decrease as efficiencies associated with increased volume, improved production techniques and the performance of repetitive tasks (the learning curve concept) are realized. The excess of costs incurred over estimated average costs for the equivalent finished units in process at December 31, 1976 is $1,110,000. Based on management's estimates of final project costs, all inventoried production costs which exceed estimated average costs are recoverable through the sales price of existing firm orders.

Costs under contracts subject to future negotiation relate principally to contracts for repair and field engineering services which are negotiated based on actual costs incurred. Substantially all of the balance at December 31, 1975 was settled in 1976.

Accounts receivable include $4,867,000 and $3,836,000 relating to long-term contracts and projects at December 31, 1976 and 1975 respectively. At December 31, 1976, there were no significant amounts of unbilled or retention receivables and substantially all receivables are expected to be collected in less than one year.

Note 3: Inventories Other Than Government—Following is a summary of inventories other than government contract inventories:

December 31	1976	1975
Raw materials and supplies	$3,075,000	$2,351,000
Work in process	419,000	164,000
Finished goods	3,234,000	2,829,000
	$6,728,000	$5,344,000

NORTHROP CORPORATION (DEC)

	1976	1975
Current Assets		
Inventoried costs related to long-term contracts—Note B	$395,127,000	$337,026,000
Less progress payments received	292,221,000	214,614,000
	102,906,000	122,412,000
Product inventories—at the lower of cost or market	18,331,000	19,853,000

Notes to Consolidated Financial Statements

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

Inventoried Costs Related to Long-Term Contracts—These costs are primarily work in process under fixed-price-type contracts and are stated on the basis of accumulated costs less the portion of such costs allocated to delivered items. Accumulated contract costs include direct production costs, factory and engineering overhead, contract tooling, other nonrecurring costs, and applicable administrative general expenses.

In accordance with industry practice, inventoried costs include amounts relating to contracts and programs having production cycles longer than one year.

Note B: Inventoried Costs Related to Long-Term Contracts—Inventoried costs related to long-term contracts in process are composed of the following:

	1976	1975
Production cost of items currently in process	$339,194,000	$280,804,000
Excess of production cost of delivered items over the estimated average cost of all items to be delivered under contracts	6,786,000	9,890,000
Administrative and general expenses	42,590,000	35,235,000
Contract tooling and other nonrecurring costs	6,557,000	11,097,000
	$395,127,000	$337,026,000

The excess of production cost of delivered items over the estimated average unit cost represents costs carried forward under the assumption commonly known as the learning-curve concept. This concept assumes that production cost per unit decreases over time due to efficiencies arising from continuous improvements in the performance of repetitive tasks.

The aggregate amounts of administrative and general expenses incurred during 1976 and 1975 were $143,474,000 and $123,390,000, respectively, including independent research and development expenses of $25,754,000 in 1976 and $22,108,000 in 1975. The amounts of administrative and general expenses in long-term contracts were estimated on the basis that the amounts of administrative and general expenses remaining in inventories were proportional to the estimated total of such expenses expected to be charged to the contracts.

Contract tooling and other non-recurring costs which are not sold directly to the customer are charged to cost of sales on a pro rata basis over the number of units to be delivered under the contracts.

Title to substantially all inventories related to contracts with the U.S. Government is vested in the customer according to the provisions of the contracts.

Inventoried costs at December 31, 1974, used in determining cost of sales for 1975, were $307,898,000.

Market

CENTRAL SOYA COMPANY, INC. (AUG)

	1976	1975
Current Assets:		
Inventories	$177,781	$149,499

Statement of Accounting Policies

Inventory Valuation—Grain, soybeans, and soybean oil and meal are valued at market adjusted for hedges and undelivered contracts. The policy of hedging grain and soybean positions is followed to minimize the risk arising from market fluctuations. Feeds, special soybean products and poultry are valued at average processed cost (not in excess of market) and other items of inventory are valued principally at the lower of first-in, first-out costs or market.

Notes to Consolidated Financial Statements

Inventories—Inventories consist of the following:

	1976	1975
Grain, soybeans and soybean oil and meal	$108,224	$ 79,166
Feeds, special soybean products and poultry	27,560	27,224
Ingredients, containers, supplies and other merchandise	41,997	43,109
	$177,781	$149,499

INTERNATIONAL MULTIFOODS CORPORATION (FEB)

	1976	1975
	($000)	
Current Assets:		
Cash	$ 7,317	$ 6,760
Temporary cash investments, at cost, which approximates market	9,921	—
Accounts and notes receivable, less allowance for doubtful receivables, $3,057 in 1976; $2,699 in 1975	81,837	83,841
Advances on grain purchases	7,081	8,775
Inventories:		
Grain	44,275	48,595
Other raw materials	14,747	15,584
Finished and in process goods	34,695	34,326
Packages and supplies	5,416	6,877
Total inventories	99,133	105,382
Prepaid expenses	2,384	2,041
Total current assets	$207,673	$206,799

Notes to Consolidated Financial Statements

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

Receivables—An allowance for doubtful receivables is provided equal to the estimated collection losses that will be incurred in collection of all receivables. Estimated losses are based on historical collection experience coupled with review of the current status of the existing receivables.

Inventory Valuation—U.S. inventories of grain (excluding durum held for processing), flour and millfeeds are valued on the basis of replacement market prices of grain and millfeed prevailing at fiscal year-ends. Such inventories are further adjusted by the amount of gain or loss on open grain and flour contracts, which generally has the effect of adjusting the inventory values to cost for that portion of the inventory related to open grain and flour contracts. All other significant inventories are valued at the lower of cost (first-in, first-out) or market (replacement or net realizable value).

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.

AMERICAN HOME PRODUCTS CORPORATION (DEC)

	1976	1975
Current Assets		
Prepaid taxes and other current assets	$28,855,000	$29,563,000

AMSTED INDUSTRIES INCORPORATED (SEP)

	1976	1975
Current Assets		
Prepaid expenses and income taxes	$4,823,000	$4,751,000

BASIC INCORPORATED (DEC)

	1976	1975
Current Assets		
Prepaid insurance	$360,897	$406,221

CHRYSLER CORPORATION (DEC)

	1976	1975
	(in millions of dollars)	
Current Assets:		
Prepaid insurance, taxes and other expenses	$102.4	$103.6

COMBUSTION ENGINEERING, INC. (DEC)

	1976	1975
Current Assets:		
Prepaid expenses (1d)	$21,504,392	$6,115,551

TABLE 2-10: PREPAID ITEMS

	Number of Companies			
	1976	1975	1974	1973
Nature				
Prepaid expenses	306	314	297	296
Prepaid expenses and other current assets	66	47	61	60
Prepaid expenses and taxes paid in advance	32	33	30	31
Taxes paid in advance	10	18	22	20
Supplies and prepaid expenses	11	12	13	14
Other captions indicating prepaid expenses	42	38	74	75

Notes to Financial Statements

Note 1 (in part): Accounting Policies and Supplementary Information

(d) Prepaid Expenses—In order to permit a longer period of utilization by the pension trust funds, the Company prepaid part of the estimated 1977 salaried and hourly pension plan contributions. Such prepayments aggregated $14,400,000 and were included in prepaid expenses in the accompanying Consolidated Balance Sheet at December 31, 1976.

DIAMOND SHAMROCK CORPORATION (DEC)

	1976	1975
	(In Thousands)	
Current Assets		
Prepaid insurance, etc.	$3,582	$3,100

EASTMAN KODAK COMPANY (DEC)

	1976	1975
	(In Thousands)	
Current Assets		
Prepaid charges applicable to future operations	$95,363	$81,856

SEARS, ROEBUCK AND CO., (JAN)

	1977	1976
	($ in thousands)	
Current Assets		
Prepaid advertising and other charges	$90,445	$97,904

SIGNODE CORPORATION (DEC)

	1976	1975
	(Thousands of Dollars)	
Current Assets		
Expenses applicable to future operations	$1,110	$1,080

UNIVERSAL LEAF TOBACCO COMPANY, INCORPORATED (JUN)

	1976	1975
Current Assets		
Prepaid items:		
Interest, insurance, etc.	$1,236,000	$ 547,000
Federal and state income taxes	1,404,000	1,155,000

ADAMS-RUSSELL CO., INC. (SEP)

	1976	1975
Current Assets:		
Prepaid expenses		
Film contract rights (Note 1c)	$165,300	$164,200
Supplies, at cost	77,600	101,700
Other	218,600	220,200

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

(c) Film Contract Rights—Film contract rights are recorded at the full contract price when purchased. Costs of such contracts are amortized mainly on a straight-line basis over the life of each contract.

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.

Deferred Income Tax

HOFFMAN ELECTRONICS CORPORATOIN (DEC)

	1976	1975
Current Assets:		
Cash, including short-term bank notes of $500,000 in 1976 and $3,000,000 in 1975...	$ 1,592,000	$ 5,252,000
Accounts receivable, less allowances of $163,000 in 1976 and $206,000 in 1975 for doubtful accounts	8,313,000	7,507,000
Income taxes refundable (Note 7)	310,000	—
Inventories, at the lower of cost (first-in, first-out) or market	6,728,000	5,344,000
Government contract inventories, less progress payments and advances.........	4,887,000	7,386,000
Prepaid expenses................	553,000	374,000
Deferred income tax benefits (Note 7)	1,039,000	1,095,000
Deferred fees and commissions	1,572,000	952,000
Total current assets	$24,994,000	$27,910,000

TABLE 2-11: OTHER CURRENT ASSET CAPTIONS

	Number of Companies			
	1976	1975	1974	1973
Nature				
Deferred income taxes......	74	76	68	67
Unbilled costs................	22	35	45	44
Advances or deposits........	14	23	22	21
Property held for resale	20	22	18	15
Other—identified	21	23	20	19
Other current assets	71	45	50	48

Notes to Consolidated Financial Statements

Note 7: Income Taxes—The provision for income taxes represents Federal and state income taxes applicable to reported income.

Provisions for 1976 and 1975, including $346,000 in 1975 applicable to discontinued business, are comprised of the following:

December 31	1976	1975
Current—		
Federal	$ 751,000	$ 1,801,000
State	265,000	343,000
	$1,016,000	$ 2,144,000
Deferred—		
Federal	$ 524,000	$ (152,000)
State	—	10,000
	$ 524,000	$ (142,000)
Total	$1,540,000	$ 2,002,000

For the years ended December 31, 1976 and 1975, total Federal income tax expense amounted to $1,275,000 and $1,649,000 (effective tax rates of 41 percent and 43 percent) which is less than the $1,503,000 and $1,861,000 computed by applying the Federal tax rate of 48 percent to income before taxes. The principal reasons for the differences are the $127,000 and $169,000 Federal benefits from the state tax provisions and investment credit amortization of $68,000 and $43,000 in 1976 and 1975, respectively.

Deferred income tax provisions result from timing differences in the recognition of certain revenues and expenses for tax and financial statement purposes. These differences and the tax effect of each for the two years were as follows:

	1976	1975
Net operating losses of subsidiaries currently deductible	$ 37,000	$ 172,000
State income taxes currently deductible (nondeductible)............	148,000	(169,000)
Reserves and costs currently deductible (nondeductible)............	115,000	(164,000)
DISC income not currently taxable (currently taxable)..............	(91,000)	140,000
Income of prior year currently taxable	—	(128,000)
Deferred investment credit, net....	82,000	86,000
Accelerated depreciation...........	210,000	(10,000)
Other	23,000	(69,000)
	$524,000	$(142,000)

The income taxes refundable as of December 31, 1976, represents excess payments of estimated taxes over the actual amount due for the year then ended.

Accumulated deferred income taxes payable result primarily from the use of accelerated depreciation and the deferral of income applicable to the DISC for income tax reporting purposes. Deferred income tax benefits relate primarily to costs and reserves not currently deductible for tax purposes.

The company's consolidated tax returns for the years 1970 through 1974 have been examined by the Internal Revenue Service. The Service has proposed adjustments, substantially all of which are timing differences that would result in the payment of income taxes in the amount of approximately $880,000. The company has paid $454,000 and is currently contesting the remainder. In the opinion of management, the additional tax due, if any, on the contested assessments will not have a material effect on the financial position of the company.

MOTOROLA, INC. (DEC)

	1976	1975
	(Dollars in thousands)	
Current Assets		
Cash	$ 21,952	$ 26,230
Short-term investments, at cost (approximating market).....	60,839	37,544
Accounts receivable, less provision for doubtful accounts (1976, $10,426, 1975, $8,380)	304,676	252,098
Inventories, at the lower of average cost or market		
Finished goods	93,859	85,122
Work in process and production materials	224,226	196,974
Future income tax benefits	24,145	16,732
Other current assets............	30,621	28,302
Total current assets	$760,318	$643,002

Notes to Consolidated Financial Statements

Note 1 (in part): Accounting Policies:

Income Tax—The company provides for income taxes based on income reported for financial statement purposes. Certain charges to earnings differ as to timing from those deducted for tax purposes. The tax effects of these differences are reflected in the consolidated balance sheets primarily as Future Income Tax Benefits. Investment tax credits are recorded as a reduction of income tax expense in the year that the related assets are placed in service.

Note 4: Income Taxes—Income taxes provided for the years ended December 31, 1976 and 1975 are as follows.

	1976	1975
	(Dollars in thousands)	
Current:		
United States........................	$56,511	$23,704
Other Nations	7,817	6,503
State income taxes (U.S.)	6,323	3,393
Total current	70,651	33,600
Deferred	1,171	3,743
Total income taxes	$71,822	$37,343

Total income taxes differ from the statutory U.S. Federal income tax rate of 48%. The principal reasons for this difference are reflected below:

	1976	1975
Statutory U.S. Federal rate	48.0%	48.0%
Increase/(decrease) in tax rate resulting from:		
Taxes on earnings in other nations, net of loss operations with no tax benefits and tax holidays	1.4	10.5
Tax benefits arising from tax holiday in Puerto Rico	(5.0)	(7.8)
Investment credits	(3.0)	(3.4)
State income taxes	2.1	2.2
Tax benefits derived from consolidation of certain Western Hemisphere Trade Corporations	.4	(1.9)
Other	1.1	—
Effective tax rate	45.0%	47.6%

Income taxes have been provided in the accounts based upon income recorded therein. Certain timing differences exist which cause the current income taxes actually payable to differ from the amount provided. The principal items are as follows:

	1976	1975
	(Dollars in thousands)	
Difference between depreciation recorded for income tax purposes and financial statement purposes	$2,229	$1,440
(Increase)/decrease in:		
Future warranty obligations	12	(207)
Future vacation obligations	(417)	(155)
Inventory adjustment accruals	(89)	861
Incentive bonus plan	(1,701)	406
IRS audit timing reversals	—	660
Other—net	1,137	738
Total	$1,171	$3,743

The company's Federal Income Tax Returns have been examined by the Internal Revenue Service through December 31, 1973.

At December 31, 1976, certain foreign subsidiaries of the company had tax loss carry forwards of approximately $15,000,000.

NORTH AMERICAN PHILIPS CORPORATION (DEC)

	1976	1975
	(Thousands)	
Current Assets:		
Deferred federal income tax benefits (Note 5)	$7,098	$11,438

Note 5 (in part): Income Taxes—For the years subsequent to 1971, federal income tax returns of NAPC and certain subsidiaries are subject to examination by the Internal Revenue Service.

Deferred federal income taxes represent the amounts resulting from the use of accelerated depreciation in the computation of federal income taxes payable currently and from various other timing differences between book and taxable income. Deferred federal income tax benefits included in current assets relate principally to timing differences arising from product warranty expense accruals and other current items.

The components of income tax expense are as follows:

	Year Ended December 31, 1976	1975
	(Thousands)	
Taxes currently payable		
Federal and foreign	$46,584	$11,318
Investment credit	(2,827)	(2,751)
	43,757	8,567
State	6,871	3,345
	50,628	11,912
Deferred		
Tax effect of timing differences between book and taxable income	3,728	5,435
Taxes otherwise payable except for utilization of tax loss carryovers	3,738	3,244
	$58,094	$20,591

Income tax expense in 1976 aggregated $58,094,000, representing an effective tax rate of 47.8%. In 1975, income tax expense aggregated $20,591,000 (an effective rate of 40.2%) which compares with $24,603,000 computed by applying the statutory federal income tax rate of 48% to income before tax.

Unbilled Costs

CURTISS-WRIGHT CORPORATION (DEC)

	1976	1975
Current Assets		
Unbilled charges on long-term contracts	$11,866,000	$32,955,000

Notes to Consolidated Financial Statements

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

Accounting for Long-Term Contracts—The Corporation records sales on its long-term contracts generally on a percentage-of-completion basis, based upon current estimates of manufacturing and engineering costs to complete such contracts. General and administrative expenses are accounted for as period charges and, therefore, are not included in the calculation of the estimates to complete. Sales and estimated earnings for the year are generally accrued and reflected as unbilled charges based on the percentage of actual costs for the year to total estimated cost to completion. The estimated contract costs at completion of the Nuclear Division's existing contracts do not include the benefit of projected new contract awards. Projected losses are provided for in their entirety without reference to the percentage-of-completion. As contracts can extend over one or more years, revisions in earnings estimated during the course of the work are reflected prospectively over the remaining life of the contract.

Note 3: Progress Payments—Progress payments received under U.S. Government prime contracts and subcontracts have been deducted from applicable balance sheet captions as follows:

	1976	1975
Receivables	$ 421,000	$ 930,000
Unbilled charges on long-term contracts	$24,456,000	$40,092,000
Inventories	$ 5,349,000	$ 5,848,000

The Government has a lien on all materials and work-in-progress applicable to the foregoing items, to the extent of these progress payments.

STRUTHERS WELLS CORPORATION (NOV)

	1976	1975
Current Assets		
Cash (Including foreign certificates of deposit of $430,555 in 1976)	$ 3,115,318	$ 5,697,990
Receivables—Net of allowance for doubtful accounts—1976-$30,756; 1975-$28,633	12,755,429	9,165,055
Costs and estimated earnings in excess of billings	2,563,258	2,363,665

Notes to the Financial Statements

Note 3: Costs and Estimated Earnings in Excess of Billings—Costs and estimated earnings in excess of billings on long-term contracts are summarized as follows:

	1976	1975
Work in process costs	$ 662,847	$1,349,137
Recoverable costs and accrued profits—not billed	2,089,106	1,740,584
Less advance payments received	(188,695)	(726,056)
	$2,563,258	$2,363,665

Work in process costs relating to long term contracts are stated at the actual production cost, including factory overhead and other related nonrecurring costs, incurred to date, reduced by amounts identified with revenue recognized under the percentage of completion method.

Recoverable costs and accrued profits—not billed—is principally comprised of amounts of revenue recognized on contracts for which billings will be presented in accordance with contract provisions.

WESTINGHOUSE ELECTRIC CORPORATION (DEC)

	1976	1975
	(Dollars in thousands)	
Current Assets:		
Cash	$ 116,390	$ 117,962
Marketable securities at cost, which approximates market	469,110	256,622
Customer receivables	1,169,376	1,142,267
Inventories	992,552	1,040,571
Costs of uncompleted contracts in excess of related billings (Note 8)	177,297	172,473
Prepaid and other current assets	312,010	110,729
Total current assets	$3,236,735	$2,840,624

Note 8: Progress Billings—Progress billings are applicable to many long-term production contracts and a wide range of products. The excess of progress billings over costs included in inventory is shown in the accompanying table.

Costs included in inventory do not include certain costs expanded on behalf of customers which are charged to income currently.

Costs of Uncompleted Contracts in Excess of Related Billings

	At December 31	
	1976	1975
	(Dollars in thousands)	
Current costs included in inventory	$ 441,679	$ 702,725
Progress billings on contracts	264,382	530,252
Excess of costs	$ 177,297	$ 172,473

Billings on Uncompleted Contracts in Excess of Related Costs

	At December 31	
	1976	1975
	(Dollars in thousands)	
Progress billings on contracts	$2,406,267	$1,896,417
Current costs included in inventory	1,422,168	1,156,937
Excess of progress billings	$ 984,099	$ 739,480

Advances

ENGELHARD MINERALS & CHEMICALS CORPORATION (DEC)

	1976	1975
	(Thousands of Dollars)	
Current Assets:		
Advances on materials in transit and for future delivery	$25,401	$25,364

THE PILLSBURY COMPANY (MAY)

	1976	1975
Current Assets:		
Cash	$ 15,130,826	$ 36,981,610
Temporary cash investments, at cost (approximates market).	87,562,211	23,771,050
Receivables, less allowance for doubtful accounts of $4,446,000 and $3,434,000, respectively	143,762,833	188,792,919
Inventories		
Grain	52,469,422	20,707,214
Finished products	66,737,942	61,973,456
Raw materials, containers and supplies	37,874,741	47,533,189
	157,082,105	130,213,859
Advances on purchases	68,933,325	45,304,387
Prepaid expenses	12,389,134	12,229,590
Assets of discontinued wine business	9,306,424	
Total current assets	$494,166,858	$367,293,415

Deposits

THE AMALGAMATED SUGAR COMPANY (SEP)

	1976	1975
Current Assets:		
Deposits on future raw sugar contracts (Note 2)	$3,353,000	$ —

Note 2: Deposits on Future Raw Sugar Contracts—During the year the Company purchased future raw sugar contracts as a hedge against certain refined sugar sales commitments. The contracts are liquidated upon delivery of the refined sugar. At September 27, 1976, the Company was required to maintain $3,353,000 as purchase advances and margin deposits with commodity brokers.

EMPIRE GAS CORPORATION (JUN)

	1976	1975
Current Assets:		
Cash	$ 217,598	$ 3,622,410
Trade receivables—less allowance for doubtful accounts: 1976-$676,661; 1975-$1,121,162	7,471,442	7,167,361
Inventories	7,596,566	3,723,974
Prepaid income taxes	707,364	
Deposits on sales agreements	523,337	
Prepaid expenses	591,547	736,131
Total current assets	$17,107,854	$15,249,876

Property Held For Sale

THE ANSUL COMPANY (DEC)

	1976	1975
Current Assets:		
Net realizable value of assets of discontinued operations (Note 2)	$5,681,705	$ —

Note 2: Discontinued Operations—Effective September 30, 1976, we made the decision to discontinue the operations of our Agricultural Chemical business. The results of operations of this business are included in the consolidated statement of earnings under the caption "Loss from discontinued operations" and include:

	1976	1975
Net sales	$ 10,550,000	$ 14,676,000
Costs and expenses	(10,936,000)	(15,231,000)
Income tax benefit	200,000	245,000
Loss from discontinued operations	$ (186,000)	$ (310,000)

The caption "loss on disposal of discontinued operations" includes a provision of $5,345,300 ($3,006,800 after tax) for estimated costs and expenses including the disposal or abandonment of plant and equipment ($1,420,000), estimated losses on the realization of inventories and receivables ($1,812,800), and other operating and close-down costs during the phase-out period. In addition, we have provided $3,137,200 ($1,764,700 after tax) for the off-site disposal of salt waste, a by-product of our Agricultural Chemical business. Included in this provision is the cost of removal and hauling of the salt waste to the off-site disposal location. During 1975, we initiated a program to move the salt waste into approved storage buildings in order to bring us into compliance with environmental orders and regulations. One of these storage facilities was completed in 1975 and is currently being used to store salt waste. Construction of a second building has been halted. In view of the fact that we have discontinued our Agricultural Chemical business and will no longer produce this salt waste material, we feel that it is in our best interest to dispose of this material in the permanent off-site disposal location, thereby eliminating the ongoing problem of maintaining the facilities and monitoring the waste. Also, on-site storage does not guarantee that we will be free from future obligations to treat or otherwise dispose of this material.

The estimated expense of constructing these storage buildings was provided for in prior years. Since we have no further business use for these buildings, they have been abandoned.

BATES MANUFACTURING COMPANY, INCORPORATED (DEC)

	1976	1975
Current Assets:		
Cash, including certificates of deposit 1975, $3,800,000.	$ 1,941,645	$10,948,896
Money market instruments, at cost, which approximates market	16,551,091	5,567,857
Notes and accounts receivable—less allowances 1976, $153,026; 1975, $530,527	11,031,176	16,144,792
Refundable income taxes	848,641	—
Land, building and equipment sold in 1977, at net recoverable value (Note 3)	2,050,000	—
Inventories	5,636,952	15,841,325
Prepaid expenses	272,349	347,069
Total current assets	$38,331,854	$48,849,939

Note (in part): Consolidation of Yarn Manufacturing Facilities—On May 1, 1976, Ken & Feldman, Inc. terminated operations at its Williamston, N.C. yarn manufacturing plant and consolidated its entire operations at the existing Pulaski, Va. facility. The subsidiary, on February 23, 1977, executed an agreement for sale of the land, building and certain equipment at Williamston for a total cash consideration of $2,200,000. The net proceeds from this transaction in the amount of $2,050,000 are shown in the accompanying consolidated balance sheets as "land, building and equipment sold in 1977, at net recoverable value".

MAREMONT CORPORATION (DEC)

	1976	1975
Current Assets:		
Net assets of company being sold (Note 3	$1,200,000	$ —

Note 3: Disposition of Operations—In April, 1975, the Company completed the sale of Chanslor and Lyon Co., Inc., a wholly owned subsidiary, whose assets included seven warehouse distributors. As a result of the sale, the Company satisfied the divestiture requirements of a consent order entered in January, 1971, by the Federal Trade Commission. The consent order also requires that the Company not make any acquisitions in the automotive line of business prior to January, 1981, without prior consent of the Commission. During 1975 and 1976, four additional small warehouse distributors were sold, all at approximately net book value. Sales of the warehouse distributors prior to their disposal totalled $5,000,000 and $20,000,000 in 1976 and 1975, respectively. These operations had no significant impact on consolidated net income.

In October, 1976, the Company reached a preliminary agreement to sell its Brazilian exhaust system manufacturing operations for long-term notes. Accordingly, the Company segregated the net assets of these operations on the December 31, 1976 consolidated balance sheet. The net assets were written down to equal the anticipated proceeds of the sale, resulting in an insignificant loss. These operations had sales of $2,800,000 in 1976 and $2,900,000 in 1975, and incurred minor losses in both years.

Other

ALCO STANDARD CORPORATION (SEP)

	1976	1975
Current Assets		
Preferred stock investments	$5,750,000	

Notes to Consolidated Financial Statements

Note 4: Preferred Stock Investments—In 1975, two stock issues were acquired in private transactions in the amounts of $20,000,000 and $7,000,000. The $20,000,000, 9¼% cumulative preferred issue is to be redeemed by the issuer in five equal annual installments 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 annual installments commencing January 1977, or all the shares in September 1977, or annually thereafter. The installments of both issues due in 1977 are classified as current assets.

CBS INC. (DEC)

	1976	1975
Current Assets:	($000)	
Cash and cash equivalents	$ 335,086	$267,811
Notes and accounts receivable, less allowances for doubtful accounts, returns and discounts: 1976, $73,608; 1975, $71,493	387,727	339,919
Inventories	151,880	136,780
Program rights	94,214	78,871
Prepaid expenses	32,860	34,975
Total current assets	$1,001,767	$858,356

Notes to Consolidated Financial Statements

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

Programs for Television Broadcast—Costs incurred in the production of and amounts which have been paid for programs to be broadcast on television within one year are classified as current assets, representing the principal portion of the balance sheet caption "Program rights." The noncurrent portion is included in "other assets." These amounts are charged to expense in the periods the respective programs are broadcast.

FRANKLIN MINT CORPORATION (DEC)

	1976	1975
Current Assets		
Cash	$ 4,009,000	$10,053,000
Accounts receivable, less allowance for doubtful accounts of $6,988,000 in 1976; $4,410,000 in 1975	58,190,000	31,301,000
Inventories		
Precious metals	19,874,000	18,370,000
Other inventory, at lower of first-in, first-out cost or market	13,881,000	6,335,000
	33,755,000	24,705,000
Prepaid promotion costs, amortizable within one year	28,551,000	17,695,000
Deferred charges relating to future precious metal requirements	4,155,000	2,390,000

Summary of Significant Accounting Policies

Precious Metal Valuation and Related Product Costing—A major portion of the company's products are made from precious metals (silver and gold). Because these metals are subject to significant price fluctuations, the company hedges all its precious metal requirements by purchasing futures contracts to cover its fixed-price sales commitments. Sufficient contracts are assigned to each sales program to fulfill all orders, and the acquisition cost of the contracts establishes the cost of precious metal for the life of the program. The futures contracts are liquidated when bullion is purchased, and gains or losses resulting from the liquidation of the futures contracts adjust the bullion cost to the original program acquisition cost.

The market value of futures contracts purchased on the New York Commodity Exchange is fixed at the close of each business day. Any increase or decrease from the previous day's market value in the company's futures contracts is advanced to or paid by the company. These advances or payments are deferred until the contracts are liquidated.

For certain programs, the company's sales commitment period often exceeds the period for which precious metal futures contracts can be purchased on the commodities market. To extend the hedge position for the total program life, the company simultaneously sells expiring contracts and purchases new contracts. Gains or losses resulting from sale of these expiring contracts are deferred until the hedge is ultimately liquidated.

These deferrals are classified in the financial statements as either a current asset or current liability until bullion is purchased.

Accordingly, bullion and precious metal content of products in process are valued in inventory, and precious metal is charged to cost of products sold at time of shipment, at sales program acquisition cost.

MOSINEE PAPER CORPORATION (DEC)

	1976	1975
Current Assets:		
Cash	$ 226,993	$ 471,753
Marketable securities (at cost which approximates market)	4,971,994	5,048,901
Funds held by trustee (Note 3)	4,066,642	908,546
Receivables:		
Trade accounts and notes, less allowance for doubtful accounts of $75,000 for 1976 and $58,075 for 1975	4,448,268	4,546,017
Income taxes refundable	1,395,488	
Other	426,010	177,519
Inventories (Notes 1 and 2)	7,140,206	6,566,580
Other current assets	448,650	285,280
Total current assets	$23,124,251	$18,004,596

Note 3: Funds Held by Trustee for Construction—In 1975 and 1976, pollution control and industrial development revenue bonds were issued by the City of Mosinee, Wisconsin, as part of the financing of new pulp mill modernization plus air and water pollution control facilities. The funds were deposited with a trustee for the payment of expenditures for the applicable facilities as they are installed. At December 31, 1976 and 1975, unexpended funds for such purposes totaled $6,827,053 and $3,119,645 respectively, of which $4,066,642 and $908,546 is included in current assets at those dates to pay for items in current liabilities or paid from general corporate funds and the balances are set forth as segregated funds to pay for future expenditures.

TABLE 2-12: LAND CAPTIONS

	1976	1975	1974	1973
Land	400	402	400	403
Land and improvements	100	91	88	85
Land and buildings	31	38	37	36
Land combined with other identified assets	21	28	36	37
No caption with term *land*	9	4	5	6
	561	563	566	567
Line of business classification	39	37	34	33
Total Companies	**600**	**600**	**600**	**600**

TABLE 2-13: DEPRECIABLE ASSET CAPTIONS

	1976	1975	1974	1973
Buildings				
Buildings	281	297	295	296
Buildings and improvements	169	143	147	146
Buildings and land or equipment	78	82	86	85
Buildings combined with other identified assets	17	31	23	25
No caption with term *buildings*	10	7	10	11
	555	560	561	563
Line of business classification	45	40	39	37
Total Companies	**600**	**600**	**600**	**600**
Other Depreciable Asset Captions				
	Number of Companies			
Machinery and/or *equipment*	431	436	438	436
Machinery and/or *equipment* combined with other terms	92	92	95	97
Construction in progress	214	188	198	197
Leasehold improvements	115	98	106	108
Automobiles, marine equipment, etc.	84	78	80	83
Furniture, fixtures, etc.	76	77	67	70
Equipment held for rental or lease	29	36	42	43

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

BROWNING-FERRIS INDUSTRIES, INC. (SEP)

Consolidated Balance Sheet

	1976	1975
	($000)	
Property and equipment, at cost		
Land and improvements	$ 21,106	$ 18,690
Landfills	22,145	21,195
Buildings	19,778	16,748
Equipment	191,392	189,517
Furniture, fixtures and other	17,900	20,442
	272,321	266,592
Less accumulated depreciation	97,881	90,939
	$174,440	$175,653

Consolidated Statement of Income

Cost and expenses:		
Cost of operations—		
Solid waste systems	$147,030	$131,521
Liquid waste systems	20,107	18,403
Depreciation and amortization (Note 1)	30,826	28,806
Selling, general and administrative	46,444	42,063
Interest, net	6,207	7,285
	$250,614	$228,078

Notes to Consolidated Financial Statements

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

TABLE 2-14: ACCUMULATED DEPRECIATION

	1976	1975	1974	1973
Accumulated depreciation...	318	299	303	301
Accumulated depreciation and amortization.........	141	135	130	132
Allowance for depreciation .	32	42	36	36
Accumulated depreciation, amortization and depletion	31	26	29	29
Accumulated depreciation and depletion.............	23	20	22	22
Allowance for depreciation and amortization.........	17	25	20	21
Allowance for depreciation and depletion.............	6	8	14	14
Other captions	32	45	46	45
Total Companies	**600**	**600**	**600**	**600**

Depreciation—Depreciation for financial reporting purposes is provided on the straight-line method based upon the estimated useful lives of the assets as follows: buildings, 10 to 40 years; equipment, 3 to 10 years; and furniture and fixtures, 5 to 10 years. Landfills are stated at cost which approximates estimated fair value, and landfill preparation costs are amortized over the useful life of the landfill.

THE COCA-COLA COMPANY (DEC)

Consolidated Balance Sheet

	1976	1975
Property, plant and equipment:		
Land and improvements.........	$ 70,973,535	$ 68,743,346
Buildings	301,392,589	270,706,773
Machinery and equipment	633,820,757	569,991,958
Containers	158,905,503	129,020,046
	1,165,092,384	1,038,462,123
Less allowance for depreciation	466,439,975	425,371,977
	$698,652,409	$613,090,146

Consolidated Statements of Changes in Financial Position

Source of Working Capital		
From operations:		
Net income for year.............	$284,959,120	$239,304,933
Add charges not requiring outlay of working capital during the year:		
Provision for depreciation...	69,073,055	65,893,007
Deferred income taxes......	14,425,442	3,147,196
Other	13,700,369	21,037,057
Total from operations ...	$382,157,986	$329,382,193

Notes to Consolidated Financial Statements

Note 1 (in part): Accounting Policies

Property, plant and equipment is stated at cost, less allowance for depreciation, except that foreign subsidiaries carry bottles and shells in service at amounts (less than cost) which, in general, correspond with deposit prices obtained from customers. Depreciation expense was principally determined by the straight-line method. A portion of the depreciation determined by the straight-line method for financial statement purposes is calculated on accelerated methods for income tax purposes. Deferred income taxes are provided to recognize timing differences in reporting depreciation for accounting and tax purposes. The investment tax credit, which is not material in amount, is accounted for by the flow-through method.

COLT INDUSTRIES INC (DEC)

Consolidated Balance Sheet

	1976	1975
	($000)	
Property, plant, and equipment, at cost (Note 1)		
Land and improvements............	$ 22,603	$ 22,123
Buildings and equipment	116,395	113,525
Machinery and equipment	528,602	508,575
Leasehold improvements	5,549	4,851
Construction in progress	22,724	12,477
	695,873	661,551
Less accumulated depreciation and amortization......................	370,652	346,619
	325,221	314,932
Funds held by custodian for pollution equipment	4,838	7,779
	$330,059	$322,711

Consolidated Statement of Changes in Financial Position

	1976	1975
	($000)	
Source of Funds		
Net earnings	$61,628	$52,127
Items not requiring use of working capital—		
Depreciation and amortization..	33,817	27,678
Deferred income taxes..........	3,200	2,400
Working capital provided from operations...........................	$98,645	$82,205

Notes to Financial Statements

Note 1 (in part): Summary of Accounting Policies

Property and Depreciation—Depreciation and amortization of plant and equipment are provided for by the company and its subsidiaries, generally using the straight-line method, based on estimated useful lives of the assets. For federal income tax purposes, most assets are depreciated using allowable accelerated methods.

Ranges of annual depreciation rates used by the company and its subsidiaries were as follows:

Land improvements	2-10%
Buildings and equipment	2-10%
Machinery and equipment	4-33⅓%
Leasehold improvements	Generally life of lease

Repair and maintenance costs are charged against earnings, while renewals and betterments are capitalized by additions to the related asset accounts. The company and its subsidiaries generally record retirements by removing the cost and accumulated depreciation from the asset and reserve accounts, reflecting any resulting gain or loss in earnings.

CORNING GLASS WORKS (DEC)

	1976	1975
	($000)	
Plant and Equipment, at cost		
Land	$ 14,820	$ 14,957
Buildings	166,116	166,633
Equipment	580,027	571,697
Accumulated depreciation	(414,518)	(394,403)
	$346,445	$358,884

Statement of Accounting Policies

Property and Depreciation—Land, buildings and equipment are recorded at cost. Renewals and betterments are charged to the property accounts while replacement of molds, maintenance and repairs (except furnace rebuilding) are charged to income as incurred. The cost of assets retired is offset against accumulated depreciation; undepreciated cost (net of any proceeds) is charged to income.

In accordance with industry practice, the estimated cost of periodic rebuilding of glassmelting furnaces is provided from current operations, in advance, over the interval between renewals.

Depreciation is provided over the estimated useful lives of the properties, using accelerated methods for substantially all assets.

Notes to Consolidated Financial Statements

Note 4 (in part): Supplemental Income Statement Information—Depreciation expense was $48,698,000 in 1976, and $53,682,000 in 1975. Goodwill amortization was $3,373,000 in 1976, and $945,000 in 1975. Pension expense was $27,574,000 in 1976 and $17,495,000 in 1975. Improvements in plan benefits increased expense by approximately $2,400,000 in 1976 and $2,400,000 in 1975.

The actuarially computed value of vested benefits exceeded pension fund assets at the end of the pension plan year on December 31, 1976, by $152,000,000. As a result of plan amendments on January 1, 1977, vested benefits were increased by $21,000,000.

DEL MONTE CORPORATION (MAY)

Consolidated Balance Sheet

	1976	1975
Plant and equipment, at cost:		
Land, other than ranch land	$ 12,625,000	$ 12,862,000
Buildings	104,127,000	98,355,000
Ships and marine equipment	11,652,000	11,112,000
Machinery and equipment	237,656,000	220,651,000
Ranch land, improvements and equipment	46,424,000	46,172,000
Construction in progress	27,562,000	26,582,000
	440,046,000	415,734,000
Less—accumulated depreciation	214,728,000	206,824,000
	$225,318,000	$208,910,000

Consolidated Statement of Changes in Financial Position

Working capital provided from:		
Operations:		
Earnings for year	$ 53,199,000	$ 49,091,000
Charges not requiring working capital:		
Depreciation	20,211,000	18,568,000
Deferred income taxes	(1,046,000)	(1,222,000)
Other	5,003,000	3,358,000
	$ 77,367,000	$ 69,795,000

Summary of Accounting Policies

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

THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC. (FEB)

Consolidated Balance Sheet

	1976	1975
	($000)	
Property:		
Land	$ 9,476	$ 8,986
Buildings	80,738	78,895
Equipment	339,680	394,326
Total—at cost	429,894	482,207
Less accumulated depreciation	169,999	201,276
	259,895	280,931
Store fixtures and leasehold improvements, at amortized cost	94,279	105,958
	354,174	386,889
Less allowance for loss on property in facilities to be closed	15,000	46,000
Property-net	$339,174	$340,889

Statement of Changes in Consolidated Financial Position

Source of funds:		
From operations:		
Net income (loss) from extraordinary credit*.......	$ 2,514	$(157,071)
Expenses (income) not requiring (providing) working capital:		
Provision for (adjustment of) cost of closing facilities (non-current portion)..............	(33,000)	100,000
Depreciation and amortization................	53,709	51,620
Deferred income taxes (non-current portion)	850	(25,430)
Deferred investment tax credit................	(1,808)	2,926
Charge in lieu of current Canadian income tax	1,800	—
Foreign currency fluctuation reserve.........	(1,137)	—
Non-current portion of litigation settlement .	4,800	—
Working capital provided from (used in) operations....	$27,728	$ (27,955)

Summary of Significant Accounting Policies

Properties—The Company leases a substantial portion of its facilities. Owned properties, consisting almost exclusively of manufacturing facilities and warehouses, and equipment are stated at cost. Store fixtures and leasehold improvements are stated at amortized cost. Major renewals and betterments are capitalized, whereas maintenance and repairs are charged to operations as incurred. As group depreciation generally is used, gains or losses on normal disposition of assets are not recognized until all assets in a group are fully depreciated or disposed of. Fully depreciated property is written off against the related accumulated depreciation. Net losses on disposition of properties under the facilities closing program have been charged to the related accrual established as of February 22, 1975.

Depreciation and Amortization—For financial reporting purposes, depreciation and amortization are provided, generally on the straight-line method, over the estimated useful lives of the respective assets. The estimated useful lives of store and other equipment, except automotive, were changed, as of the beginning of fiscal 1975, from ranges of 12½ to 15 years (annual rates of 6⅔% to 8%) to ranges of 10 to 12 years (annual rates of 8⅓% to 10%). As to such equipment on hand at the beginning of the year, the change is being accounted for prospectively through application of annual depreciation rates corresponding to the estimated lives for new equipment. Depreciation and amortization charged to operations in fiscal 1975 includes approximately $5.5 million resulting from the reduction in equipment service lives. Approximate annual depreciation rates for other properties are as follows: Buildings—2% to 5%; store fixtures and leasehold improvements—generally from 10% to 12½%; and automotive equipment—14²/₇% to 33⅓%.

HAZELTINE CORPORATION (DEC)

Consolidated Balance Sheet

	1976	1975
Income-producing rental equipment at cost, less accumulated depreciation of $5,912,000 and $4,198,000......................	$ 4,804,000	$ 5,963,000
Property, plant and equipment at cost, less accumulated depreciation of $15,011,000 and $13,493,000....................	14,299,000	12,224,000

Consolidated Statement of Changes in Financial Position

Working Capital Provided By Operations—		
Income before extraordinary credit.....................	$ 5,788,000	$ 1,208,000
Add (Deduct) items not requiring (providing) working capital		
Depreciation of income-producing rental equipment...........	2,772,000	2,433,000
Depreciation of plant and equipment...........	1,525,000	1,116,000
Net book value of income-producing rental equipment sold	846,000	142,000
Provisional contract adjustment.............	(2,500,000)	—
Deferred income taxes and other............	140,000	542,000
Working capital provided by operations, before extraordinary credit	8,571,000	5,441,000
Extraordinary credit—utilization of tax carryovers...........	1,050,000	100,000
Increase in long-term debt......	100,000	6,500,000
Provisional contract adjustment	—	2,500,000
Total working capital provided......................	9,721,000	14,541,000

Notes to Consolidated Financial Statements

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

Property, Plant and Equipment—For financial reporting purposes, depreciation on plant and equipment acquired after 1972 and on a building completed in 1971 in provided on a straight-line basis over their estimated useful lives. Other plant and equipment is being depreciated using accelerated methods of depreciation. Leasehold improvements are amortized over the remaining term of the applicable leases or their useful lives, whichever is shorter. Computer terminal equipment used in marketing and maintenance support of product models no longer manufactured by the Company, and field support spare parts are depreciated on a straight-line basis over a five-year period. Other older models of computer terminal equipment used by the Company in support of its sales and leasing operations are generally not depreciated since they are replaced and then are refurbished and leased or sold. The estimated useful lives used for computing depreciation are generally as follows:

	Estimated Useful Life (Years)
Buildings and improvements	19 to 40
Machinery and equipment	7 to 8
Furniture and office equipment	8 to 10
Field support spare parts and computer terminal equipment	5
Automobiles and trucks	4

When properties are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts with any resulting gain or loss reflected in income. Maintenance and repairs are expensed in the year incurred.

Note 5: Plant, Property and Equipment

	December 31 1976	1975
Land	$ 2,006,000	$ 2,008,000
Buildings and improvements	8,659,000	8,637,000
Machinery and equipment	11,430,000	11,007,000
Field support spare parts	3,415,000	—
Computer terminal equipment, principally demonstration units	1,066,000	1,394,000
Furniture and office equipment	1,670,000	1,625,000
Automobiles and trucks	146,000	142,000
Leasehold improvements	918,000	904,000
	29,310,000	25,717,000
Less—Accumulated depreciation	15,011,000	13,493,000
	$14,299,000	$12,224,000

Field support spare parts previously included in the Company's financial statements as Inventory and Computer Terminal Equipment at a cost of $3,054,000 and $361,000 have been reflected in 1976 as Property, Plant and Equipment, and depreciation of $508,000 has been provided. This is in accordance with the Company's plan to provide continuing maintenance and field support with respect to computer terminal equipment product models in use by customers regardless of production rates for new sales of these or later models.

MOSINEE PAPER CORPORATION (DEC)

Consolidated Balance Sheet

	1976	1975
Fixed Assets:		
Depreciable property:		
Buildings	$ 5,596,013	$ 5,534,934
Machinery and equipment	50,306,457	28,920,775
Other equipment	1,261,612	1,491,753
Office furniture and machines	434,826	420,292
Totals	57,598,908	36,367,754
Less—Accumulated depreciation	25,416,723	24,155,452
Net depreciated value	32,182,185	12,212,302
Timber and timberlands	770,654	801,195
Water power rights	128,966	128,966
Land and land improvements	244,530	232,125
Construction in progress	4,928,588	12,937,301
Total fixed assets	$38,254,923	$26,311,889

Consolidated Statement of Changes in Financial Position

Source of funds:		
Net earnings	$ 5,345,709	$ 2,442,757
Add—Expenses not requiring outlay of working capital currently:		
Depreciation, amortization and depletion	1,892,475	1,829,357
Deferred income taxes	1,040,000	(19,000)
Deferred compensation	35,000	15,000
	8,313,184	4,268,114
Deduct—Income not producing working capital currently	28,305	29,814
Funds provided from operations	$ 8,284,879	$ 4,238,300

Notes to Consolidated Financial Statements

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

Fixed Assets and Depreciation—Depreciable property is stated at cost less accumulated depreciation. Land, land improvements, water power rights and construction in progress are stated at cost and timberlands are stated at net depleted value. Major renewals and betterments are capitalized while maintenance and repair costs are charged directly to expense accounts as incurred. Facilities financed by a lease, which is essentially equivalent to an installment purchase, are recorded as assets and the related obligation as a long-term liability.

When property units are retired, or otherwise disposed of, the applicable cost and accumulated depreciation thereon is removed from the property records and related asset and depreciation reserve accounts. The resulting gain or loss, if any, is credited or charged to income or to the fixed asset basis relative to traded-in or abandoned items.

Depreciation is computed on the straight-line method for accounting purposes while utilizing accelerated depreciation methods for income tax purposes. Depletion on timberlands is computed on the unit-of-production method.

Functional Classification

ASHLAND OIL, INC. (SEP)

Consolidated Balance Sheet

	1976	1975
	($000)	
Property, plant and equipment—on the basis of cost		
Petroleum	$ 592,601	$497,745
Exploration	439,466	419,917
Chemical	176,126	152,206
Construction	281,548	255,821
Canada	257,548	228,922
Other	78,538	72,812
	1,825,827	1,627,423
Less accumulated depreciation, depletion and amortization..	765,032	674,545
	$1,060,795	$952,878

Statement of Consolidated Income

Costs and expenses		
Cost of sales and operationg expenses	$3,376,697	$3,020,787
Excise taxes on products and merchandise	261,324	244,610
Selling, administrative and general expenses	282,875	260,148
Depreciation, depletion and amortization	106,528	92,320
Exploration expenses, including dry hole costs and lease amortization	58,746	46,136
Interest on long-term debt	36,615	33,936
	$4,123,785	$3,697,937

Accounting Policies

Property, Plant and Equipment—In the United States (except Alaska), lease acquisition costs and tangible and intangible costs of productive wells are capitalized and amortized on a unit-of-production method over estimated recoverable oil and gas reserves of the individual leases. Leasehold costs of undeveloped oil, gas and mineral leases are capitalized and amortized principally over a five-year period. All exploration costs which do not result in the acquisition or retention of acreage, intangible costs of nonproductive wells, and the costs of lease rentals are charged to income.

All costs of exploring for and developing oil and gas reserves in Canada (except for certain remote areas) are capitalized under the full cost method of accounting and amortized on a unit-of-production method based on estimated recoverable oil and gas reserves.

Exploration and development costs incurred in other foreign areas, Alaska, and remote areas of Canada, are capitalized under the full cost method of accounting and amortized on an area-of-interest basis on the unit-of-production method. Costs of undeveloped oil, gas and mineral areas are amortized princiaplly over a five-year period and costs of unsuccessful areas are written off.

Depreciation of plant and equipment, other than oil and gas, is determined primarily on a straight-line basis over the estimated useful lives of the assets. Expenditures for betterments are capitalized and expenditures for maintenance, repairs and renewals are charged to income as incurred.

Upon retirement or disposal of properties, the cost of the asset and the related accumulated depletion, depreciation, or amortization are removed from the respective accounts. Gain or loss on disposals is included in income.

FREEPORT MINERALS COMPANY (DEC)

Balance Sheets

	1976	1975
Property, plant and equipment, at cost (Note 3):		
Land and leaseholds	$102,921,000	$ 66,679,000
Plant and equipment	290,913,000	282,268,000
	393,834,000	348,947,000
Less, Accumulated depreciation and amortization	193,295,000	177,156,000
	$200,539,000	$171,791,000

Statements of Income

Costs and expenses:		
Production and delivery costs	$211,334,000	$193,452,000
Exploration and development costs	11,943,000	11,577,000
Depreciation and amortization (including $2,855,000 in 1976 and $1,023,000 in 1975 for amortization of nonproducing offshore oil and gas leases)	20,382,000	15,577,000
Selling, general and administrative expenses	11,831,000	9,555,000
Provision for valuation allowances against equity investments in affiliated companies	—	30,200,000
	$255,490,000	$260,361,000

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. The cost of any property retired, less any salvage, is generally charged against accumulated depreciation and amortization.

Capitalized lease acquisition costs for nonproducing oil and gas properties are amortized over the basic term of the lease or until the lease is either condemned (in which event the remaining balance is entirely written off) or proven as containing commercially recoverable reserves (in which event the remaining balance is written off over the productive life of the reserves).

Note 3: Property, Plant and Equipment—Major categories of property, plant and equipment at December 31 were as follows (amounts in thousands):

1976	Land and Leaseholds	Plant and Equipment	Total	Unamortized Balance
Sulphur	$ 6,723	$136,969	$143,692	$ 53,346
Phosphate	8,654	80,494	89,148	48,119
Potash	11,522	17,926	29,448	997
Kaolin	3,689	41,868	45,557	34,409
Oil and gas.........	66,635	7,765	74,400	55,233
Other	5,698	5,891	11,589	8,435
	$102,921	$290,913	$393,834	$200,539

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

INTERNATIONAL PAPER COMPANY (DEC)

Consolidated Balance Sheet

	1976	1975
	(In millions of dollars)	
Property		
Plants and properties (Note 4)		
Pulp and paper..................	$2,463.4	$2,187.3
Oil and gas......................	562.0	496.0
Other	547.1	531.7
	3,572.5	3,215.0
Less: Accumulated depreciation and depletion	1,624.6	1,471.7
Total plants and properties..................	1,947.9	1,743.3
Timberlands—net (Note 5)		
Owned in fee....................	398.8	388.8
Capitalized timber harvesting rights	35.6	48.6
Total Timberlands............	434.4	437.4
Total property....................	$2,382.3	$2,180.7

Consolidated Statement of Earnings and Retained Earnings

Costs and expenses		
Cost of products sold...........	$2,513.8	$2,134.0
Distribution expenses	191.6	172.2
Selling and administrative expenses	191.4	156.6
Depreciation	129.0	118.6
Depletion of oil and gas properties...........................	50.5	45.1
Cost of timber harvested........	33.3	28.8
Interest	92.4	83.4
Total costs and expenses.......	$3,202.0	$2,738.7

Statement of Significant Accounting Policies

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 to the total estimated future gross revenues from proven reserves.

Notes to Consolidated Financial Statements

Note 4: Plants and Properties by major classification, and related accumulated depreciation and depletion reserves, at December 31, 1976 were as follows:

(In millions)	Cost	Accumulated Depreciation and Depletion	Net
Pulp and paper facilities:			
Mills	$2,089.3	$1,125.7	$ 963.6
Packaging plants.............	374.1	171.2	202.9
	2,463.4	1,296.9	1,166.5
Oil and gas properties.......	562.0	94.5	467.5
Other properties:			
Wood products facilities.....	136.5	72.0	64.5
Woods equipment...........	206.0	103.6	102.4
Other	204.6	57.6	147.0
	547.1	233.2	313.9
Total	$3,572.5	$1,624.6	$1,947.9

Note 5: Timberlands—At December 31, 1976, timberlands owned in fee consisted of 7.2 million acres in the U.S. with a book value of $391.6 million and 1.3 million acres in Canada with a book value of $7.2 million.

Capitalized timber harvesting rights consist principally of those timber cutting contracts in the U.S. where the gross price to be paid has been fixed.

The Company has timber harvesting licensing arrangements on a total of 12.4 million acres in the Canadian provinces of Quebec and New Brunswick plus additional harvesting rights measured in wood volume in the province of Quebec.

Legislation was enacted in Quebec in 1974 directed toward the eventual replacement of existing licensing arrangements by guarantees of timber supplies from public lands. These guarantees are in the form of grants of rights to cut standing timber sufficient to supply wood processing plants for as long as such plants carry on normal operations. Such grants are expected to be economically equivalent to the rights presently held.

TABLE 2-15: INVESTMENTS—VALUATION BASES

	Number of Companies			
	1976	1975	1974	1973
Equity	335	348	345	351
Cost	136	163	156	166
Cost less allowances for decline in value	27	34	32	33
Lower of cost or market	19	13	N/C	N/C

N/C — Not Compiled.

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," FASB *Statement No. 12* 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.

Equity Method

ASHLAND OIL, INC. (SEP)

Consolidated Balance Sheet

	1976	1975
	($000)	
Investments and other assets		
Investments in and advances to unconsolidated subsidiaries and affiliates—Notes C and D	$ 81,497	$ 73,052
Notes and accounts receivable	20,892	20,946
Other assets and deferred charges	28,968	27,074
	$131,357	$121,072

Statement of Consolidated Income

Income		
Sales and operating revenues	$4,348,169	$3,881,736
Equity income—Note C	13,796	16,224
Interest and other income	38,083	38,619
	$4,400,048	$3,936,579

Accounting Policies

Principles of Consolidation—The consolidated financial statements include the accounts of all domestic and Canadian subsidiaries. Investments in foreign subsidiaries and affiliates (other than Canadian) and domestic affiliates 20 percent to 50 percent owned are recorded at cost, adjusted for Ashland's equity in undistributed earnings or losses except for earnings (not significant) which are not repatriable.

Notes to Consolidated Financial Statements

Note C: Unconsolidated Subsidiaries and Affiliates—Ashland's investments in unconsolidated subsidiaries and affiliates, which are accounted for on the equity method, consist principally of a 48.9% interest in Arch Mineral Corporation, a coal company, and various interests in chemical and petroleum companies. Following is a condensed summary of combined financial data of such companies for 1976 and 1975:

	Domestic				Foreign	
	Arch Mineral Corporation (48.9% owned)		Others (20% to 50% owned)		Subsidiaries and affiliates (various interests)	
	1976	1975(1)	1976	1975	1976	1975
	(Thousands of dollars)					
Total assets	$154,744	$119,484	$46,854	$47,896	$217,258	$168,235
Total liabilities	98,843	85,007	23,413	29,636	166,322	113,427
Net assets	$ 55,901	$ 34,477	$23,441	$18,260	$ 50,936	$ 54,808
Revenues	$133,469	$125,053	$31,038	$ 28,780	$235,387	$224,924
Net income	21,423	27,040	7,664	6,125	6,628	7,400
Ashland's investment including accumulated equity income and advances	43,300	32,729	7,339	6,357	30,858	33,966
Ashland's share of net income (loss)	11,033(3)	13,842(2)(3)	3,027	1,183	(264)	1,199
Dividends received	—	—	1,836	1,549	651	1,509

(1) Restated.
(2) Includes $1,517,000 tax benefit from loss carry-forward.
(3) In addition, Ashland received royalty income of $4,527,000 in 1976 and $4,434,000 in 1975.

GULF OIL CORPORATION (DEC)

Consolidated Statement of Financial Position

	1976	1975
	(Millions of Dollars)	
Assets		
Investments in affiliated and associated companies (Note 13)	$ 308	$ 280

Consolidated Statement of Income and Retained Earnings

Revenues		
Sales and other operating revenues (Note 3)	$18,117	$15,838
Interest income	189	183
Equity in earnings (losses) (Note 13)	40	(23)
Other revenues	57	44
	$18,403	$16,042

Note 13: Investments in Affiliated and Associated Companies—The Company's investments in affiliated and associated companies of $308 and $280 million and its liability to the nuclear partnership of $30 and $138 million (see Note 10) at December 31, 1976 and 1975, respectively, are summarized as follows:

	Millions of Dollars December 31					
	1976			1975		
	Total	Affiliated	Associated	Total	Affiliated	Associated
Current assets	$ 602	$ 66	$ 536	$ 597	$ 77	$ 520
Properties	563	66	497	534	75	459
Other assets	126	8	118	126	16	110
Total assets	1,291	140	1,151	1,257	168	1,089
Current liabilities	462	40	422	569	32	537
Long-term debt	402	82	320	455	117	338
Other long-term liabilities	256	6	250	214	6	208
Total liabilities	1,120	128	992	1,238	155	1,083
Net assets	171	12	159	19	13	6
Advances	107	23	84	123	23	100
	$ 278	$ 35	$ 243	$ 142	$ 36	$ 106
Total						
United States	$ 11	$ 35	$ (24)	$ (99)	$ 36	$ (135)
Canada	11	—	11	14	—	14
Europe	138	—	138	118	—	118
Asia	118	—	118	109	—	109
	$ 278	$ 35	$ 243	$ 142	$ 36	$ 106

As of December 31, 1976, the Company was contingently liable for guarantees of debt of associated companies in the amount of $61 million.

The Company's equity in earnings (losses) of these companies is summarized as follows:

	Millions of Dollars December 31					
		1976			1975	
	Total	Affiliated	Associated	Total	Affiliated	Associated
Revenues	$1,966	$ 49	$1,917	$1,692	$ 36	$1,656
Less:						
Purchases and operating expenses	1,761	29	1,732	1,617	15	1,602
Selling and administrative expenses	132	20	112	81	49	32
Taxes	33	—	33	17	1	16
	1,926	49	1,877	1,715	65	1,650
Equity in earnings (losses)	$ 40	$ —	$ 40	$ (23)	$(29)	$ 6
Total						
United States	$ (10)	$ —	$ (10)	$ (50)	$(29)	$ (21)
Canada	1	—	1	1	—	1
Other Foreign	49	—	49	26	—	26
	$ 40	$ —	$ 40	$ (23)	$(29)	$ 6
Cash dividends received	$ 26	$ —	$ 26	$ 26	$ —	$ 26

CORNING GLASS WORKS (DEC)

Consolidated Balance Sheets

	1976	1975
	($000)	
Investments		
Associated companies, at equity	$142,715	$121,027
Other, at cost	3,488	3,490
	$146,203	$124,517

Consolidated Statements of Income and Retained Earnings

Equity in earnings of associated companies	$25,475	$15,539

Statement of Accounting Policies

Principles of Consolidation—The consolidated financial statements include the accounts of all significant subsidiary companies. The major foreign subsidiaries are consolidated as of dates up to four weeks earlier than the consolidated balance sheets dates.

The equity method of accounting is used for all investments in associated companies in which the company's interest is 20% or more, except Owens-Corning Fiberglas Corporation. The company, under a 1949 consent decree, is enjoined from exercising any control over Owens-Corning Fiberglas Corporation. Under the equity method, the company recognizes its share in the net earnings or losses of these associated companies as they occur rather than when dividends are received. Investments in Owens-Corning Fiberglas Corporation and in companies in which the ownership interest is less than 20% are carried at cost.

Notes to Consolidated Financial Statements

Note 6: Investments—Investments in associated companies accounted for at equity in net assets amounted to $142,715,000 at January 2, 1977, and $121,027,000 at December 28, 1975. Of these amounts, Dow Corning Corporation, a 50% owned company, represented $98,706,000, and $81,836,000, respectively. The financial position and results of operations of Dow Corning are summarized as follows:

Dollars in thousands	1976	1975
Working capital	$128,384	$111,177
Property, plant and equipment—net	176,174	158,688
Other assets—net	1,929	4,758
Loans payable beyond one year	(109,075)	(110,952)
Net assets	$197,412	$163,671
Corning's equity in net assets	$ 98,706	$ 81,836
Net sales	$353,633	$267,006
Net income	$ 42,741	$ 21,889
Corning's equity in net income	$ 21,371	$ 10,945

A list of investments accounted for at equity appears on page 31. Consolidated retained earnings includes equity in undistributed earnings of all equity basis companies of $111,653,000 at January 2, 1977, and $91,943,000 at December 28, 1975. Dividends received from equity basis companies were $5,765,000 in 1976 and $3,325,000 in 1975.

Owens-Corning Fiberglas Corporation dividends of $3,715,000 in 1976 and $3,478,000 in 1975 are included in income. The excess of the quoted market value over the cost of this investment was approximately $259,524,000 at January 2, 1977, and $169,672,000 at December 28, 1975.

JEWEL COMPANIES, INC. (JAN)

Statement of Financial Postion

	1977	1976
	(In thousands)	
Investment in Aurrera, S.A.	$46,210	$39,194

Statement of Earnings

Earnings of U.S. Companies	$24,109	$21,147
Equity in Aurrera, S.A.:		
Earnings	8,747	7,545
Unrealized gain on foreign currency translation............	3,309	
Net earnings	$36,165	$28,692

Summary of Significant Accounting Policies

Investment in Aurrera, S.A.—The Company's investment in Aurrera, S.A. (Mexico), 46.5% owned as of January 29, 1977 and 48.9% owned as of January 31, 1976, is carried at cost plus equity in undistributed earnings since acquisition.

Notes to Financial Statements

Condensed Financial Statements–Aurrera, S.A. (Unaudited)—The Company had a 46.5% and 48.9% interest in Aurrera, S.A. as of January 29, 1977 and January 31, 1976, respectively. Jewel's investment, carried on the equity method, constituted 5.7% and 5.1% of its total assets at those respective dates. Jewel's equity in the net earnings of Aurrera constituted 24.2% and 26.3% of Jewel's consolidated net earnings for the fifty-two weeks ended January 29, 1977 and January 31, 1976, respectively.

The financial statements of Aurrera, S.A. at January 31, 1977 and 1976 are based upon audited financial statements examined by a major international public accounting firm as of July 31, 1977 and 1976, the end of Aurrera's fiscal year, and unaudited financial statements for the period from August 1 to January 31. Certain adjustments have been made to conform the statements to Jewel's accounting practices. Differences have occurred in depreciation/amortization policies, treatment afforded corporate reorganizations and recognition of tax effects of timing differences. In accruing its equity in the earnings of Aurrera, Jewel includes the results from August 1 to January 31 based on unaudited internal statements prepared consistent with the audited statements and gives effect to adjustments necessary to determine earnings under accounting practices and translation requirements followed by Jewel.

Statement of Financial Position

	January 31, 1977		1976	
	(In thousands)			
Aurrera (In pesos)				
Current assets	Ps.	1,126,389	Ps.	892,834
Properties, net..............		1,307,499		1,035,864
Total assets		2,433,888		1,928,698
Current liabilities		1,504,710		1,075,461
Long-term debt..............		17,123		95,408
Other long-term liabilities...		—		14,497
Net assets....................	Ps.	912,055	Ps.	743,332
U.S. Translation	$	79,037	$	59,466
Reconciliation to Jewel's Investment				
Equity in book value of net assets at 46.5% in 1976 and 48.9% in 1975.....	$	36,793	$	29,079
Adjustments to Jewel's accounting practices				
Cumulative income adjustments		1,295		2,087
Reorganization adjustments not recognized by Jewel		(5,891)		(6,722)
Excess of cash investment over net assets		14,013		14,750
Carrying value of investment...	$	46,210	$	39,194

Statement of Earnings

	Year Ended January 31, 1977		1976	
	(In thousands)			
Aurrera (In pesos)				
Sales	Ps.	6,063,984	Ps.	4,934,505
Earnings before statutory profit sharing and income taxes.....................		669,043		466,439
Statutory profit sharing		(51,106)		(37,444)
Income taxes................		(275,446)		(202,988)
Net earnings—Aurrera statements...............	Ps.	342,491	Ps.	226,007
U.S. Translation	$	21,612	$	18,080
Reconciliation to Jewel's Equity in Net Earnings				
Equity in net earnings per Aurrera statements......	$	10,485	$	8,841
Adjustments to Jewel's accounting practices				
Depreciation/ amortization adjustments		(15)		138
Tax timing differences and others		(697)		305
Dividend withholding tax provided		(1,026)		(1,739)
Equity in net earnings of Aurrera, S.A.	$	8,747	$	7,545
Jewel's equity in unrealized gain on foreign currency translation...........................	$	3,309	$	—

MILTON ROY COMPANY (DEC)

Consolidated Balance Sheet

	1976	1975
Investments in joint ventures, at equity	$1,585,316	$1,585,795
Investments in joint venture, at cost	—	1,128,154

Consolidated Statement of Income

Income from operations	$3,919,053	$2,830,066
Gain from sale of investment interests in joint ventures and related asstes	957,810	233,262
Equity in net income of joint ventures	12,233	322,728
Income before provision for income taxes	$4,889,096	$3,376,056

Summary of Significant Accounting Policies

Principles of Consolidation and Foreign Exchange (in part)—The consolidated financial statements include the accounts of the Company and all of its wholly-owned subsidiaries. Foreign subsidiaries have been included on the basis of fiscal years ended November 30. Investments in significant unconsolidated affiliates owned 20% or more are recorded at cost plus equity in undistributed earnings since acquisition except in 1975 one investment was carried at cost plus equity in undistributed earnings through December 31, 1973 (see Note 1). All significant intercompany accounts and transactions have been eliminated.

Notes to Consolidated Financial Statements

Note 3: Investments in Joint Ventures, at Equity—The Company owned 50% of the following companies at December 31, 1976 and 1975 which were accounted for on the equity method for the years then ended:

1976	1975
Dosapro-Milton S.A.	MilRoy-Extracorporeal, Inc.
Ichibishi Company, Ltd.	Dosapro-Milton Roy S.A.
	Ichibishi Company, Ltd.

As discussed in Note 1 the Company sold its interest in MilRoy-Extracorporeal, Inc. during 1976. During 1975, the Company acquired the remaining 50% of MilRoy-Automated, Inc., and sold its interest in MilRoy-Silor, Inc. The equity in the net income and net loss of such companies while they were owned 50% by the Company has been included in the 1976 and 1975 joint venture equity change. At December 31, 1976 the operations of the Company's remaining joint venture interests are conducted primarily in Europe.

A summary of the combined financial position and results of operations of these companies is as follows:

		(Thousands)
Financial Position	1976	1975
Current assets	$ 8,923	$ 9,977
Property, plant and equipment, net	1,260	1,151
Goodwill	466	466
Other assets	123	176
Total assets	10,772	11,770
Current liabilities	6,542	7,598
Other liabilities	63	—
Long term debt	996	1,000
Total liabilities	7,601	8,598
Net assets	$ 3,171	$ 3,172
Company's equity in net assets	$ 1,585	$ 1,586

		(Thousands)
Statement of Income	1976	1975
Net revenues	$14,828	$17,444
Costs, expenses and income taxes	14,750	16,810
Net income	$ 78	$ 634
Company's share of net income	$ 39	$ 317
Less: Amortization of goodwill	—	(6)
Equity in net income of MilRoy-Silor, Inc., prior to divestiture	—	150
Equity in net loss of MilRoy-Automated, Inc. prior to acquisition of remaining 50% interest	—	(138)
Equity in net income of MilRoy-Extracorporeal, Inc., prior to divestiture	27	—
Elimination of intercompany gain	(54)	—
Company's equity in net income	$ 12	$ 323

The Company engages in various transactions with its 50% owned companies. Agreements with these companies generally provide for a price structure projected to assure a reasonable return to the respective parties. Significant transactions with the companies that are accounted for on the equity method at December 31, 1976 and 1975 were as follows:

	(Thousands)			December 31,	
	Sales to	Royalties charged to	Purchases from	Receivable from	Payable to
1976	$200	$186	$290	$118	$ 18
1975	$801	$190	$192	$194	$123

NATIONAL DISTILLERS AND CHEMICAL CORPORATION (DEC)

Consolidated Balance Sheet

	1976	1975
Investments in Associated Companies (Note 5)	$ 63,368,000	$ 40,820,000

Consolidated Statement of Income and Retained Earnings

Operating income of divisions	$179,343,000	$142,769,000
Corporate and general expenses	(15,620,000)	(9,908,000)
Interest on long-term debt	(12,890,000)	(11,497,000)
Other income—net	450,000	4,803,000
	151,283,000	126,167,000
Provision for taxes on income	(76,968,000)	(60,017,000)
Minority interests in earnings of subsidiaries	(2,116,000)	(3,458,000)
Share of earnings of associated companies—net (Note 5)	18,089,000	10,256,000
Income from continuing operations	$ 90,288,000	$ 72,948,000

Summary of Accounting Policies

Investments in Associated Companies—Investments in associated companies are accounted for under the equity method, i.e., at cost, increased or decreased by the Company's share of earnings or losses less dividends. Associated companies include significant companies in which the Company has at least a 20% but not more than a 50% interest.

Note 5: Investments in Associated Companies—The Company's principal investments in associated companies consist of interest in:

	% Owned
National Petro Chemicals Corporation, a domestic corporation	50
National Helium Corporation, a domestic corporation	50
U.S.I. Far East Corporation, a Taiwanese corporation	50
Poliolefinas, S.A., a Brazilian corporation	28
RMI Company, a domestic partnership	50
Syngas Company, a domestic partnership	33⅓

Summary financial information for associated companies as a group is as follows:

	1976	1975
Total assets	$295,929,000	$204,694,000
Combined equity	135,978,000	87,616,000
National's share of equity	63,368,000	40,820,000
Revenues	277,336,000	207,607,000
National's share of earnings	18,089,000	10,256,000
National's share of dividends	8,888,000	5,443,000

The Company's share of the undistributed earnings of associated companies was $30,605,000 at December 31, 1976.

The Company includes its share of the income or loss and investment tax credits of the domestic partnerships in computing its taxable income. The resulting tax expense or benefit is included in share of earnings of associated companies.

In March 1976, U.S.I. Far East Corporation sold additional shares of its stock to local investors, thereby reducing National's ownership from 67% to 50%. In accordance with the Company's accounting policies, the Company's share ($4,789,000) of the net income of U.S.I. Far East Corporation subsequent to March 1976 is included in the share of earnings of associated companies. Prior to the stock sale, the assets and liabilities and revenues and expenses of U.S.I. Far East Corporation were included in the Company's consolidated balance sheet and statement of income.

Prior to 1974, National Helium Corporation's major source of revenue was from the sale of helium to the U.S. Government under a long-term contract. The Government served notice to terminate the contracts as of April 4, 1973 and refused to accept deliveries of helium on and after November 12, 1973. In May 1975, National Helium filed an action against the Government in the U.S. Court of Claims for breach of contract seeking recovery of $21,700,000 (plus interest) for helium delivered and substantial damages for loss of future profits. In October 1976, the Court ordered the Government to pay for helium delivered prior to April 4, 1973 at contract prices, which amounted to approximately $12,300,000, plus interest. This amount has not yet been received by National Helium. No determination has yet been made by the Court for helium delivered after April 4, 1973 or for loss of future profits, and the outcome of these claims cannot be predicted at this time.

If the Government's right to terminate the contract is upheld, National Helium is entitled under the contract either to convey its helium plant to the Government at a formula price or to retain the plant and receive any excess of depreciated cost over market value of the plant. The Company is contingently liable in respect to indebtedness of certain of the associated companies for moneys borrowed. At December 31, 1976, the maximum amount of such contingent liability is estimated at $25,500,000, assuming the other investor in one of the associated companies involved makes it required contribution should the liability arise.

Cost

ABBOTT LABORATORIES (DEC)

	1976	1975
Investments maturing after one year, at cost (Note 4)	$167,578,000	$124,659,000

Note 4: Investments—The Company has three domestic subsidiaries operating in Puerto Rico under tax exemption grants expiring in 1985, 1988 and 1990. The funds resulting from the earnings of these subsidiaries are invested in the securities shown below. It is the Company's present intention to continue accumulating and investing such funds, rather than repatriating them, until the expiration dates of the tax exempt grants.Repatriation of these funds at an earlier date would result in a 10 percent Puerto Rico tax unless the subsidiaries are liquidated.

At December 31, 1976 and 1975, the securities held by such subsidiaries were as follows:

	1976	1975
Maturing after one year—		
Time and certificates of deposit	$ 39,500,000	$ 25,000,000
Debt obligations issued or guaranteed by various governments or government agencies	108,228,000	98,459,000
Corporate debt obligations	19,850,000	1,200,000
Total cost	$167,578,000	$124,659,000
Total market value	$168,787,000	$120,338,000

Additionally, these subsidiaries held time deposits, which are classified as current assets, of $11,224,000 at December 31, 1976 and $3,879,000 at December 31, 1975.

AMERADA HESS CORPORATION (DEC)

	1976	1975
Investments and advances		
Stock of The Louisiana Land and Exploration Company—at cost	$ 2,262,000	$ 2,262,000
Investments in and advances to affiliated companies—at cost plus equity in undistributed earnings	80,907,000	67,845,000
Other—at cost	956,000	975,000
Total investments and advances	$84,125,000	$71,082,000

Notes to Consolidated Financial Statements

Note 1 (in part): Accounting Policies

Principles of Consolidation—The consolidated financial statements include the accounts of Amerada Hess Corporation and all significant subsidiaries.

Investments in affiliated companies owned 20% to 50% inclusive, are stated at cost of acquisition plus the Corporation's equity in undistributed net income since acquisition. The change in the equity in net income of these affiliated companies is included in other revenues in the Statement of Consolidated Income.

Inter-company items are eliminated in consolidation.

Note 3: Stock of The Louisiana Land and Exploration Company—At December 31, 1976, the Corporation owned 2,000,000 shares of the capital stock of The Louisiana Land and Exploration Company (L. L. & E.), of which 200,000 shares are reserved for the exercise of warrants issued in July, 1972 in conjunction with the Corporation's sale of $40,000,000 of 6¾% Debentures Due 1987. The warrants are exercisable at a price of $43.00 per share and expire on July 1, 1979.

The market value of the 2,000,000 shares of L. L. & E. aggregated $59,500,000 ($29.75 per share) at December 31, 1976 and $44,750,000 ($22.375 per share) at December 31, 1975.

WARNER-LAMBERT COMPANY (DEC)

	1976	1975
Investments and other assets	$ 27,860,000	$ 23,784,000
Property, plant and equipment, net	511,442,000	479,408,000
Tendered shares of Deseret Pharmaceutical Co., at cost (Note 2)	99,550,000	—
Purchased patents and trademarks, net	32,752,000	28,215,000
Goodwill, net	26,785,000	22,364,000

Notes to Consolidated Financial Statements

Note 1 (in part): Significant Accounting Policies

Investments and Other Assets—Investments in less than twenty percent-owned companies and other assets are carried at cost less allowances for losses. Investments in other less than majority-owned companies are carried at equity.

Note 2: Acquisition of Deseret Pharmaceutical Company, Inc.—In December 1976 Warner-Lambert made a cash tender offer for all of the outstanding shares of common stock of Deseret Pharmaceutical Company, Inc. Deseret manufactures and sells a variety of disposable surgical and medical products, primarily intravenous catheters and infusion sets. The offer expired in January 1977 at which time approximately 98 percent of Deseret's outstanding stock had been tendered. Total consideration in the transaction is estimated at $130 million, $99.6 million of which was incurred as of December 31, 1976 and is carried as an asset in the accompanying financial statements. The acquisition will be accounted for as a purchase with effect from January 1, 1977. The excess of total consideration over the fair value of net tangible assets acquired is estimated at approximately $95 million. Upon final determination in 1977, such excess will be allocated between purchased patents, trademarks and goodwill and will be amortized on a straight-line basis over a period not exceeding 40 years.

Cost Less Allowance

GULTON INDUSTRIES, INC. (FEB)

	1976	1975
Investment in Notes Receivable from Saft America Inc., less allowance in 1976	$1,126,000	$1,626,000

Notes to Financial Statements

Summary of Significant Accounting Policies (in part):

Principles of Consolidation—The consolidated financial statements include the accounts of all subsidiaries, except a foreign subsidiary and a domestic partnership, both minor. Material intercompany items and transactions have been eliminated. The accounts of a minor foreign subsidiary disposed of in April 1975 are included in the accompanying consolidated financial statements to February 28, 1975.

The Company's investment in Saft America Inc. ("Saft America"), a 20% owned company, is included in the accompanying consolidated statement of financial position at the Company's adjusted cost (less, in 1976, allowance for loss—see Note on Investment in and Notes Receivable from

Saft America Inc.) inasmuch as, in the opinion of management, the Company does not have the ability to exercise significant influence over the operating and financial policies of Saft America.

Investment in and Notes Receivable from Saft America Inc.

	1976	1975
Investment	$ 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
Less: allowance for possible losses	500,000	
	$1,126,000	$1,626,000

During the year ended February 29, 1976, Saft America relocated its manufacturing and administrative facility. While substantial losses were expected due to costs of relocation and initial operations, the adverse results have to date significantly exceeded projections. Saft America has taken what it regards as appropriate measures to correct the situation.

Saft America believes that its present financing arrangements (which have, among other things, financed Safe America's present capital deficiency) should permit it to function in the normal course of business. Further, it believes that it will be able to achieve profitable operations and to meet its present obligations. However, since there is no certainty as to whether and during which period Saft America's expectations will be achieved, the Company has in the fourth quarter provided an allowance of $500,000 for possible losses on its investment in and notes receivable from Saft America.

Lower of Aggregate Cost or Market Value

BAYUK CIGARS INCORPORATED (DEC)

	1976	1975
	($000)	
Total current assets	$17,149	$17,175
Investment in securities, at market—Note 3	353	960
Total current assets and investment in securities	$17,502	$18,135

Notes to the Consolidated Financial Statements
($000 omitted from dollar amounts)

Note 1 (in part): Significant Accounting Policies

Investment in Securities—Investments in securities are carried at the lower of aggregate cost or market determined at the end of the year. The investment is classified as a noncurrent asset since the investment program is an ongoing activity of the company and does not represent a temporary investment of excess funds. Security transactions are accounted for on the date they are purchased or sold and realized gains or losses are determined on the basis of specific identification of the securities sold. Dividend income is recorded on the ex-dividend date.

Note 3: Investment in Securities—The cost of investment securities ($472 and $1,275 at December 31, 1976 and 1975, respectively) exceeds market value by $119 at December 31, 1976 and $315 at December 31, 1975. The net unrealized loss on investment securities is recorded as a valuation allowance charged to stockholders' equity. At December 31, 1976 there were no unrealized gains. The amounts of $196 and $315 have been credited and charged to stockholders' equity for the change in the net unrealized loss during 1976 and 1975, respectively.

CHICAGO BRIDGE & IRON COMPANY (DEC)

	1976	1975
Other assets:		
Marketable securities, stated at lower of aggregate cost or market, valuation allowance of $5,057,000 in 1975 (Note 3)	$ 46,353,000	$ 31,544,000
Real estate operations—		
Rental properties less accumulated depreciation of $3,157,000 in 1976 and $3,519,000 in 1975	15,735,000	22,893,000
Properties held for sale including construction in progress	13,590,000	10,480,000
Equity in unconsolidated affiliates	15,412,000	13,702,000
Other investments and assets	26,347,000	22,940,000
Total other assets	$117,437,000	$101,559,000

Note 3: Marketable Securities—In the accompanying consolidated balance sheets, the Company's investment in marketable securities, consisting of equity securities held for long-term investment, has been stated at aggregate cost at December 31, 1976, and at market value at December 31, 1975. The valuation allowance of $5,057,000 provided from shareholders' investment in 1975 was reversed in 1976 when market value of the Company's investment exceeds its aggregate cost.

	December 31, 1976	and 1975
Aggregate cost	$46,353,000	$36,601,000
Gross unrealized gain	4,992,000	3,803,000
Gross unrealized loss	(4,208,000)	(8,860,000)
Market value	$47,137,000	$31,544,000

Net realized losses of $872,000 and $111,000 from the sale of marketable securities were included in other income in 1976 and 1975, respectively. The first-in, first-out method is used to determine the cost of each security at the time of sale.

NATIONAL GYPSUM COMPANY (DEC)

	1976	1975
	(Thousands)	
Investments and other assets		
Marketable equity security, carried at market	$17,847	$14,614

Notes to Financial Statements

Marketable Equity Security—The marketable equity security represents 699,900 shares (25.6%) of common stock of H. H. Robertson Company acquired at a cost of $22,746,000, or $32.50 per share. H. H. Robertson Company stock is listed on the New York Stock Exchange. The following summary is based on their published financial information.

	1976	1975
	(Thousands except per share data)	
H. H. Robertson Company:		
Net sales	$327,129	$343,972
Net income	$ 10,358	$ 16,405 (a)
Less dividends	4,100 (est.)	3,662
Undistributed net income	6,258 (est.)	2,743
25.6% thereof	1,602	3,288
Shareholders' equity	$ 94,258 (est.)	$ 88,000
25.6% thereof	24,130	22,704

(a) Includes gain of $3,627,000 from change in accounting for translation of foreign currency.

	1976	1975
National Gypsum's investment:		
Cost	$ 22,746	$ 22,746
Market quotation:		
End of year	17,847	14,614
Per share	25.50	20.88
February 14, 1977	15,835	
Per share	22.63	

The equity method of accounting for this investment is not applicable because of the terms of a Consent Judgment entered into on July 17, 1973 as a result of a law suit brought by Robertson in 1970. The Consent Judgment does not limit or restrict the ability of the Company to use, dispose of or add to its holdings of Robertson common stock. However, if the Company decides to purchase or acquire any additional shares of Robertson common stock by tender offer or otherwise, to attempt to elect its nominee as a member of the Robertson Board of Directors, or to attempt to call a special meeting of the Robertson stockholders, it is obliged to give Robertson and the Federal Courts written notice thereof in reasonable detail not less than five business days prior to undertaking such action. In such event, Robertson may apply to the Courts for any relief it deems appropriate.

UV INDUSTRIES, INC. (DEC)

	1976	1975
	($000)	
Marketable equity securities (Note 3)	$3,387	$2,775

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. Marketable equity securities consisted of the following:

	Cost	Market	Unrealized Gain (Loss)
		(in thousands)	
December 31, 1975:			
Current	$1,646	$ 116	$(1,530)
Noncurrent	$4,735	$2,775	$(1,960)
December 31, 1976:			
Noncurrent	$4,333	$3,387	$ (946)

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. During 1975 realized losses of $299,000 on the sale of marketable equity securities were included in the determination of net income.

During 1976 the Company sold its current marketable equity securities portfolio realizing a loss of $1,561,000 and reversed against that loss the $1,530,000 allowance established in 1975.

On January 21, 1976 the Company entered into an agreement under which it may sell, over a three year period at a minimum aggregate price of $3,040,000, all of its holdings in Phoenix Steel Corporation which are included in the noncurrent portfolio. The Common Shares, representing 11.6% of the total outstanding shares of Phoenix, are valued at $2,470,000 which represents the present value of the current minimum aggregate price at December 31, 1976 assuming that no shares will be sold in 1977. As a result of the agreement the Phoenix warrants held at December 31, 1975 were sold for $250,000 during 1976, resulting in a realized loss of $152,000, which has been included in the determination of net income. Since these warrants were sold, the valuation allowance established at December 31, 1975 has been reversed.

The cost of securities sold was based on the average cost of all units held at the time of such sales.

THE SPERRY AND HUTCHINSON COMPANY (DEC)

	1976	1975
	($000)	
Investments in marketable securities (Note 1):		
Debt obligations (at cost)...	$50,856	$37,249
Equity securities (at market)	29,572	26,125

Summary of Significant Accounting Policies

Investments in Marketable Securities—The Company regards its investments in marketable securities as part of its long range investment policy. Consistent with this policy, the Company invests primarily in bonds which are generally held to maturity, amortizes bond premium and accrues interest earned. The balance of the investments are made in preferred and common stocks which the Company believes will afford a satisfactory long-term return. Accordingly, all investments in marketable securities, other than obligations maturing within one year, are classified as non current assets in the accompanying financial statements.

Prior to the year ended January 3, 1976, the Company carried all investments at cost. However, as of that date and in accordance with Financial Accounting Standards Board Statement No. 12 issued in December, 1975, marketable equity securities, which are all classified as non current assets, are carried at the lower of aggregate cost or market. The amount by which the market value is less than cost is accounted for as an allowance for valuation of marketable equity securities and changes in the allowance are made directly to stockholders' equity.

Where the Company determines that in its opinion there is a permanent impairment in value, the securities are sold and the loss recognized and charged to operations. The Company also disposes of securities when more favorable investment opportunities become apparent. The cost of securities for determining gain or loss on the sale of securities is determined principally on the first-in, first-out method.

Notes to Consolidated Financial Statements

(Dollars Expressed in Thousands Except Share-Related Amounts)

January 1, 1977 and January 3, 1976

Note 1: Investments in Marketable Securities

	1976			1975		
	Cost	Quoted market value	Depreciation (Appreciation)	Cost	Quoted market value	Depreciation
Investments classified as current assets						
Debt obligations	$13,302	$13,354	($ 52)	$19,520	$19,478	$ 42
Accrued interest receivable	1,011	1,011		671	671	
	$14,313	$14,365	($ 52)	$20,191	$20,149	$ 42
Investments classified as non current assets						
Debt obligations, maturing beyond one year	$50,856	$51,014	($ 158)	$37,249	$34,807	$2,442
Equity securities:						
Common stock	$21,206	$16,909	$4,297	$23,087	$15,592	$7,495
Preferred stock	13,001	12,663	338	12,932	10,533	2,399
	34,207	29,572	$4,635	36,019	26,125	$9,894
Less allowance for valuation of marketable equity securities	4,635*			9,894*		
	$29,572	$29,572		$26,125	$26,125	

*Excludes allowance of $87 and $194 for 1976 and 1975, respectively, applicable to equity investments of an unconsolidated subsidiary.

Depreciation in marketable equity securities at January 1, 1977 and January 3, 1976 is net of appreciation of $1,720 and $788, respectively.

Reference should also be made to the summary of significant accounting policies regarding investments in marketable securities. As of February 25, 1977 equity security investments amounted to $33,849 and the quoted market value was $28,179.

TABLE 2-16: NONCURRENT RECEIVABLES

	1976	1975	1974	1973
Balance Sheet Description				
Long/Term Receivables ...	60	51	52	50
Notes Receivable	19	28	36	29
Notes and accounts receivables combined	20	19	17	19
Accounts Receivable	4	11	11	11
Other—described	21	36	20	30
Receivables combined with other investments, deposits, etc	92	105	110	115
Total Presentations	**216**	**250**	**246**	**254**
Number of Companies				
Presenting noncurrent receivables	210	224	215	223
Not presenting noncurrent receivables	390	376	385	377
Total	**600**	**600**	**600**	**600**

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.

THE CLEVELAND-CLIFFS IRON COMPANY (DEC)

	1976	1975
Other Assets		
Notes receivable from associated companies—Note B	$27,000,000	$27,000,000
Other noncurrent receivables, including $480,000 (1975-$3,067,000) from associated companies..........	6,433,000	8,596,000
Deferred charges, principally advance royalties............	7,543,000	5,794,000
Miscellaneous	2,226,000	2,292,000

Note B (in part) Investments in Mining Ventures and Related Activities—The Company has loaned $27 million to certain associated companies who are participants in the Tilden Mine. Interest income from this loan after deducting the Company's share, as a participant, of the related interest expense of the associated companies, was $2.0 million in 1976 (1975-$1.7 million).

GULF OIL CORPORATION (DEC)

	1976	1975
	(Millions of Dollars)	
Properties (less accumulated depreciation of $5,843 and $5,650 million)..............	$6,632	$6,236
Investments in affiliated and associated companies..........	308	280
Long-term receivables and other investments (less allowance of $60 and $58 million) (Note 6)	288	405
Deferred charges	42	31

Note 6: Long-Term Receivables and Other Investments

	Millions of Dollars December 31	
	1976	1975
Long-term receivables...............	$277	$407
Other investments (at cost).........	71	56
	348	463
Less: Allowance for doubtful accounts............................	60	58
	$288	$405
United States.........................	$ 33	$ 53
Canada	36	36
Europe	113	146
Asia	48	77
Latin America	30	68
Middle East..........................	28	25
	$288	$405

In 1976 and 1975, provisions of $4 and $47 million, respectively, were credited to the allowance for doubtful accounts. Other charges, principally write-offs, were $2 million in 1976 and $4 million in 1975.

MOUNT VERNON MILLS, INC. (DEC)

	1976	1975
Non-Current Receivables:		
Customer (due in installments through 1978) (Note 3).....	$ 95,185	$203,623
Notes receivable arising from closing of Haverhill Plant (Note 4):		
Due December 15, 1978, interest at prime rate	115,000	
Due in monthly installments of $5,762, including interest at 6%, through December 1978..........	66,944	
Total	$277,129	$203,623

Note 3: Non-Current Receivables–Customer—In May of 1975 the Company executed an agreement of extension with a customer extending payment of an overdue account over a

period of 42 months. Through December 31, 1976 payments totaling $162,664 have been received in accordance with the agreement. Management believes that the remaining payments under the agreement will be received when due.

Note 4 (in part): Plant Closings—During the fourth quarter of 1976 the Company closed its metal foil processing plant in Haverhill, Massachusetts, sold the assets, and settled certain claims relating to the operation of the plant. As a result of these transactions the Company received cash and notes receivable of $770,000 and recognized a gain of $509,357. Notes receivable ($410,000 at December 31, 1976) are collateralized principally by real and personal property. Operations of this division are not shown separately since its sales and operating results have not been material in relation to the consolidated amounts.

PRATT-READ CORPORATION (JUN)

	1976	1975
Note Receivable (Note C)	$254,151	$304,155

Note C: Note Receivable—This note was received in connection with the sale of the common stock of a former wholly owned subsidiary, Tech-Art Plastics Company, on June 30, 1972. The 6% note, which is collateralized by all of the common stock of Tech-Art, is payable in monthly installments ($50,000 annually) to July 1, 1977, at which time the balance of $250,000 is due.

SPERRY RAND CORPORATION (MAR)

	1976	1975
	($000)	
Long-Term Receivables		
Financing leases, less allowance for unearned income: 1976, $71,412; 1975, $50,530	$379,587	$264,179
Other, less allowance for doubtful accounts: 1976, $1,244; 1975, $2,475	53,761	65,190
	$433,348	$329,369

UNITED FOODS, INC. (FEB)

	1976	1975
Other:		
Property and equipment, held for disposal, at estimated realizable value	$2,034,475	$ 419,394
Note and account receivable (Note 3)	311,072	354,592
Investment in and advances to affiliated company	253,020	466,685
Deferred costs and other	541,329	624,975
Excess of cost over underlying equity in assets purchased......	344,302	821,056
Total other assets	$3,484,198	$2,686,702

Note 3: Note and Account Receivable—Note and account receivable consist of the following:

	February 28 or 29,	
	1976	1975
Note receivable from officer and stockholders......................	$ 94,092	$151,956
Account receivable—William Inglis & Sons Baking Co.	230,393	260,500
	324,485	412,456
Less current maturities.............	13,413	57,864
	$311,072	$354,592

The note receivable from officer and stockholders represents the unpaid principal balance of a negotiable promissory note due from John Inglis (an officer and stockholder) and Weston Inglis (a stockholder) in the original principal amount of $156,820. The note dated March 1, 1973 bears interest of 1% above prime rate and matures in five equal annual installments to 1978. The first three installments plus interest were partially paid by cash and transfer to the company of the 40,000 shares of common stock of the company pledged to collateralize the loan. The stock was applied to principal and interest at the prevailing market price at date of transfer.

The account receivable from William Inglis & Sons Baking Co. (Wibco) represents the balance of advances aggregating $308,500 made in 1974 in connection with the company's investigation for possible acquisition. At the time of the advances to Wibco, John and Weston Inglis were the principal stockholders of Wibco.

Subsequent to February 29, 1976, Wibco ceased operations because of financial difficulties and is in the process of liquidation. In addition to Wibco's continuing obligation, John and Weston Inglis have agreed to guarantee repayment of the advances. Accordingly, on April 30, 1976 the company entered into an agreement whereby John and Weston Inglis jointly and severally executed notes aggregating $315,331 consisting of the combined unpaid amounts of the above indebtedness at that date, together with accrued interest from March 1, 1976 on the negotiable promissory note.

The notes are payable in semi-monthly installments beginning May 15, 1976 and bear interest at the rate being charged by the Bank of America to John Inglis Frozen Foods Company on its line of credit not to exceed 10%. Each installment shall be an amount equal to the lesser of $1,500 or 25% of the aggregate gross salaries of the individuals and shall be withheld from those salaries. In addition to the semi-monthly installments, each has also assigned to the company, 100% of any and all bonuses, after withholding taxes. Such bonuses are to be applied to principal at the time they would otherwise become payable by the company.

As additional collateral John and Weston Inglis transferred and assigned life insurance policies of $100,000 each to the company.

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

	1976	1975	1974	1973
Assets Being Amortized				
Goodwill recognized in a business combination....	222	234	235	211
Goodwill—source not indicated	31	27	27	39
Patents, patent rights	60	75	78	78
Trademarks, brand names, copyrights	28	21	21	25
Licenses, franchises, memberships	20	22	22	24
Formulae, processes, designs	6	5	5	7
Various other	32	16	16	20
Intangible assets (not otherwise described)	19	31	29	34
Total Disclosures	**418**	**431**	**433**	**438**
Assets Not Being Amortized				
Goodwill recognized in a business combination....	156	162	168	168
Goodwill—source not indicated	18	20	19	29
Patents, patent rights	1	1	1	1
Trademarks, brand names, copyrights	10	10	10	8
Licenses, franchises, memberships	3	3	1	2
Formulae, processes, designs	—	1	1	2
Various other	6	3	1	2
Intangible assets (not otherwise described	2	11	11	10
Total Disclosures	**196**	**211**	**212**	**222**
Other Bases				
Nominal value................	12	26	26	26
Basis not determinable......	33	30	32	48
Total Disclosures	**45**	**56**	**58**	**74**

Goodwill

AMERICAN MAIZE-PRODUCTS COMPANY (DEC)

	1976	1975
Excess of cost over net assets of acquired companies, less accumulated amortization of $227,616 in 1976 and $186,798 in 1975 (Note 1)....	$2,290,958	$2,331,776

Notes to Financial Statements

Note 1 (in part) Summary of Significant Accounting Policies

The excess of purchase cost over the net assets of acquired companies includes $1,625,815 relating to an acquisition in 1971. Such excess is being amortized by charges to income on a straight-line basis over 40 years in accordance with accounting rules related to acquisitions subsequent to October 31, 1970. The excess of purchase cost over the net assets of companies acquired prior to November 1, 1970 ($892,759) is not being amortized since, in management's opinion, its value has not diminished.

CADENCE INDUSTRIES CORPORATION (DEC)

	1976	1975
Intangible Assets—net (Notes 1 and 4)	$26,011,000	$26,367,000

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

Intangibles—Cost in excess of net assets of companies acquired prior to November 1, 1970, is not being amortized since there is no present indication of any impairment in the value of these intangibles. The cost of intangible assets acquired after October 31, 1970, amounting to $4,264,000 (net of amortization) at December 31, 1976, is being amortized on a straight-line basis over their estimated lives, but not exceeding forty years.

Note 4: Intangible Assets—Intangible assets (net of amortization) relate to the following activities:

	1976	1975
Publishing and publishing services.	$11,494,000	$11,904,000
Pharmaceutical products	4,583,000	4,529,000
Mail order marketing................	4,337,000	4,337,000
Theatres	5,597,000	5,597,000
	$26,011,000	$26,367,000

The Hudson merger (Note 1) resulted in an increase in intangibles of $116,000 before amortization.

JOY MANUFACTURING COMPANY (SEP)

	1976	1975
Goodwill	$4,433,000	$4,556,000

Statement of Accounts Policies

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

MORSE ELECTRO PRODUCTS CORP. (MAR)

	1976	1975
Investment in and advances to unconsolidated subsidiaries (see summary of significant accounting policies)	$ 1,286,706	$1,440,788
Excess of cost of investment over underlying net assets of subsidiaries (Note 1)	385,896	464,662
Patent, net of accumulated amortization of $237,459	4,670,024	—
Miscellaneous	698,143	838,728

Summary of Significant Accounting Policies

Excess of Cost of Investment over Underlying Net Assets of Subsidiaries—The excess of cost of investment arises from business combinations which have been accounted for under the purchase method. This excess cost is amortized using the straight-line method over various estimated useful lives not exceeding ten years.

Notes to Financial Statements

Note 1: Excess of Cost of Investment over Underlying Net Assets of Subsidiaries—The cost of the Company's investments exceeded the values of the underlying net assets of the subsidiaries at their dates of acquisition by $797,794 which is being amortized as follows:

	Excess of Cost At Date of Acquisition	Amortization Through 3/31/75	Amortization For The Year Ended 3/31/76	Unamortized Balance 3/31/76
Morse Electro Products (Canada) Corp., Ltd.				
11/1/70	$ 38,170	$ 38,170	$ —	$ —
Trans World Industries, Inc.				
11/30/70	81,504	70,550	10,954	—
Lowell Wood Co., Inc.				
4/2/71	238,939	95,577	23,894	119,468
4/1/72	112,119	33,634	11,212	67,273
	351,058	129,211	35,106	186,741
Morse Electrophonic (Hong Kong) Ltd.				
8/1/71	180,600	66,220	18,060	96,320
12/31/73	85,473	10,684	8,547	66,242
	266,073	76,904	26,607	162,562
Sharal Industries, Inc.				
4/1/72	60,989	18,297	6,099	36,593
	$797,794	$333,132	$78,766	$385,896

CBS INC. (DEC)

	1976	1975
	($000)	
Excess of cost over net assets of businesses acquired, less amortization	$53,376	$52,544

Notes to Consolidated Financial Statements

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

Intangibles—The excess of the cost over the fair value at the date of acquisition of net assets of businesses and investments acquired subsequent to October 31, 1970 is being amortized over a period of 40 years on a straight-line basis. Such excess applicable to businesses and investments acquired on or prior to that date is not being amortized. The cost of other intangible assets is being amortized over their respective economic lives.

STERNDENT CORPORATION (DEC)

	1976	1975
Other assets:		
Excess of acquisition cost over the value of assets acquired (Note 3)	$ 8,577,562	$8,605,362
Investment in "A" Company, Inc. at equity (Note 3)	—	2,673,527
Deferred income taxes (Note 10)	671,427	—
Notes and accounts receivable, due after one year	752,923	815,477
Other assets	351,752	709,134

Notes to Financial Statements

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

Amortization of Intangibles—The excess of cost over the value of net assets of businesses purchased prior to November 1970 (totaling $5,676,000) is not being amortized. For purchases consummated since that date, the excess ($2,901,000 at December 31, 1976) is being amortized over 40 years on a straight-line basis.

Note 3: "A" Company—On December 31, 1976, the Company converted a $1,000,000 subordinated convertible debenture of "A" Company into 400,000 shares of "A" Company common stock, increasing the Company's equity ownership from 48% to 65%. The December 31, 1976 balance sheet reflects "A" Company as a consolidated subsidiary. At December 31, 1975, the Company's investment was carried at equity. The Company's 48% interest in "A" Company's 1976 and 1975 earnings are reflected on an equity basis in the consolidated statement of operations. As a result of the conversion, the excess of the acquisition of cost of "A" Company over the value of assets acquired increased by $237,000 to $1,566,000.

ESMARK, INC. (OCT)

	1976	1975
	($000)	
Working capital	$ 369,230	$ 347,179
Investments and other assets	68,684	65,780
Property and operating facilities	736,527	606,282
Patents and trademarks	51,933	1,313
Excess of cost over net assets of purchased businesses	28,541	21,491
Total assets less current liabilities	$1,254,915	$1,042,045

Principal Accounting Policies

Intangible Assets—Patents and trademarks, primarily acquired in the purchase of Playtex, are being amortized on the straight-line method over their expected useful lives but not in excess of forty years.

The excess of cost over net assets of businesses purchased subsequent to 1971 ($9.0 million at October 30, 1976) is being amortized using the straight-line method over forty years. The remainder of such excess cost is not required to be amortized.

STANDARD PRESSED STEEL CO. (DEC)

	1976	1975
Other assets:		
Patents and licenses, less amortization (Note 9)	$123,750	$161,250
Excess of cost of investment over net assets acquired, less amortization (Note 9)	200,533	265,555

Note 9: Intangible Assets—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 over net assets acquired generally is being amortized on the straight-line basis over a period of 10 years.

Patents

AMERICAN GARDEN PRODUCTS, INC. (OCT)

	1976	1975
Other Assets:		
Excess of cost of net assets acquired over amounts assigned	$2,640,063	$1,721,671
Patents, trademarks and other intangible assets at cost, net of amortization (Note 3)	171,787	352,042
Other assets	370,299	307,190

Note 3 (in part): Other Significant Accounting Policies

Patents and Trademarks—Patents and trademarks of acquired companies are being amortized on a straight-line basis over ten and twenty years, respectively.

Licenses

ADAMS-RUSSELL CO. (SEP)

	1976	1975
Other Assets:		
Goodwill	$ 839,200	$1,418,700
Franchises, licenses and operating rights (Note 1f)	859,500	956,300
Film contract rights	379,900	480,400
Consulting and noncompetitive agreements	30,600	95,600
Other deferred expenses	251,300	232,600
Total other assets	$2,360,500	$3,183,600

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

(f) Franchises, Licenses, and Operating Rights—Franchise rights of $842,000 purchased in 1973 in connection with the acquisition of CATV subsidiary are being amor-

tized on a straight-line basis over sixteen years. The assigned value of other franchises, licenses, and operating rights ($219,000) (all acquired prior to November 1, 1970) are not being amortized.

Non-Compete Agreements

EMPIRE GAS CORPORATION (JUN)

	1976	1975
Other Assets		
Goodwill	$ 1,415,482	$1,419,081
Noncompete agreements	427,496	597,292
Investment in petroleum exploration ventures	1,186,689	1,174,582
Other (Note 7)	799,314	218,727
Total other assets	$3,828,981	$3,409,682

Notes to Consolidated Financial Statements

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

Goodwill—Goodwill represents the excess of the costs of acquired businesses 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 management believes there has been no decrease in value. Goodwill arising from acquisitions after November 1, 1970, is being amortized on a straight-line basis over forty years.

Noncompete Agreements—Costs of noncompete agreements are amortized on a straight-line basis over the terms of the individual agreements, generally ten years.

Leasehold Rights

THE RATH PACKING COMPANY (SEP)

	1976	1975
Other assets:		
Leasehold rights and other intangible assets less accumulated amortization: 1976-$176,000, 1975-$81,000 (Notes 1 and 7)	$1,771,000	$1,866,000
Net noncurrent assets of discontinued Feed Division (Note 8)	49,000	175,000
Miscellaneous	153,000	54,000
	$1,973,000	$2,095,000

Notes to Financial Statements

Note 1 (in part): Accounting Policies:

Leasehold Rights and Other Intangible Assets—With minor exceptions, the costs of leasehold rights and other intangible assets are being amortized on a straight-line basis over 25 years, the term (including optional renewal periods) of the related lease.

Note 7 (in part): Purchase of Certain Meat Business Assets and Obligations Assumed—The purchase cost includes assumption of liabilities of $1,786,000 (of which $1,324,000 arises from the excess of vested benefits of the Stark, Wetzel pension plan over trust assets) and has been assigned as set forth below:

Inventories	$2,228,000
Machinery, equipment and vehicles	507,000
Trademarks and noncompete agreement	134,000
Leasehold rights	1,813,000
	$4,682,000

Franchise Costs

WARNER COMMUNICATIONS INC. (DEC)

	1976	1975
	(in thousands)	
Other assets:		
Cable television franchise and system development costs, less accumulated amortization	$17,871	$19,120

Summary of Significant Accounting Policies

Depreciation, Amortization, Maintenance and Repairs (in part)—Cable television franchise costs are being amortized principally on the straight-line method over the estimated useful life of the franchises ranging up to forty years. Cable system development costs consist of all costs incurred during the pre-operating stage (net of subscriber revenues) including interest and are amortized over a ten-year period from the date the system becomes operational. In 1976 all systems were operational and accordingly no additional system development costs were capitalized.

Copyrights

TWENTIETH CENTURY-FOX FILM CORPORATION (DEC)

	1976	1975
	(in thousands)	
Other Assets:		
Music copyrights	$ 1,635	$ 1,903
Television stations' licenses, contracts, and network affiliation agreements	12,463	12,866
Other	4,527	4,842

Notes to Consolidated Financial Statements

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

Depreciation and Amortization—Depreciation and amortization of property and equipment have been provided on the straight-line method over their 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 $5,080,000 and $4,705,000 in 1976 and 1975, respectively.

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 and is being amortized on the straight-line method generally over 40 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.

TABLE 2-18: OTHER NONCURRENT ASSETS

	Number of Companies			
	1976	1975	1974	1973
Segregated cash or securities	63	77	66	87
Prepaid expenses	38	44	44	44
Property held for sale	33	34	31	30
Debt expense	30	48	49	44
Deferred income taxes	30	41	39	38
Cash surrender value of life insurance	23	27	26	28
Assets leased to others	14	24	N/C	N/C
Employee benefits	8	10	13	12
Development costs	7	11	10	10
Start up costs	5	10	18	13
Other identified noncurrent assets	32	45	20	68
	283	371	316	374
Deferred charges or Other Noncurrent assets—not described	511	555	560	546

N/C — Not Compiled.

Segregated Funds

BRUNSWICK CORPORATION (DEC)

	1976	1975
	($000)	
Investments and other assets		
Investment in Nippon Brunswick Co., Ltd., 50% owned (Note 6)	$17,001	$27,033
Other investments, etc.	16,758	16,247
Goodwill, patents and formulas	10,462	7,581
Funds designated for use in acquisition (Note 1)	10,000	—
	$54,221	$50,861

Notes to Consolidated Financial Statements

Note 1 (in part): Changes in Operations—In January, 1977, the Company acquired the outstanding capital stock of Circle Seal Corporation, a designer and manufacturer of proprietary precision valves, regulators and filters, for $15,000,000 in cash. The acquisition will be accounted for as a purchase. At December 31, 1976, the Company identified $10,000,000 in marketable securities as funds designated for the purchase of the net noncurrent assets of Circle Seal Corporation.

CUTLER-HAMMER, INC. (DEC)

	1976	1975
Investments and Other Assets:		
Cash reserved for investment (Note 3)	$ 8,750,000	$ —
Investments in and advances to affiliates, on equity basis	2,403,859	2,844,674
Other assets	4,197,034	4,664,684
Unamortized excess of cost of investment in subsidiaries over net assets acquired (Note 3)	7,372,863	6,913,323
	$22,723,756	$14,422,681

Note 3 (in part): Acquisitions—On January 6, 1977, the Company purchased 385,000 shares of voting preferred stock of Leeds & Northrup Company (representing approximately a 15% voting interest) which is convertible on a share for share basis into common stock and bears an annual dividend rate of $1.60 per share. The $8,750,000 of cash used for this acquisition has been reclassified to non-current assets. Leeds & Northrup Company is a manufacturer of electronic instrumentation and process control equipment.

THE DOW CHEMICAL COMPANY (DEC)

	1976	1975
Plant properties	$5,987,278,500	$4,933,165,822
Less—Accumulated depreciation	2,433,358,376	2,146,104,313
	3,553,920,124	2,787,061,509
Unexpended pollution control funds	67,503,406	98,538,901
Goodwill	83,588,887	84,467,970
Deferred charges and other assets	81,493,663	65,995,544

Notes to Financial Statements

Note G: Unexpended Pollution Control Funds—Proceeds from the sale of pollution control bonds by various local municipalities are deposited with the respective trustees pending reimbursement to the Company for qualified expenditures. These funds are restricted to the use for which they are intended. The unpaid liability is included in long-term debt (See Note H).

METRO-GOLDWYN-MAYER INC. (AUG)

	1976	1975
Marketable securites committed to construction—MGM Grand Hotel—Reno (Note 1)	$83,826,000	$ —

Note 1 (in part): Construction Project—The Company has commenced construction on a hotel/casino in Reno, Nevada, similar in concept to the MGM Grand Hotel in Las Vegas, with the opening scheduled for May, 1978. The total capitalized investment for land, construction and furnishing of the hotel is estimated at $114,000,000 with an additional $8,000,000 estimated for working capital, production revenue costs and other expenses. In June, 1976, the Company issued 9¾% Senior Sinking Fund Notes due 1986 and 10½% Senior Sinking Fund Debentures due 1996 (aggregating $90,000,000) to partially finance the construction of the MGM Grand Hotel—Reno. At August 31, 1976, $83,826,000 of the proceeds from these issues was temporarily invested in interest-bearing securities recorded at cost, which approximates market. The Company had incurred costs or entered into contracts related to the hotel project approximating $38,300,000 at August 31, 1976.

In accordance with its policy to capitalize net interest costs on major construction projects, the Company is capitalizing interest costs, net of interest earned on invested funds, associated with the MGM Grand Hotel—Reno during its period of construction.

Deposits

CROWN CENTRAL PETROLEUM CORPORATION (DEC)

	1976	1975
Other Assets		
Investment in 50%-owned companies	$5,961,016	$6,374,983
Deposit on land purchase agreement—Note I	1,000,000	1,000,000
	$6,961,016	$7,374,983

Note I: Expenditures Related to Certain Long-Term Projects—The Company engages in various long-term projects which involve certain risks and contingencies and which may ultimately be abandoned. Expenditures believed to have value independent of the project are capitalized ($12,597,214 at December 31, 1976 and 1975). Other expenditures relating to these projects have been charged to expense as incurred ($473,310 in 1976 and $2,885,887 in 1975).

The major portion of these expenditures relates to a planned refinery to be built in the Baltimore Harbor area and includes contracts for design and engineering work and for the purchase of the material and the related fabrication work for 12 reactors and a land deposit.

The contracts for the purchase of the reactors permitted the Company to take delivery of the material and cancel further obligations upon making progress payments of $18,000,000. The Company canceled the contract on June 10, 1975. A settlement agreement has been executed which reduces the cancellation charge to $11,000,000 by relieving the Company of its obligation to purchase certain materials originally ordered for the reactors.

Management believes that the materials and related fabrication work completed to date have a value in excess of $11,000,000 if used in the planned refinery to be built in the Baltimore Harbor area or a similar refinery built elsewhere. In the event this refinery project is abandoned, the recovery of this amount would be dependent upon the sale to a purchaser engaged in a project where the material can be used in its present form. If the material cannot be used in its present form, it is estimated that its resale value would probably be substantially less than the amount capitalized, however, this value cannot readily be determined at this time. Management expects to use this material in the planned refinery project or a similar project and thereby recover the investment.

In connection with the planned refinery project, a wholly-owned subsidiary entered into a contract to acquire a plant site on June 28, 1974 for $22,000,000 of which $1,000,000 was paid on deposit. The subsidiary has filed suit to have such contract declared null and void and/or canceled and to recover the $1,000,000 on the grounds that such lands were subject to certain material encumbrances and/or defects.

In the opinion of management and legal counsel for the Company, the Company has no liability under such contract; however, the probability of recovery of the deposit by the subsidiary cannot be determined at this time.

LEE ENTERPRISES, INCORPORATED (SEP)

	1976	1975
Other Assets		
Escrow deposit (Note 4)	$ 525,000	$ —
Deferred income tax charges, net	862,000	702,000
Film rights, at amortized cost	944,000	658,000
	$2,331,000	$1,360,000

Note 4: Acquisitions—On August 1, 1976, the Company acquired certain assets of a daily newspaper in Kansas City, Kansas, for $2,000,000 cash. The acquisition, which was accounted for by the purchase method, has no material effect on the revenue, costs, net income or earnings per share of the Company.

The company has entered into an agreement, subject to the review and approval of the Federal Communications Commission, to purchase certain assets of station KGMB-TV, Honolulu, Hawaii, and other related facilities. The Company anticipates a purchase price to include $10,500,000 cash payable at the closing and assumption of approximately $2,000,000 of long-term debt and net contractual obligations. In addition, the Company has agreed to pay certain contingent compensation over a fifteen-year period.

Prepaid Expenses

PRATT AND LAMBERT INC. (DEC)

	1976	1975
Other Assets:		
Advertising materials and supplies (Note A)	$ 858,553	$598,700
Other	625,464	393,362
Total other assets	$1,484,017	$992,062

Note A (in part): Accounting Policies

Advertising Materials and Supplies—Inventories of materials and supplies are charged to income when consumed. Costs applicable to certain sales aids are amortized over a period not to exceed five years.

THE STANDARD OIL COMPANY (AN OHIO CORPORATION)

	1976	1975
	Thousands of Dollars	
Other Assets		
Investments in joint-venture companies and affiliate	$ 51,780	$ 52,966
Long-term receivables and advances	50,813	71,140
Deposits under construction contracts	147,226	53,473
Prepaid Alaskan severence tax	121,280	-0-
Deferred interest	64,303	37,538
Other prepaid expenses and deferred charges	114,943	67,785
	$550,072	$282,902

Notes to Financial Statements

Note L (in part): Investment in Trans-Alaska Pipeline, Prudhoe Bay Properties, and Related Commitments

Prepaid Alaskan Severence Tax—The Company paid $121 million crude oil reserves tax to the State of Alaska in 1976 and estimates it will pay $150 million in 1977 which will be creditable against future Alaska severance taxes.

Tooling Costs

THE PARKER PEN COMPANY (FEB)

	1976	1975
Other Assets:		
Tooling	$1,376,237	$1,357,796
Investments in unconsolidated affiliates, at equity, and other investments	541,942	511,780
Other assets	2,105,471	2,166,243
Excess of cost over related net assets of subsidiaries acquired	2,900,245	2,926,056
Total other assets	$6,923,895	$6,961,875

Notes to Consolidated Financial Statements

Accounting Policies (in part)

Tooling—Tooling costs are amortized over periods not exceeding 3 years.

Property Held for Sale

EVANS PRODUCTS COMPANY (DEC)

	1976	1975
	($000)	
Total current assets	$245,223	$240,660
Discontinued facilities held for sale	10,035	9,071
Property, plant and equipment	133,628	139,037
Investments in unconsolidated subsidiaries	85,780	143,237
Deferred tax benefits	—	10,618
Other assets	19,862	22,668
	$494,528	$565,291

Significant Accounting Policies

Discontinued Facilities—Discontinued facilities are valued at estimated net realizable values. All costs expected to be incurred in future periods by these facilities are recognized at the date the decision is made to discontinue operations or at the date material revisions to cost estimates are required.

GIDDINGS & LEWIS, INC. (DEC)

	1976	1975
Other assets:		
Property held for sale, at cost less accumulated depreciation, 1976-$91,000; 1975-$79,000	$1,003,180	$1,015,285
Notes receivable due after one year	1,237,132	1,275,965
Other	1,119,574	1,253,823
Total other assets	$3,359,886	$3,545,073

WESTINGHOUSE ELECTRIC CORPORATION (DEC)

	1976	1975
	(Dollars in thousands)	
Total current assets	$3,236,735	$2,840,624
Investments	386,505	289,188
Estimated realizable value—discontinued businesses (Note 2)	34,702	95,543
Plant and equipment, net	1,375,028	1,380,680
Other assets	285,372	260,251
Total assets	$5,318,342	$4,866,286

Note 2: Discontinued Operations—In 1974 the Corporation decided to dispose of its major appliance business, Prior to 1976 the sale of the domestic major appliance business had been concluded. During December 1976 Westinghouse Canada Limited agreed to sell its household appliance business to a newly formed Canadian company. Westinghouse Canada Limited will receive cash in exchange for the net assets, excluding cash and accounts receivable. Two overseas appliance manufacturing subsidiaries were also divested in 1976.

Estimated Realizable Value—Discontinued Businesses consists primarily of the net assets of the remaining major appliance manufacturing subsidiaries outside the U.S..

The phase out of the mail order and record club business was substantially completed during 1976.

No adjustment to the remaining estimated relizable value or provision for losses on disposal will be required.

Decisions were reached during 1976 to sell or phase out the Entertainment Tube Division, a prestressed concrete construction subsidiary and certain other smaller businesses. The effect on net income of these transactions was not material.

Sale and phase out of other businesses and investments were accomplished during 1975. These included the French and Belgian elevator subsidiaries, Econo-Car International, Inc. and a transformer manufacturing subsidiary in Greece. In addition, the Corportion sold its 45 percent equity interest in Framatome, a French nuclear power plant manufacturer. Two-thirds of the shares in Framatome were delivered to the Commissariat a l'Energie Atomique. The remaining one-third of the shares will be transferred to Creusot-Loire, a French manufacturing company, in 1982 for nominal value. The effect on net income of these transactions in 1975 was not material.

Debt Issue Costs

F&B/CECO INDUSTRIES, INC. (MAY)

	1976	1975
Other assets:		
Unamortized bond issue costs..	$134,733	$146,281

Notes to Consolidated Financial Statements

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

Bone Issue Costs—Expenses relating to the issuance of debentures are being amortized on a straight-line basis over the 20-year term of the bonds.

Deferred Income Taxes

ADDRESSOGRAPH-MULTIGRAPH CORPORATION (JUL)

	1976	1975
	(Dollars in thousands)	
Other Assets:		
Intangibles arising from acquisitions	$ 3,118	$ 3,487
Deferred charges	4,239	4,666
Future income tax benefits	5,063	3,095
	$12,420	$11,248

Summary of Accounting Policies

Income Taxes (in part)—Provision is made for timing differences between financial and tax reporting which relate primarily to leasing and service contract activities, pension costs, depreciation expense and provisions for inventory obsolescence and doubtful accounts receivable. The investment tax credit is recorded under the flow-through method of accounting as a reduction of the current provision for federal taxes.

SIMPLICITY PATTERN CO. INC. (JAN)

	1977	1976
Current Assets	$ 93,092,146	$ 94,432,456
Property, plant & equipment, at cost, less accumulated depreciation	35,320,673	36,857,569
Long term investments	1,602,500	2,602,497
Prepaid income taxes	3,065,726	2,396,174
	$133,081,045	$136,288,696

Notes to the Financial Statements

Note 7 (in part): Deferred (prepaid) income taxes represent the net tax effect of book-tax accounting differences principally for depreciation (deferred $347,332 and $742,586, respectively) and pattern discards, customers' initial pattern stocks and deferred compensation payable (prepaid ($218,272) and deferred $241,287, respectively) for the years ended January 31, 1977 and 1976. Investment tax credits generated have been fully utilized to reduce the tax provision.

To the extent that they might become payable, taxes have been provided on undistributed earnings of foreign subsidiaries which are expected to be remitted to the U.S. no provision has been made for taxes on approximately $4,759,000 of undistributed foreign earnings at January 31, 1977, which are reinvested for indefinite periods.

Cash Surrender Value of Life Insurance

BOWNE & CO., INC. (OCT)

	1976	1975
Other assets:		
Cash surrender value of insurance on lives of key employees	$186,761	$164,370
Deferred income taxes	88,645	—
Deposits and sundry	43,634	63,295
	$319,040	$227,665

FDI, INC. (APR)

	1976	1975
Other Assets:		
Deferred charges	$ 235,149	$ 325,990
Cash surrender value of insurance on lives of officers	111,579	95,081
Cost in excess of net assets of acquired companies	7,499,613	8,153,948
Long-term accounts receivable and other	1,370,937	633,659
Total other assets	$9,217,278	$9,208,678

HON INDUSTRIES INC. (DEC)

	1976	1975
Investment, cash value of life insurance (Note 4)	$289,000	$265,000

Note 4: Stock Redemption Agreement—The Company owns $600,000 of ordinary life insurance on the Chairman of the Board and $1,350,000 of ordinary and term life insurance on the President. Stock redemption agreements between the Company and these officers provide for the purchase from their estates (at market value) of common stock equal to the amount of life insurance owned. Under certain conditions, either the Company or the estate may be able to terminate the agreement or to reduce the number of shares to be redeemed.

Start-Up Costs

UV INDUSTRIES, INC. (DEC)

	1976	1975
	(in thousands)	
Total current assets	$272,977	$236,313
Marketable equity securities	3,387	2,775
Properties, plants and equipment, at cost	293,592	281,646
Less, accumulated depreciation, depletion and amortization	128,001	119,558
	165,591	162,088
Cost in excess of net assets of a business acquired	24,717	24,909
Deferred charges and other assets (Note 5)	21,518	20,623
	$488,190	$446,708

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of Accounting Policies

Mine Exploration and Development Costs—Expenditures related to exploration for new mining properties are charged to income as incurred. Expenditures relating to the development of ore in mining properties are deferred and amortized on the unit of production basis over the estimated ore reserves benefited.

Preoperating and Start-Up Costs:

Preoperating and start-up costs relating to new plant facilities are deferred and amortized on the unit of production method but not to exceed ten years from the end of the start-up period.

Note 5: Deferred Charges and Other Assets

	1976	1975
	(in thousands)	
Unamortized debt issuance expenses	$ 2,469	$ 2,636
Mine development	7,430	8,167
Preoperating and start-up costs of new plant facilities	4,373	5,155
Other	7,246	4,665
	$21,518	$20,623

Employee Benefits

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

	1976	1975
	(Thousands of Dollars)	
Other Assets		
Land held for investment, at cost (subject to mortgage)	$135	$135
Deferred compensation fund (at cost equal to market value) (Note 8)	266	212
Deferred charges and other assets	197	163

Note 8 (in part): Employee Benefit Plans—The Company has a deferred compensation plan for key executives providing for periodic payments upon retirement. Operations for the years ended September 30, 1976 and 1975 were charged $50,000. All contributions to the plan remain the property of the Company until paid to the participants. It is the policy of the Company to invest these amounts to fund the plan.

Realty Assets

BLISS & LAUGHLIN INDUSTRIES INCORPORATED (DEC)

	1976	1975
Total current assets	$ 75,351,000	$ 64,286,000
Realty:		
Land and related costs	13,168,000	14,813,000
Receivables	1,932,000	2,547,000
Deferred income tax benefits	1,207,000	1,305,000
Other	848,000	986,000
	17,155,000	19,651,000
Other Assets:		
Notes receivable and deferred charges	799,000	499,000
Investments in affiliated companies	1,491,000	2,411,000
Intangible assets arising from acquisitions	5,341,000	5,362,000
Patents and other intangible assets, at cost, less amortization of $3,425,000 and $3,254,000, respectively	1,226,000	1,398,000
	8,857,000	9,670,000
Equipment Leased to Others, at cost, less accumulated depreciation of $11,332,000 and $10,465,000, respectively	6,346,000	7,682,000
Plant and Equipment, at cost:		
Land	1,590,000	1,590,000
Buildings	11,257,000	10,916,000
Machinery and equipment	30,649,000	26,540,000
	43,496,000	39,046,000
Less: accumulated depreciation	21,841,000	20,401,000
Net plant and equipment	21,655,000	18,645,000
	$129,364,000	$119,934,000

Financial Review

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

Realty sales are recorded when the buyer has a significant and continuing cash equity in the property. In 1975 an immaterial amount of real estate taxes, interest expense and development costs applicable to land were capitalized as part of the cost of the land prior to the marketing stage provided that such capitalization did not state land and related costs in excess of net realizable value. In 1976 real estate taxes, interest expenses and development costs applicable to land are expensed as they are incurred. Costs are allocated to the various parcels of individual projects based upon the relative value method.

TABLE 2-19: SHORT TERM DEBT

	1976	1975	1974	1973
Description				
Notes or loans				
Payee indicated	175	256	207	252
Payee not indicated	216	213	224	217
Short-term debt or borrowings	56	26	36	27
Commercial paper	22	35	36	36
Other	11	13	10	13
Total Presentations	**480**	**543**	**513**	**545**
Number of Companies				
Showing short-term debt	435	447	452	448
Not showing short-term debt	165	153	148	152
Total	**600**	**600**	**600**	**600**

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.

BAKER INTERNATIONAL CORPORATION (SEP)

	1976	1975
	(In thousands of dollars)	
Current liabilities:		
Notes payable—banks	$ 5,253	$ 14,755
Notes payable—other	2,257	2,595
Accounts payable—trade	34,925	29,550
Accrued employee compensation benefits	22,126	15,482
Income taxes	14,706	26,284
Taxes other than income taxes	4,817	5,377
Other current liabilities	8,407	11,767
Total current liabilities	$92,491	$105,810

INTERNATIONAL HARVESTER COMPANY (OCT)

	1976	1975
	($000)	
Current Liabilities (Note 13)		
Notes payable	$ 266,502	$ 469,511
Accounts payable	382,364	364,675
Accrued liabilities	319,635	223,875
Current maturities of long-term debt	35,711	35,755
Total current liabilities	$1,004,212	$1,093,816

Notes to Financial Statements

Note 13: Current Liabilities—The major classifications of current liabilities at October 31 are analyzed as follows:

	1976	1975
	(Thousands of dollars)	
Notes payable:		
Banks	$ 215,424	$ 406,034
Commercial paper	29,006	35,044
Trade	7,472	11,041
Nonconsolidated companies	7,133	3,348
Other	7,467	14,044
Total notes payable	266,502	469,511
Accounts payable:		
Trade	307,855	283,689
Nonconsolidated companies	24,134	34,478
Other	50,375	46,508
Total accounts payable	382,364	364,675
Accrued liabilities:		
Payrolls and commissions	83,347	84,692
Taxes	115,098	59,479
Interest	19,616	18,780
Special compensation	19,578	5,748
Estimated future costs, Wisconsin Steel Division	—	5,250
Other	81,996	49,926
Total accrued liabilities	319,635	223,875
Current maturities of long-term debt	35,711	35,755
Total current liabilities	$1,004,212	$1,093,816

Information regarding commercial paper and short-term borrowings from lending institutions for the years ended October 31, is as follows:

	1976	1975
	(Millions of dollars)	
Aggregate borrowings outstanding:		
Daily average	$ 479	$ 749
Maximum month-end balance	582	1,082
Weighted average interest rate:		
On average borrowings*	8.16%	9.04%
At October 31	9.44	8.91

*Calculated by dividing the actual interest expense for the year by the average daily balance outstanding.

The parent Company's unsecured lines of credit with various banks constitute business commitments, not legal obligations of the lender. These lines of credit are subject to the usual terms and conditions applied by banks and are typically reviewed and renewed annually. At October 31, 1976, $858 million of these lines were unused of which $738 million were mutually available to both the parent Company and International Harvester Credit Corporation. During 1976 unsecured lines of credit, including the mutual lines, were reduced by $76 million.

There are no formal withdrawal restrictions on any cash balances maintained at the various banks. The parent Company and International Harvester Credit Corporation maintain average compensating balances over a twelve-month period as determined by the bank ledger records adjusted for uncollected funds. The two most common informal arrangements provide for balances to be maintained of either 15% of the lines of credit available or 10% of the lines available plus 10% of the amount of loans outstanding under such lines.

The compensating balances expected of the parent Company and International Harvester Credit Corporation under informal arrangements at October 31, 1976, including the mutual lines, were approximately $103 million and the estimated collected balances were $100 million. Because the arrangements are based on a twelve-month average balance, none of the cash balances are considered to be restricted as of any specific date.

Lines of credit arrangements of the consolidated subsidiaries are generally in connection with bank overdraft and note facilities for which there are neither material commitment fees nor compensating balance requirements. Unused lines of the consolidated subsidiaries at October 31, 1976 were $298 million.

KRAFT, INC. (DEC)

	1976	1975
	($000)	
Accounts and drafts payable and accrued liabilities (see note)	$352,524	$355,006
Short-term borrowings (see note)	103,894	57,114
Federal and foreign taxes on income	60,744	72,412
Current portion of long-term debt, less amounts provided for payment ($4,050 in 1976 and $15,050 in 1975)	1,039	1,025
Total current liabilities	$518,201	$485,557

Notes to Consolidated Financial Statements

Borrowing Arrangements (in part)—The company had unused lines of credit amounting to $203,532,000 at December 25, 1976. Bank balances of approximately $10,613,000 were maintained at banks to offset routine banking service charges and to support lines of credit. It is the company's policy to maintain bank lines of credit at least equal to its outstanding commercial paper.

Effective in 1976, drafts outstanding have been reclassified from cash to current liabilities. Cash and current liabilities included in the accompanying December 27, 1975 balance sheet have been restated to give effect to the reclassification of $15,345,000 of drafts outstanding at that date. Cash and temporary investments and accounts payable and accrued liabilities representing working capital changes in the accompanying Consolidated Statement of Changes in Financial Position have been restated to reflect the reclassification of drafts outstanding.

Short-term borrowings were as follows:

December 25, 1976	Amount	Weighted Avg. Interest Rate
	(Dollars in thousands)	
Commercial paper—U.S.	$ 38,460	4.7%
Bank loans—Int'l.	65,434	8.9
Parallel loan financing	—	—
	$103,894	7.4
Average short-term debt (monthly)	$104,956	8.9%
Maximum period-end short-term debt	$164,466	—
December 27, 1975		
Commercial paper—U.S.	$ —	—%
Bank loans—Int'l.	57,114	8.1
Parallel loan financing	—	—
	$ 57,114	8.1
Average short-term debt (monthly)	$192,999	8.1%
Maximum period-end short-term debt	$259,511	—

The average monthly borrowings and weighted average interest rates were determined by using period-end borrowings and the interest rates applicable thereto.

Commercial paper is sold in the open market through a money market dealer.

SEARS, ROEBUCK AND CO. (JAN)

	1977	1976
	($000)	
Current Liabilities		
Short-term borrowings		
Commercial paper	$1,940,578	$1,706,286
Banks	305,869	217,567
Agreements with bank trust departments	655,046	634,384
Current maturity of long-term debt	48,900	125,000
Accounts payable and accrued expenses	990,762	1,119,604
Unearned maintenance agreement income	242,143	221,562
Deferred income taxes	855,893	782,673
Total current liabilities	$5,039,191	$4,807,076

ZENITH RADIO CORPORATION (DEC)

	1976	1975
	($000)	
Current liabilities:		
Bank loans payable in Swiss francs (Note 7)	$ 11,021	$ 11,618
Swiss franc 7¼% debentures due 1976	—	9,543
Accounts payable	39,112	37,590
Accrued expenses—		
Salaries, wages, commissions and bonuses	15,059	12,915
Taxes, other than taxes on income	5,905	5,548
Contribution to profit-sharing plan (Note 5)	10,362	9,664
Product warranty	19,928	28,240
Co-op advertising and merchandising programs	16,409	13,881
Other accrued expenses	6,999	10,339
Accrued income taxes	17,879	16,445
Total current liabilities	$142,674	$155,783

Notes to Consolidated Financial Statements

Note 7: Bank Loans Payable, Lines of Credit and Compensating Balances—The Company had domestic and foreign lines of credit available for borrowing or to support the issuance of commercial paper of $67.0 million for the full year 1976 and an additional $72.5 million for half of the year to cover seasonal requirements. 1975 lines of credit averaged approximately $141.0 million.

Availability of certain of these lines (excluding those secured by commitment fees) requires the Company to maintain certain compensating balances including float, averaging 10.0% (10.6% in 1975) of such lines. Utilization of these lines requires the maintenance of additional compensating balances which average 10.0% of such borrowing in 1976 (6.8% in 1975).

The maximum month-end borrowings during 1976 under the above described arrangements were $16 million ($143 million in 1975). The average borrowings outstanding during 1976 were $10 million ($108 million in 1975) at a weighted average interest rate of 6.5% (7.7% in 1975).

Effective January 1, 1977, domestic lines of credit were confirmed at $32.0 million for the full year and an additional $51.0 million for six-month lines to cover seasonal requirements.

TABLE 2-20: CURRENT LIABILITIES—TRADE CREDITORS

	1976	1975	1974	1973
Description				
Accounts payable, payables, or trade payables in a separate caption	417	388	392	389
Accounts payable combined with accrued liabilities or accrued expenses	163	189	184	187
Other captions	20	23	24	24
Total Companies	**600**	**600**	**600**	**600**

TRADE ACCOUNTS PAYABLE

BLUE BELL, INC (SEP)

	1976	1975
	(In Thousands)	
Current Liabilities		
Notes payable—Banks and other	$ 20,168	$19,317
Current maturities of long-term debt	1,697	1,491
Accounts payable, principally trade	48,218	37,470
Dividends payable	2,472	1,250
Accrued liabilities		
Compensation	16,450	10,836
Income taxes	33,945	15,728
Taxes—Other than income	3,356	2,293
Interest	2,252	2,112
Other	9,112	5,704
Total current liabilities	$137,670	$96,201

FDI, INC. (APR)

	1976	1975
Current Liabilities:		
Notes payable to banks	$ 844,171	$ 3,886,106
Accounts and trade acceptances payable	6,180,879	6,882,003
Income taxes	70,891	15,980
Estimated warranty costs	116,985	345,090
Commissions payable	391,034	373,030
Accrued expenses and other	1,821,736	1,870,136
Long-term debt due within one year	3,270,000	2,568,313
Total current liabilities	$12,695,696	$15,940,658

INMONT CORPORATION (DEC)

	1976	1975
Current Liabilities:		
Loans and current maturities of long-term debt	$21,872,000	$13,190,000
Accounts payable—trade	29,147,000	28,168,000
Payrolls and commissions	9,847,000	7,032,000
Other accrued liabilities	12,575,000	11,239,000
United States and foreign income taxes	16,641,000	5,966,000
Deferred income taxes	994,000	775,000
Total current liabilities	$91,076,000	$66,370,000

LOCKHEED AIRCRAFT CORPORATION (DEC)

	1976	1975
	($ Millions)	
Current liabilities:		
Accounts payable	$195.7	$220.4
Salaries and wages	111.7	102.2
Income taxes (Note 6)	9.8	7.1
Other taxes	36.2	32.1
Customers' advances in excess of related costs	208.5	111.4
Retirement plan contribution (Note 7)	63.1	62.8
Other liabilities	116.8	115.0
Current portion of long-term debt (Note 8)	111.8	18.4
Total current liabilities	$853.6	$669.4

EMPLOYEE RELATED LIABILITIES

Table 2-21 shows the nature of accounts identified as current liabilities to or for employees.

TABLE 2-21: CURRENT LIABILITIES RELATING TO EMPLOYEES

	1976	1975	1974	1973
Description				
Salaries, wages, payrolls, commissions	213	197	196	194
Withholdings, payroll taxes.	31	36	37	36
Pension or retirement plan contributions	50	28	37	31
Profit-sharing contributions.	15	28	22	30
Other captions	57	44	44	42
Total Presentations	**366**	**333**	**336**	**333**
Number of Companies				
Showing liabilities to or for employees	239	202	206	206
No such liabilities	361	398	394	394
Total	**600**	**600**	**600**	**600**

BRIGGS & STRATTON CORPORATION (JUN)

	1976	1975
Current Liabilities:		
Accounts payable	$ 9,159,000	$ 6,504,000
Accrued liabilities—		
Wages and salaries	6,880,000	4,070,000
Retirement plan	7,598,000	7,312,000
Taxes, other than income taxes	2,118,000	1,277,000
Other	5,810,000	3,041,000
Total accrued liabilities	22,406,000	15,700,000
Federal and state income taxes	13,362,000	920,000
Total current liabilities	$44,927,000	$23,124,000

MASONITE CORPORATION (AUG)

	1976	1975
Current Liabilities:		
Short-term borrowings and current maturities of long-term debt	$21,341,000	$ 1,618,000
Accounts payable	16,461,000	13,575,000
Cash dividend payable	2,201,000	2,446,000
Accrued liabilities—		
Payrolls	2,004,000	4,918,000
Taxes, other than Federal and state income taxes	2,326,000	2,605,000
Pension expense	4,204,000	2,302,000
Miscellaneous	2,367,000	5,513,000
Federal and state income taxes	1,000,000	13,574,000
Total current liabilities	$51,904,000	$46,551,000

GENERAL MILLS, INC. (MAY)

	1976	1975
	(In Thousands)	
Current Liabilities:		
Notes payable	$ 24,098	$ 55,048
Current portion of long-term debt	4,405	3,637
Accounts payable and accrued expenses:		
Accounts payable—trade	194,622	147,888
Accounts payable—miscellaneous	46,671	27,284
Accrued payroll	29,933	24,557
Accrued interest	5,546	8,335
	276,772	208,064
Accrued taxes	69,045	43,301
Thrift accounts of officers and employees	3,363	3,484
Total current liabilities	$377,683	$313,534

GRANITEVILLE COMPANY (DEC)

	1976	1975
Current liabilities:		
Accrued liabilities:		
Payrolls	$ 25,690	$ 153,581
Taxes, including income taxes	2,459,023	282,117
Interest	221,190	148,077
Retirement and pension plans	1,179,045	934,296
Other	625,986	1,187,325
	$4,510,934	$2,705,396

STANADYNE, INC. (DEC)

	1976	1975
	(In Thousands)	
Current Liabilities		
Accounts payable	$ 5,558	$ 6,111
Accrued expenses:		
Vacation	3,460	3,047
Pension	642	59
Taxes	5,338	3,460
Salaries and other compensation	3,058	2,269
Other	1,702	935
Total current liabilities	$19,758	$15,881

INCOME TAX LIABILITY

Table 2-22 summarizes the descriptive balance sheet captions used to describe the current liability for income taxes.

TABLE 2-22: CURRENT INCOME TAX LIABILITY

	1976	1975	1974	1973
Income taxes	314	282	289	271
Federal income taxes	45	59	61	56
Federal and state income taxes	33	45	56	44
U.S. and foreign income taxes	31	42	37	42
Federal and foreign income taxes	25	40	30	41
Federal, state, and foreign income taxes	23	24	23	23
Taxes—type not specified	50	41	40	40
Other captions	48	42	35	49
	569	575	571	566
No caption for taxes payable	31	25	29	34
Total Companies	**600**	**600**	**600**	**600**

ABBOTT LABORATORIES (DEC)

	1976	1975
Current Liabilities:		
Short-term borrowings ($18,478,000 of commercial paper in 1975) (Note 5)	$ 65,489,000	$ 80,766,000
Trade accounts payable	57,346,000	50,344,000
Other accrued liabilities	64,077,000	60,936,000
Salaries, wages and commissions	25,881,000	24,438,000
Payroll savings plan	5,555,000	5,254,000
Dividends payable	7,432,000	5,525,000
Income taxes payable	21,764,000	22,886,000
Current portion of long-term debt	11,545,000	6,566,000
Total current liabilities	$259,089,000	$256,715,000

CORNING GLASS WORKS (DEC)

	1976	1975
	($000)	
Current Liabilities		
Loans payable	$ 27,775	$ 35,998
Accounts payable	41,020	30,118
Taxes on income payable	54,451	19,643
Wages and employe benefits	44,845	44,463
Other accured liabilities	42,199	40,841
Advance payments on long-term contracts, net	8,256	—
Total current liabilities	$218,546	$171,063

WALT DISNEY PRODUCTIONS (SEP)

	1976	1975
Current Liabilities		
Accounts payable	$21,466,000	$20,348,000
Payroll and employee benefits	13,040,000	14,448,000
Property, payroll and other taxes	5,610,000	4,022,000
Unearned deposits and advances	10,514,000	8,653,000
Taxes on income	31,090,000	26,547,000
Total current liabilities	$81,720,000	$74,018,000

THE HOOVER COMPANY (DEC)

	1976	1975
Current Liabilities		
Accounts payable—trade	$ 47,830,811	$ 51,433,192
Salaries, wages, and commissions	8,340,398	7,576,879
Accrued expenses	29,356,564	27,122,705
Withheld and accrued taxes	4,724,579	5,112,355
Notes and loans payable	908,053	579,853
Federal, foreign, and state taxes on income	23,435,978	14,852,335
Deferred income taxes	7,893,759	10,976,058
Total current liabilities	$122,490,142	$117,653,377

OUTBOARD MARINE CORPORATION (SEP)

	1976	1975
Current Liabilities:		
Notes payable (Note 7)	$ —	$15,341,000
Accounts payable—		
Trade	22,486,000	13,769,000
Other (Note 2)	10,062,000	7,266,000
	32,548,000	21,035,000
Accrued liabilities—		
Compensation	10,535,000	7,904,000
Pension programs (Note 13)	7,622,000	8,836,000
Taxes, other than income taxes	4,436,000	3,788,000
Other, including interest of $3,203,000 in 1976 and $1,079,000 in 1975	12,787,000	9,557,000
	35,380,000	30,085,000
Accrued income taxes—		
Federal	2,827,000	344,000
State	694,000	—
Foreign	2,444,000	4,738,000
	5,965,000	5,082,000
Current maturities and sinking fund requirements of long-term debt	933,000	875,000
Total current liabilities	$74,826,000	$72,418,000

SQUARE D COMPANY (DEC)

	1976	1975
	($000)	
Current Liabilities:		
Notes payable to banks	$ 3,795	$ —
Current maturities of long-term debt	870	1,449
Accounts payable and accrued expenses	41,868	32,207
Income taxes	13,040	8,610
Dividend payable January 3	6,552	6,547
Total current liabilities	$66,125	$48,813

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.

FEDDERS CORPORATION (OCT)

	1976	1975
Current liabilities:		
Short-term notes payable to banks	$ 26,000,000	$16,000,000
Accounts payable	35,338,000	17,676,000
Current expenses	32,929,000	14,878,000
Current portion of accrued warranty	9,584,000	6,316,000
State income taxes	302,000	250,000
Current maturities:		
Long-term debt	2,361,000	2,338,000
Series A preferred stock redemption	3,957,000	3,957,000
Total current liabilities	$110,471,000	$61,415,000

JOSLYN MFG. AND SUPPLY CO. (DEC)

	1976	1975
Current Liabilities:		
Current portion of long-term debt (Note 2)	$ 1,000,000	$ 2,000,000
Short-term bank loans (Note 2)	140,000	2,375,000
Accounts payable	5,139,000	6,732,000
Accrued liabilities	7,735,000	7,241,000
Income taxes (Note 5)	1,732,000	293,000
Total current liabilities	$15,746,000	$18,641,000

TABLE 2-23: CURRENT AMOUNT OF LONG-TERM DEBT

	1976	1975	1974	1973
Current *maturities* of long-term debt	188	157	165	159
Current *portion* of long-term debt	176	145	152	138
Long-term debt *due* or *payable* within one year	67	89	92	89
Current *installment* of long-term debt	50	60	66	59
Other captions	27	63	46	65
Total Companies	**508**	**514**	**521**	**510**

WALTER KIDDE & COMPANY, INC. (DEC)

	1976	1975
	($000)	
Current liabilities:		
Notes payable to banks	$ 10,658	$ 7,475
Accounts payable and accrued expenses	140,027	121,433
Accrued taxes on income	26,392	28,461
Cash dividends payable on preference shares	1,511	755
Current installments on long-term debt	4,690	33,850
Total current liabilities	$183,278	$191,974

UMC INDUSTRIES, INC. (DEC)

	1976	1975
Current Liabilities:		
Notes and loans payable to banks	$ 681,000	$ 638,000
Accounts payable	9,643,000	8,226,000
Wages, salaries and commissions	4,542,000	3,879,000
Accrued pension expense	1,948,000	1,661,000
Other accrued liabilities	4,383,000	4,435,000
Income taxes	5,822,000	3,609,000
Current maturities of long-term debt	710,000	526,000
Total current liabilities	$27,729,000	$22,974,000

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.

TABLE 2-24: OTHER CURRENT LIABILITIES

	Number of Companies			
	1976	1975	1974	1973
Taxes not combined with Federal income taxes....	116	93	95	112
Dividends payable	99	109	109	102
Interest	62	34	35	38
Customer advances, deposits	51	36	34	25
Deferred taxes..............	39	60	43	57
Estimated costs relating to discontinued operations .	23	21	20	12
Billings on uncompleted contracts	21	15	15	11
Guarantees, warranties, service contract obligations	17	14	13	17
Due to affiliated companies.	13	10	12	17
Other — Described..........	71	61	66	54

BRISTOL PRODUCTS, INC. (DEC)

	1976	1975
Current Liabilities		
Notes payable—bank	$ 500,000	
Balance due on purchase contract (Note 2)	768,266	
Accounts payable—trade	2,439,003	$1,001,409
Accrued Liabilities:		
Salaries and wages..........	458,030	259,704
Profit-sharing plan contribution.......................	362,214	108,695
Taxes, other than income taxes.....................	273,620	181,947
Interest	50,677	
Income taxes payable...........	981,717	14,304
Total current liabilities	$5,833,527	$1,566,059

Notes to Consolidated Financial Statements

Note 2: Business Acquisition—As of September 13, 1976, the Company acquired for cash substantially all of the assets and assumed certain liabilities of W. R. Grace and Co.'s, Easy Heat-Wirekraft Division. The total acquisition cost was $9,818,806, of which $768,266 was unpaid as of December 31, 1976. This balance of the purchase contract will be paid during 1977. The Easy Heat-Wirekraft Division manufactures insulated conducting and resistance wire and cable, heater harness and consumer and commercial freeze prevention/ snow melting devices.

This acquisition was accounted for by the purchase method. The assets and liabilities are recorded at their fair market value at the date of acquisition. Operating results of the Easy Heat-Wirekraft Division have been included in the consolidated statement of income from the date of acquisition.

The following pro forma data presents the unaudited results operations of Bristol Products, Inc. as if the Easy Heat-Wirekraft Division had been acquired effective January 1, 1975:

	Year Ended December 31,	
	1976	1975
Net sales	$52,624,000	$36,281,900
Net income	$ 2,078,000	$ 566,000
Net income per share	$1.80	$.49

Appropriate adjustments have been made in the above pro forma data to give effect to additional depreciation and interest costs.

COLGATE-PALMOLIVE COMPANY (DEC)

	1976	1975
	Thousands of Dollars	
Current Liabilities		
Notes and loans payable to banks	$137,793	$154,735
Current portion of long-term debt	15,577	11,324
Accounts payable	172,754	160,981
Accrued payroll	27,048	22,576
Dividends payable	16,954	14,678
Accrued advertising	49,155	36,413
Accrued income taxes...........	92,770	83,766
Other accrued taxes............	26,195	23,718
Other accruals	72,050	82,329
Total current liabilities	$610,296	$590,520

CURTISS-WRIGHT CORPORATION (DEC)

	1976	1975
Current Liabilities		
Notes payable.......................	$ 1,891,000	$ 1,599,000
Accounts payable and accrued expenses	40,357,000	47,054,000
Federal and foreign income taxes..	9,267,000	11,872,000
Advances and billings in excess of costs and estimated earnings on incomplete projects.............	16,391,000	28,885,000
Estimated warranty and field service costs........................	9,718,000	10,757,000
Other current liabilities.............	11,350,000	8,069,000
Total current liabilities	$88,974,000	$108,236,000

FREEPORT MINERALS COMPANY (DEC)

	1976	1975
Current liabilities:		
Accounts payable and accrued expenses	$26,657,000	$18,765,000
Lease bonuses payable	1,278,000	9,917,000
Accrued royalties payable	16,443,000	16,285,000
Accrued income and other taxes	8,286,000	7,233,000
Total current liabilities	$52,664,000	$52,200,000

PHILIP A. HUNT CHEMICAL CORPORATION (DEC)

	1976	1975
Current Liabilities		
Accounts payable	$3,889,613	$4,541,929
Income taxes payable	2,175,829	851,440
Sundry liabilities and accrued expenses	1,334,487	961,497
Redemption requirement—preferred stock (1,200 shares)	120,000	120,000
Total current liabilities	$7,519,929	$6,474,866

Notes to Consolidated Financial Statements

Note 4: Preferred Stock—At January 1, 1977, there were 8,400 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 1977 requirement of $120,000 for redemption of 1,200 shares is reflected as a current liability in the accompanying balance sheet.

GREAT WESTERN UNITED CORPORATION (MAY)

	1976	1975
	(thousands of dollars)	
Current liabilities:		
Notes payable to banks	$149,100	$ 5,300
Current installments of long-term debt	2,569	2,566
Accounts payable—trade	20,200	5,600
Amounts due affiliated company and principal stockholders	3,159	—
Advances from commodity brokers	23,376	39,416
Estimated payments under sugar contracts	25,954	23,400
Accrued liabilities including estimated provisions for litigation of $7,000,000	21,950	19,573
Federal and state income taxes	3,269	85,740
Total current liabilities	$249,577	$181,595

KING OPTICAL CORPORATION (DEC)

	1976	1975
Current Liabilities		
Bank overdraft	$ 25,215	$ —
Notes payable	27,731	503,283
Accounts payable—trade	249,686	256,460
Income taxes	191,409	180,559
Accrued other liabilities	224,293	193,967
Payables to affiliated companies	267,278	48,103
Total current liabilities	$985,612	$1,182,372

MARSHALL FIELD & COMPANY (JAN)

	1977	1976
Current Liabilities		
Notes payable	$ 2,265,000	$ —
Accounts payable	32,691,690	33,715,231
Accrued liabilities	35,900,331	34,540,272
Income taxes (Note 1d)		
Current	912,088	4,633,710
Deferred	12,436,033	10,391,349
Current maturities of long-term debt	966,460	956,127
Total current liabilities	$85,171,602	$84,236,689

Note 1d: Income Taxes—The Company provides currently for income taxes applicable to all items included in the income statement regardless of when such taxes are payable. Deferred income taxes included in current liabilities arise primarily from deferred income on uncollected installment sales while long-term deferred income taxes arise from accelerated depreciation and the tax effect of certain differences between the book and tax basis of real estate and hotel venture assets. The provision for income taxes consists of the following (in thousands):

	Fiscal Year	
	1976	1975
Taxes currently payable—		
Federal	$ 7,275	$ 9,084
State	728	1,171
Deferred investment tax credit	1,045	1,549
Deferred taxes (including nominal amounts of state income taxes) arising from—		
Uncollected installment sales	1,633	984
Accelerated depreciation	1,712	1,881
Real estate ventures and hotel venture	626	3,222
Other	411	(36)
	$13,430	$17,855

The difference between the provision for Federal income taxes and the amount derived by applying the 48% statutory Federal income tax rate to pre-tax income in 1976 was a reduction equal to 5.5% of pre-tax income, of which 4.5% resulted from the effect of the capital gains tax rate on the sale of interests in joint ventures and the land sale, and in 1975 was not significant.

NCR CORPORATION (DEC)

	1976	1975
	(000 omitted)	
Current liabilities		
Notes payable (principally international)	$ 81,478	$122,256
Current installments on long-term debt	20,212	13,650
Accounts payable	94,010	73,967
Accrued taxes	107,981	89,635
Accrued payroll	76,763	77,843
Other accrued liabilities	136,672	112,226
Customers' deposits and service prepayments	186,976	160,391
Total current liabilities	$704,092	$649,968

ROCKWELL INTERNATIONAL CORPORATION (SEP)

	1976	1975
	(In millions)	
Current Liabilities:		
Short-term borrowings	$ 46.8	$ 34.0
Current port of long-term debt	11.5	28.5
Accounts payable—trade	389.0	353.1
Accrued salaries and wages and amounts withheld	117.2	84.4
Accrued retirement plan costs	108.1	102.3
United States and foreign income taxes	61.6	63.4
Other current liabilities	345.7	314.5
Total current liabilities	$1,079.9	$980.2

Notes to Financial Statements

Note 9: Other Current Liabilities—Other current liabilities at September 30, 1976 and 1975 are summarized as follows (in millions):

	1976	1975
Advance payments from customers	$ 91.1	$ 66.3
Accrued taxes, other than United States and foreign income taxes	54.4	48.5
Accrued product warranties	43.0	36.6
Advances from unconsolidated finance subsidiaries	6.9	25.2
Accrued interest	13.5	11.7
Dividends payable	2.1	2.4
Other	134.7	123.8
Other current liabilities	$345.7	$314.5

STANLEY HOME PRODUCTS, INC. (DEC)

	1976	1975
Current Liabilities		
Notes and accounts payable	$15,318,706	$13,299,257
Dealers' security deposits	4,192,288	4,609,252
Federal, state and foreign taxes on income	3,294,795	5,223,625
Unredeemed coupons and certificates	2,546,730	2,492,053
Accrued payroll and commissions	1,179,096	1,194,384
Other accrued expenses	6,931,585	5,659,767
Dividends payable	852,954	711,335
Total current liabilities	$34,316,254	$33,189,673

THE VENDO COMPANY (DEC)

	1976	1975
Current Liabilities:		
Current maturities of long-term debt	$ 1,373,241	$ 1,134,023
Notes payable	7,505,131	8,448,706
Accounts payable	6,694,342	3,752,344
Accrued liabilities	4,775,813	4,449,169
Accrued relocation costs (Note 10)	2,567,060	—
Accrued income taxes	192,000	261,586
Total current liabilities	$23,107,587	$18,046,098

Note 10: Relocation of Manufacturing Facilities—In 1976 the Company sold its principal vending equipment manufacturing facility, located in Kansas City, for $7,000,000 and also sold the Aurora coinage mechanism manufacturing facility for $790,000. The operations previously conducted in these plants are being transferred to the Company's California manufacturing facility, and a new plant in Corinth, Mississippi, acquired at a cost of $3,600,000.

The gain on the plant sales (net of related undepreciated asset cost and closing costs) totaling $6,200,000 was offset by accrued relocation costs of $4,000,000 for a net gain of $2,200,000 which was credited to other income in 1976. The accrued relocation costs of $4,000,000 (of which $1,433,000 was estimated as of December 31, 1976) relates to anticipated costs of moving machinery, equipment and inventory to the new facilities; administering, planning and controlling the relocation; and terminating employees at the former manufacturing facilities.

Capital expenditures incurred in the relocation have been recorded as incurred. Estimated total capital expenditures are $1,600,000 of which $770,000 has been expended at December 31, 1976.

The $4,000,000 provision for estimated relocation expenses does not include any amount for abnormal operating costs incurred during the transition period. These transition costs include, among other things, excess costs for subcontracting the manufacture of component parts, training direct labor employees, "learning curve" inefficiencies, and underutilization of plant capacity during the startup period, all of which are charged to expense as incurred.

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.

AIRCO, INC. (DEC)

	1976	1975
Long-Term Debt (Note 7)		
Industrial revenue bonds, 5¾%, due 1984-93	$ 6,600,000	$ 6,600,000
Pollution control notes, 7-8¼%, due 2000-06	20,900,000	15,100,000
Convertible subordinated debentures, 3⅞%, due 1978-87	22,800,000	29,143,000
Sinking fund debentures, 9⅜%, due 1986-2000	74,466,000	74,443,000
Promissory notes, 4.85-5%, due 1978-88	48,580,000	53,010,000
Other debt (principally mortgages), 2-14%, due 1978-88	8,682,000	9,419,000
Total long-term debt	$182,028,000	$187,715,000

Note 7: Long-Term Debt—In September 1976, Airco completed two pollution control revenue bond financings totaling $5,800,000. Both issues are 7% bonds maturing in 30 years. The larger one, for $3,790,000, was issued by the New York State Environmental Facilities Corporation to cover costs associated with Airco's ferroalloys and carbon-graphite producing facilities located in Niagara Falls, New York. The second issue, for $2,010,000, was issued by Marshall County, Kentucky, to provide for costs related to Airco's ferroalloys facilities in Calvert City, Kentucky.

In October 1975, Airco issued $75,000,000 of 9⅜% sinking fund debentures due October 1, 2000, with an effective rate of interest of 9.45%, for the prepayment of certain indebtedness to banks and for other general corporate purposes.

In August 1975, $15,100,000 of 8¼% pollution control revenue bonds due July 1, 2000, were issued by Marshall County, Kentucky, to finance the acquisition, construction and installation of air pollution control facilities at the Airco ferroalloys plant in Calvert City, Kentucky.

The instruments relating to long-term debt contain provisions which limit the amount that may be expended for the payments of cash dividends and the purchase, redemption, or retirement of Airco's capital stock. As of December 31, 1976, under the most restrictive of these provisions, the amount of retained earnings unrestricted for such purposes was approximately $151,000,000.

Following are the amounts payable annually during the five-year period ending December 31, 1981. Included in the 1978, 1979, 1980 and 1981 amounts payable are sinking fund requirements on the 3⅞% convertible subordinated debentures:

1977	$6,040,000
1978	6,844,000
1979	7,483,000
1980	7,318,000
1981	7,341,000

Sinking fund requirements relating to the 9⅜% sinking fund debentures, the 8¼% pollution control revenue bonds and the 7% pollution control revenue bonds will commence on October 1, 1986, July 1, 1991 and September 1, 1991, respectively.

TABLE 2-25: LONG-TERM DEBT

	Number of Companies			
	1976	1975	1974	1973
Unsecured				
Notes	455	460	463	467
Debentures	280	228	286	290
Loans	112	101	102	103
Other — Described	80	66	68	76
Collateralized				
Mortgages	196	218	213	205
Capitalized leases	201	173	175	165
Notes or loans	79	79	77	74
Other — Described	76	81	78	90
Convertible				
Debentures	174	203	196	190
Notes	34	37	33	32
Other — Described	17	14	15	13

PHILIP A. HUNT CHEMICAL CORPORATION (DEC)

	1976	1975
Long-Term Debt		
Note payable to bank (Note 3)	$1,500,000	—

Note 3: Long-Term Debt—Subsequent to the end of the fiscal year the Company entered into a long-term financing agreement with a major commercial banking institution and is entering into a similar agreement with a second major banking institution in order to finance construction of a new organic chemical processing plant in Rhode Island. The agreements provide for borrowings of $2,500,000 from each institution with quarterly repayments of principal commencing on June 30, 1978 and ending on December 31, 1983 with interest at annual rates varying from 7¾% to 8¾%. The agreements also require, among other matters, maintenance of minimum consolidated working capital of $20,000,000, working capital and quick asset ratios of 3 to 1 and 1 to 1, respectively, and a minimum consolidated tangible net worth of $33,000,000, together with certain ratios based thereon. With the execution of the completed agreement, short-term debt of $1,500,000 that existed at year-end has been reclassified to long-term debt.

CULBRO CORPORATION (DEC)

	1976	1975
	($000)	
Long-term debt (Note 3)	$75,879	$58,622

Note 3 (in part): Long-Term Debt and Notes Payable—Long-term debt due in varying installments is:

	Jan. 1, 1977	Jan. 3, 1976
5½% cumulative income subordinated debentures, due June 1, 1987 (interest rate of 6⅛% imputed from discount of $77,000; 1975-$90,000)	$ 2,469	$ 2,607
8¾% notes, due July 31, 1984 (interest rate of 10¼% imputed from discount and value of related warrants of $416,000; 1975-$537,000)	8,500	10,000
10% mortgage note, due March 1, 1981	2,374	2,394
11½% subordinated debentures, due April 1, 2005 (interest rate of 12½% imputed from discount of $446,000; 1975-$462,000)	4,020	3,982
Term notes, due December 31, 1984 (½% above prime rate through December 31, 1980, ¾% above prime rate thereafter)	15,000	10,000
Eurodollar loan agreement, due July 9, 1980 (1¼% above prime rate)	1,758	2,000
Eurodollar loan agreement, due July 9, 1980 (1¾% above London interbank Eurodollar rate)	12,742	14,500
Credit Agreement to be refinanced in 1976 (123% of prime rate)	—	6,600
Term insurance company loan, payable in annual instalments of $400,000 in 1976 through 1978 and $425,000 in 1979 through 1986 (interest at 9½%)	—	4,600
10% Senior Notes due in annual instalments starting January 10, 1981 through 1992	30,000	—
Promissory note, payable in annual instalments of $321,529 in 1976 through 1980 (interest at the prime rate)	1,286	1,608
Term bank loan, due in semi-annual instalments of $150,000 in 1976 through 1977 with a final payment of $200,000 due in 1978 (interest at ⅜ of 1% above prime rate)	—	800
All other	5,736	5,271
	83,885	64,362
Less: Due within one year	6,947	4,580
Unamortized discount	1,059	1,160
	$75,879	$58,622

The annual payment requirements under the terms of all loans for the years 1977 through 1981 are $6,947,000, $5,852,000, $5,677,000, $12,292,000 and $7,167,000, respectively.

Payments in 1978 through 1981 include $233,000 in each year covering the sinking fund payment for retirement at the 5½% cumulative income subordinated debentures, which payments are contingent upon earnings.

Unamortized debt discount is being amortized over the respective lives of the notes and debentures.

On September 3, 1971, Ex-Lax, Inc., a wholly-owned subsidiary of the Corporation, issued to three institutional investors its 8¾% notes at a discount together with warrants to purchase a total of 100,000 shares of the Corporation's common stock at $33.50 per share, subject to adjustment under antidilution provisions, on or before July 31, 1984. The stock of Metropolitan Tobacco Company, Inc. ("Metropolitan") was pledged as security for the notes. As of January 1, 1977 no warrants had been exercised. On January 30, 1976, the Corporation renegotiated certain provisions of this loan agreement in connection with Ex-Lax's reorganization and relocation to Puerto Rico. As part of the reorganization, Metropolitan's stock was released from pledge and Metropolitan became the parent of Ex-Lax Pharmaceutical Co., Inc. ("Pharmaceutical Co.") which in turn became the parent of Ex-Lax and several related companies. Under the renegotiated provisions of the loan agreement, Metropolitan and Pharmaceutical Co. guaranteed the payment of the notes, the stock of certain of Pharmaceutical Co.'s subsidiaries was pledged as collateral and Ex-Lax granted a security interest in its trademark. In addition, in exchange for the waiver of certain restrictions in the loan agreement and the postponement of $1,000,000 of principal payments originally due in 1975, the Corporation reduced the exercise price of the warrants to $20.00 per share. Also in connection with the relocation to Puerto Rico, Ex-Lax refinanced in January, 1976 certain short-term obligations which had been incurred principally for the purpose of constructing a new manufacturing facility in Puerto Rico. This refinancing consisted of a borrowing of $2,000,000 by mortgage loan, bearing interest at 2% above the lending bank's New York prime rate, due in January, 1981, with annual principal prepayments of $200,000, and a borrowing of $800,000 by notes bearing interest at 1% above the prime rate of the two lending banks due in December, 1977, guaranteed by Pharmaceutical Co. and secured by the Ex-Lax trademark. The $800,000 of notes were prepaid during 1976 and the remaining balance ($1,900,000) of the $2,000,000 mortgage loan is expected to be prepaid in 1977 and, accordingly, is classified as a current liability at January 1, 1977.

On December 23, 1976, the Corporation placed with two insurance companies $30,000,000 of 10% Senior Notes maturing in annual instalments from 1981 through 1992. Approximately $25,700,000 of the proceeds were used to retire short term notes payable under the Corporation's 1974 Credit Agreement (discussed below). Substantially all of the remaining amount was used to refund the outstanding balance of a term insurance company loan due in 1986.

JANTZEN INC. (AUG)

	1976	1975
Long-term debt—less current portion—Note 3	$12,514,171	$ 9,554,318

Note 3: Long-Term Debt:

	1976	1975
Unsecured notes payable:		
5.3% payable $333,000 annually—balance due September 1976	$ 338,000	$ 671,000
8.87% payable $600,000 annually beginning September 1977—balance due September 1986	6,000,000	6,000,000
Capitalized lease obligations—payable in varying monthly or semi-annual installments:		
7%-due 1987	210,809	222,356
5.65%-due 1992	455,000	470,000
7.46%-due 1994	1,940,000	2,000,000
8.6%-due 1980	607,509	759,919
Mortgage note payable—7%; due in monthly installments through 1982	69,223	—
Short-term notes payable expected to be refinanced	3,500,000	—
Total	13,120,541	10,123,275
Less current portion	606,370	568,957
Long-term debt—net	$12,514,171	$ 9,554,318

Plant and equipment with an original cost of $4,186,000 is pledged as collateral to the capitalized lease obligations and mortgage note payable.

Aggregate long-term debt principal payments for the next five years will be as follows: 1977, $606,370; 1978, $890,271; 1979, $913,616; 1980, $785,855; and 1981, $735,404.

In September 1976 the company arranged for an unsecured long-term loan of $6,000,000 the proceeds of which will be received in January 1977. The loan will be payable in annual installments of $600,000 beginning in January 1983, and will bear interest at a rate of 8.875%. Short-term notes payable to banks outstanding at August 28, 1976 in the amount of $3,500,000 are to be refinanced from the loan proceeds and have been classified as long-term debt.

LEAR SIEGLER, INC. (JUN)

	1976	1975
Deferred income taxes	$ 6,011,000	$ 6,154,000
Other deferred liabilities	9,541,000	8,912,000
Mortgage and notes payable (Note 4)	71,329,000	84,316,000
Subordinated debentures (Note 4)	16,551,000	16,380,000

Note 4: Long-Term Debt—Mortgage and notes payable consist of:

	1976	1975
9.25% notes—unsecured	$66,000,000	
7.95% note—unsecured		$56,000,000
Notes payable to banks under a revolving credit agreement		21,000,000
5.5% note—due annually to March 1, 1977	737,000	1,474,000
5.792% note—due semiannually to August 1, 1993	2,965,000	3,055,000
4.3% note—due semiannually to January 1, 1986	1,940,000	2,105,000
Note—due annually to July 31, 1982, interest at variable rates (7.23% at June 30, 1976)	2,857,000	
Mortgage and other notes due through 1993	4,365,000	7,460,000
	78,864,000	91,094,000
Less current maturities	7,535,000	6,778,000
Mortgage and notes payable	$71,329,000	$84,316,000
Subordinated debentures consist of:		
10% subordinated sinking fund debentures due June 1, 2004 (less unamortized discount of $4,759,000 at June 30, 1976 and $4,930,000 at June 30, 1975) at effective interest rate of 13% at date of issue	$16,551,000	$16,380,000

In July 1975, the Company executed a loan agreement for $80,000,000 which consists of a 9.25% note in the amount of $56,000,000 to refund a 7.95% note, a 9.25% note in the amount of $10,000,000 and a commitment to borrow an additional $14,000,000 at 9.25% prior to December 31, 1976. The new notes become due in annual installments of $5,000,000 beginning May 1, 1977, increasing to $5,500,000 on May 1, 1982 to maturity on May 1, 1991. The loan agreement contains provisions pertaining to maintenance of minimum working capital balances, restrictions as to payment of cash dividends and conditions precedent to obtaining additional secured borrowings. At June 30, 1976, consolidated retained earnings of $24,180,000 were unrestricted for payment of cash dividends.

Mortgage and other notes bear interest at rates ranging from 4% to 9.75%.

The indenture agreement relating to the Subordinated Sinking Fund Debentures requires that the Company provide a sinking fund for retirement on June 1 of each year from 1989 through 2003 of 5% of the aggregate principal amount of debentures outstanding on June 1, 1988.

Approximate annual maturities of long-term debt for the five fiscal years after June 30, 1976 are as follows:

1977—$7,535,000
1978—$6,504,000
1979—$6,456,000
1980—$6,067,000
1981—$6,385,000

NORTHROP CORPORATION (DEC)

	1976	1975
Long-term debt—Note F	$48,719,000	$63,902,000

Note F: Notes Payable and Long-Term Debt—Long-term debt, net of current maturities, consists of the following as of December 31:

	1976	1975
Senior debt		
7⅛% note payable to insurance company in annual installments of $1,500,000, plus interest, maturing in 1990 .	$21,000,000	$22,500,000
Trust deed note payable to savings and loan association in monthly installments of $68,000, including interest at 9¾%, maturing in 2006	7,782,000	7,833,000
Trust deed note payable to bank in quarterly installments od $175,000, including interest at 7.29%, maturing in 1996	7,005,000	7,184,000
Mortgage note payable to assurance company in monthly installments of $18,000, including interest at 9⅞%, maturing in 1996	2,086,000	
Notes payable to foreign bank in semiannual installments of $327,000, plus interest at 6¼%, maturing in 1982 ...	3,052,000	4,804,000
Equipment note payable to bank in annual installments of $676,000, plus interest at 6½%, maturing 1978	746,000	1,605,000
Mortgage notes payable—all maturing by 1983, with interest ranging from 5¾% to 12%	1,002,000	1,586,000
Subordinated debt		
5⅜% convertible subordinated notes, due March 1, 1987 (annual prepayments without premium beginning in 1977), convertible into common stock at $21.33 a share....	2,375,000	8,800,000
4¾% convertible subordinated debentures, due August 1, 1987 (annual sinking fund requirements beginning in 1977), convertible into common stock at $33.33 a share.........................	3,671,000	9,590,000
	$48,719,000	$63,902,000

Under the terms of a revolving credit agreement with several domestic banks, the corporation is entitled to borrow up to $50,000,000 in short-term revolving credit loans through June 30, 1978, at the prevailing prime rate of interest of the lead bank. No borrowings under this or a prior agreement were made during 1976. The corporation paid commitment fees of ½% per annum on the average unused line of credit during 1976 and 1975. Between July 1, 1975 and June 30, 1976, the corporation paid a facility fee of ¼% per annum on the total amount of the revolving credit commitment.

To assure future credit availability and to support existing borrowing arrangements, the corporation maintains compensating balances with the several banks of from 10 to 20 percent of either the total commitment or the borrowed amounts. No amounts of cash shown in the balance sheet were restricted due to compensating balance requirements.

The corporation's loan and credit agreements contain restrictions relating to payment of dividends, acquisition of the corporation's outstanding capital stock, maintenance of working capital, etc. At December 31, 1976, under the most restrictive covenant, $54,705,000 of retained earnings was unrestricted as to the payment of dividends.

The convertible debentures and notes provide for redemption prior to their respective due dates at prices in excess of the principal amounts of the debt, decreasing periodically to no premium. At December 31, 1976, 281,712 shares of common stock were reserved for convertible debt conversions.

The principal amount of long-term debt outstanding at each year-end falls due in accordance with the following schedule:

	1976	1975
First year	$ 5,458,000	$ 3,658,000
Second year	5,263,000	4,791,000
Third year	4,536,000	4,729,000
Fourth year	3,168,000	4,292,000
Fifth year	2,591,000	3,896,000
After five years	33,161,000	46,194,000
	$48,719,000	$63,902,000

SEARS INDUSTRIES INC. (DEC)

	1976	1975
Long-term debt, excluding portion due within one year (Note 5)...	$21,745,568	$20,082,781

Note 5: Long-Term Debt—The terms of a loan agreement with an insurance company provide for the Corporation and certain subsidiaries to maintain a specified amount of consolidated working capital and linen in circulation and to restrict dividend payments (except stock dividends) and purchases of its capital stock to $1,250,000 plus 75% of consolidated net income (as defined) since December 29, 1973. At December 31, 1976, the Corporation was in conformance with the above-mentioned terms of the loan agreement.

Long-term debt (excluding portion due within one year) outstanding at December 31, 1976 and December 27, 1975 was as follows:

	1976	1975
Promissory Notes:		
Insurance Company:		
7%, due in installments of $380,000 through 1984 and $440,000 in 1985	$ 3,100,000	$ 3,480,000
9¾%, due in installments of $250,000 from 1977 through 1988	2,750,000	3,000,000
Banks, prime interest rate (6¼% at December 31, 1976) plus 2%, due in varying amounts through 1981	10,337,649(a)	2,700,000
Affiliate of stockholder, principally 10% due in varying amounts through 1982	2,970,659	7,421,000
Real Estate Mortgages, 5½% to 8¾%, due in varying amounts through 1996	1,216,434	1,355,203
Chattel Mortgages (on machinery and equipment), 6% to 10%, due in varying amounts through 1981	1,116,526	1,678,642
Purchase of business, lower of 7% or prime interest rate (6¼% at December 31, 1976), due in varying amounts through 1983	254,300	447,936
Total	$21,745,568	$20,082,781

(a) Under the eighth amendment dated March 25, 1977 to the Restatement of Credit Agreement dated as of February 1, 1973, subsidiaries of the Company amended their factoring agreement and their Restatement of Credit Agreement with a bank and its factoring division whereby the bank agreed to lend the subsidiaries $11,000,000 at 2% over the prime rate. The loan shall be payable as to principal in eleven equal consecutive quarterly installments of $250,000 on the last day of March, June, September and December in each year, commencing March 31, 1979 and the balance of $8,250,000 due on December 31, 1981. Among other things, the new amendment requires the subsidiaries to maintain consolidated subordinated debt, which includes debt owed to their Parent, and stockholder's equity of at least $3,000,000. Of the amount due to the bank, $10,337,649 was outstanding as of December 31, 1976 and the remainder was debt incurred in the subsequent year.

The aggregate maturities of long-term debt in each year from 1977 through 1981 are as follows: 1977, $1,792,340 (included in current liabilities); 1978, $3,078,848; 1979, $2,392,418; 1980, $1,960,086; 1981, $9,192,321.

At December 31, 1976, fixed assets of approximately $11,535,000 have been pledged as collateral to long-term debt.

R.J. REYNOLDS INDUSTRIES, INC. (DEC)

	1976	1975
	($000)	
Long-term debt (less current maturities) (Note 5)	$646,156	$435,326

Note 5: Long-Term Debt

	(Dollars in Thousands)			
	December 31, 1976		December 31, 1975	
	Due Within One Year	Due After One Year	Due Within One Year	Due After One Year
Long-term debt consists of the following:				
7½% Ship Mortgage Bonds, payable in Deutschemarks with semi-annual sinking fund payments through 1987	$15,464	$145,278	$13,984	$145,350
8½% and 8¾% Ship Mortgage Bonds, payable in Dutch Guilders with semi-annual sinking fund payments through 1981.................................	13,879	48,503	12,733	57,233
7⅜% Debentures, due February 1, 2001, with annual sinking fund payments beginning in 1982	—	100,000	—	100,000
7⅞% debentures, with annual sinking fund payments through 1994 (reduced by $478 and $1,778 of such debentures held by the Company on December 31, 1976 and 1975, respectively, for future sinking fund requirements) .	4,522	85,000	3,222	90,000
8.9% notes, due October 1, 1996, with annual prepayments beginning in 1981	—	100,000	—	—
7% subordinated debentures, due June 1, 1989, with annual sinking fund payments beginning in 1980	—	15,849	—	15,849
Exploration and development advances...	319	105,262	—	7,055
Other indebtedness with various interest rates and maturities.................	14,642	46,264	9,642	19,839
	$48,826	$646,156	$39,581	$435,326

The payment schedule of debt due after one year (including the exploration advances referred to below) is as follows (dollars in thousands): 1978-$47,652; 1979-$65,330; 1980-$64,388; 1981-$74,702; 1982 and later-$394,084.

At December 31, 1976, the Company had $105,581,000 of advances from certain gas pipeline companies ($92,834,000 of which was noninterest bearing) for the financing of exploration and development of various leases in the Gulf of Mexico in consideration for undertaking to execute gas purchase and sale agreements for future natural gas production. Under these advance payment agreements, repayment commences with the start of commercial production. If commercial production is not available to discharge the funds advanced within five years from date of initial delivery, the outstanding balances will be due in various scheduled installments. If after determination that specific advances will not be spent, based upon results of initial exploration of certain leases, refund of such advances must be made at this time. Based on the results of initial exploration programs on the specified leases, all advances are anticipated to be spent. Current projections indicate repayment of the advances will be as follows (dollars in thousands): 1977-$319; 1978-$3,511; 1979-$22,337; 1980-$22,090; 1981-$32,336; 1982 and later-$24,988.

Under the terms of the Company's 8.9% Notes, dividend payments are generally limited to $150,000,000, plus net earnings after December 31, 1975. At December 31, 1976, $349,972,000 of earnings retained were unrestricted.

The net book value of assets classified as vessels, containers and other marine equipment subject to the liens of ship mortgage bonds and other indebtedness was $390,238,000 at December 31, 1976, and $417,540,000 at December 31, 1975.

SNAP-ON TOOLS CORPORATION (DEC)

	1976	1975
	($000)	
Long-term debt, less current maturities		
Senior notes payable (Note 6)......	$20,000	$20,000
Lease obligations (Note 3)..........	6,078	4,260
	$26,078	$24,260

Note 3: Lease Obligations—The Company has capitalized three lease agreements entered into during 1974 with certain Industrial Development Boards. These leases cover a warehouse distribution center at Robesonia, Pennsylvania, and two manufacturing facilities at Johnson City and Elizabethton, Tennessee. Costs capitalized under these leases were $7,577,000 as of December 31, 1976 and $5,205,000 as of December 31, 1975. The capitalized costs are being depreciated over the estimated useful lives of the individual assets. The aggregate original indebtedness under these lease obligations was $7,600,000. Details of these lease obligations are:

	(Amounts in Thousands) Outstanding At: December 31, 1976	December 31, 1975
6% lease obligation payable in monthly installments of $9,283, including interest; final payment due September 30, 1989.......	$ 987	$1,037
6.5% lease obligation payable in annual installments of $200,000, plus interest payable semi-annually; final payment due May 1, 1994...............	3,600	3,800
6.5% lease obligation payable in annual installments of $125,000, plus interest payable semi-annually, final payment due May 1, 1994...............	2,250	2,375
	6,837	7,212
Less:		
Undisbursed construction funds.	(380)	(2,576)
Current maturities...............	(379)	(376)
	$6,078	$4,260

Note 6: Notes Payable—At December 31, 1976 and December 31, 1975, the Company had outstanding $20,000,000 of 9¾% senior notes. Terms of the senior note agreement require payment of interest semi-annually on February 1 and August 1, commencing February 1, 1976. This agreement requires principal payments of $2,000,000 per year from August 1, 1981 through August 1, 1990. The Company may make optional principal prepayments beginning August 1, 1981, within certain limits as defined in the agreement.

Certain covenants under this agreement require the Company to maintain specified levels of working capital, limit the incurrence of debt, lease obligations and investments and restrict the payment of dividends and repurchase of common stock. At December 31, 1976, retained earnings available for dividends were $22,079,000.

The Company had unused lines of credit of $8,000,000 requiring average unrestricted compensating balances of 15%, of such lines of credit, and $4,400,000 of additional lines of credit which required no compensating balances.

THE UNITED PIECE DYE WORKS (DEC)

	1976	1975
Long-term debt, less current portion reflected above (Note E)........	$1,827,653	$2,433,008

Note E: Long-Term Debt—Long-term debt consists of the following:

	January 2, 1977	December 28, 1975
Notes payable-bank, pursuant to loan agreement	$1,469,000(a)	$1,829,000(a)
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	531,214	637,000
Equipment notes-payable in equal quarterly installments of $42,052, including interest at 10%, collateralized by certain machinery and equipment	231,627	400,095
Equipment notes-payable in equal monthly installments of $6,068, including interest at 11.7% per annum, collateralized by certain machinery and equipment	201,243	246,747
Notes payable-former shareholders acquired in 1974, interest at 6% per annum (net of imputed additional interest at 4½% aggregating $1,756)		154,299
Equipment notes-payable in equal monthly installments of $3,184, including interest at 9½% per annum, collateralized by certain machinery and equipment		30,497
	2,433,084	3,297,638
Less portion due within one year	605,431	864,630
Balance	$1,827,653	$2,433,008

The aggregate maturities of long-term debt in each of the four fifty-two or fifty-three week fiscal years subsequent to January 2, 1977 are as follows:

Year Ending	
January 1, 1978	$ 605,431
December 31, 1978	552,999
December 30, 1979	418,834
December 28, 1980	855,820
	$2,433,084

(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: (i) a minimum working capital of $4,000,000 and (ii) 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 the period of the loan. These loans are collateralized by the Company's Edenton, North Carolina plant (held under a secondary lien) and certain other machinery and equipment in Charleston, South Carolina.

TABLE 2-26: CREDIT AGREEMENTS

	1976	1975	1974	1973
Type of Agreement				
Revolving credit	157	198	200	139
Other	287	277	281	150
Total Disclosures	**444**	**475**	**481**	**289**
Number of Companies				
Disclosing credit agreement	382	385	389	270
Not disclosing such agreement	218	215	211	330
Total	**600**	**600**	**600**	**600**
Compensating Balances	259	274	255	125

N/C — Not Compiled.

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.

ALLIED CHEMICAL CORPORATION (DEC)

Notes to Financial Statements

Note 4: Long-Term Debt and Credit Agreement—The Company has a credit agreement with eight banks under which it may borrow from time to time on 90-day revolving credit notes up to a maximum of $250 million at any one time outstanding. On September 1, 1978, the right of the Company to revolve notes terminates and the Company may convert to a term loan up to $250 million, payable in 20 consecutive quarterly installments, beginning December 1, 1978. The Company has not borrowed under this credit agreement.

Interest payable to each bank on the 90-day revolving credit notes will be at the best available commercial rate of such bank in effect from time to time.

A commitment fee of ½ of 1 percent per annum is payable on the average daily unused portion of each bank's commitment for the period September 1, 1975, to September 1, 1978, or termination date, if earlier.

The agreement specifies that the Company will not incur, assume or permit to remain outstanding, commercial paper or other short-term obligations in excess of the total unused commitments of this credit agreement, plus any other bank lines of credit or bank commitments.

A compensating cash balance of about 10 percent of each bank's commitment is generally maintained under an informal agreement with each bank. These balances are not legally restricted as to withdrawal.

The Company also has informal money market arrangements with several banks aggregating $100 million, which are not confirmed commitments by the banks and which are subject to rate negotiation and availability of funds at time of takedown. The company can refinance these borrowings under its revolving credit agreement. At December 31, 1976, the Company had borrowings of $28 million under these arrangements and intends to refinance or rollover these notes on a long-term basis.

ARMCO STEEL CORPORATION (DEC)

Notes to Financial Statements

Note 5 (in part): Notes Payable and Long-Term Debt—Under the terms of a credit agreement with a group of banks, Armco may borrow on a revolving credit basis up to $100,000,000 at the prime commercial rate of the banks in effect from time to time. From January 1, 1977 to December 31, 1977 the interest rate will be the prime rate plus ¼%. Loans up to such maximum amount are convertible into a four-year term loan on December 31, 1977 with interest at ½ of 1 percent above the prime commercial rates as in effect from time to time. In addition, Armco has arrangements with other banks providing up to $50,000,000 in lines of credit available at prime commercial rates.

Armco has an understanding with banks participating in the Revolving Credit Agreement and in other lines of credit to maintain compensating balances with these banks. Compensating balance must be equal to 10% of available credit plus 10% of any amount borrowed. These balances are computed in terms of average collected bank balances.

The required compensating balances at December 31, 1976 were approximately $16,000,000.

These compensating balance arrangements at no time impose legal restrictions upon the Company's use of its cash.

BAKER INTERNATIONAL CORPORATION (SEP)

Notes to Consolidated Financial Statements

Note 3 (in part): Indebtedness—At September 30, 1976, the Company's principal bank line of credit agreement provided for loans up to $65,000,000 ($28,000,000 borrowed at that date), excluding the Commercial Paper backup described below. Such agreement provides for $20,000,000 term loans which bear interest at 8½% through July 31, 1977 (115% of prime to 118% of prime plus ½% to ¾% after that date), with installment payments due 1980 through 1983; $45,000,000 revolving credit which bears interest at 115% of prime. In addition, the agreement provides $20,000,000 reserved as backup for Commercial Paper which the Company may issue from time to time. The revolving credit and commercial paper provisions of the agreement require a commitment fee ranging generally from ½% to 1% of the undrawn balances and the borrowings are due in July 1979, at which time the Company may, at its option, convert the unpaid principal amounts into a term loan with interest and repayment provisions the same as the $20,000,000 term loan. In connection with the agreement, there is an informal requirement for compensating balances of $2,000,000.

In addition, at September 30, 1976, the Company had additional bank lines of credit totaling $27,500,000 bearing interest at the prime rate, which had undrawn balances of $22,375,000 and informal requirements for compensating balances of $2,000,000.

The provisions of the Debentures, Senior Notes and unsecured credit agreements limit, without prior written consent, among other things, borrowings, sale of certain assets and payment of cash dividends or acquisitions of the Company's capital stock. At September 30, 1976 retained earnings of approximately $55,000,000 was not limited thereunder.

During 1976 the maximum aggregate short-term borrowings outstanding at any month-end was $11,856,000 and the average aggregate short-term borrowings outstanding was $8,538,000. At September 30, 1976, the average interest rate of such borrowings was approximately 12%.

In November 1976, the Company issued $20,000,000 unsecured 8.75% Senior Notes due in November 1986, with minimum annual payments of $3,300,000 to begin in 1982, and the entire proceeds thereof was used to prepay the unsecured bank term loans.

BLUE BELL, INC. (SEP)

Notes to Financial Statements

Note 3: Short-Term Borrowings and Compensating Balances—Short-term borrowings totaling $20,168,000 at September 30, 1976 and $19,317,000 at September 30, 1975 consisted principally of thirty-day and demand obligations at weighted average interest rate of 10.9% in 1976 and 8.2% in 1975. Substantially all of these borrowings were under lines of credit, the unused portion of which totaled $57,100,000 at September 30, 1976 and $65,300,000 at September 30, 1975. The lines of credit are renewed as of December 31 each year.

Arrangements relating to certain lines of credit require maintenance of compensating balances expressed in bank collected balances. These balances may be withdrawn on a day-to-day basis without restriction; however, the Company is expected to maintain average bank balances measured on a calendar year basis generally totaling 10% of applicable lines of credit or 20% of related bank loans, whichever is greater. The average compensating balance requirement was approximately $3,867,000 for the year ended September 30, 1976 and $5,920,000 for the previous year. These requirements were satisfied substantially by float. Cash on deposit at banks with which the Company had compensating balance arrangements totaled $2,435,000 at September 30, 1976 and $2,889,000 at September 30, 1975.

The maximum amount of short-term borrowings at the end of any month was $28,000,000 in 1976 and $71,500,000 in 1975. Average daily short-term borrowings during the year ended September 30, 1976 were $22,561,000 at a weighted average interest rate of 10.9% per annum and were $50,300,000 at an average rate of 10.4% for the prior year. Average daily cash invested during the year ended September 30, 1976 was $27,667,000 and was $12,963,000 for the previous year.

BELL & HOWELL COMPANY (DEC)

Notes to Financial Statements

Note E: Long-Term Debt and Lines of Credit—Long-term debt consists of the following:

	1976		1975	
	Long-Term Portion	Current Maturities	Long-Term Portion	Current Maturities
In Thousands				
Revolving Credit Agreement:				
Notes payable to banks	$40,000	$ —	$ —	$ —
Short-term debt expected to be refinanced	10,000	—	—	—
5⅛% promissory notes due $1,800,000 annually to 1979	3,600	1,800	5,400	1,800
Other, at prevailing commercial rates	267	56	388	56
	$53,867	$1,856	$5,788	$1,856

During 1976, the Company entered into a Revolving Credit Agreement which provides for borrowings of up to $50,000,000, with interest at 120% of the daily prime rate (6¼% at January 1, 1977) charged by the Continental Illinois National Bank through December 31, 1977 and increasing to 122.5% of the daily prime rate commencing January 1, 1978. The Company also pays a fee for the unused portion of the Revolving Credit equal to ½% per annum plus 10% per annum of the daily prime rate. The Revolving Credit arrangement expires October 1, 1979; until that date the Company has the option of converting the borrowings to a Term Loan. If converted, the Term Loan will bear interest equal to 125% of the daily prime rate and will be repayable in semi-annual installments of $6,250,000 commencing April 1, 1980.

The amounts shown under the Revolving Credit Agreement include $40,000,000 borrowed thereunder and $10,000,000 of short-term debt instruments, borrowed at prevailing commercial rates, which the Company has the right to refinance with additional borrowings under the Agreement.

The terms of the Revolving Credit Agreement provide, among other things, for a minimum percentage of cash flow to liabilities, as those terms are defined in the Agreement, and a minimum current ratio. The terms of the 5⅛% Promissory Notes provide, among other things, for certain minimum requirements as to working capital and place restrictions on the payments of cash dividends and purchases of capital shares. Earnings invested in the business not subject to these restrictions are $55,000,000 at January 1, 1977. During 1976, the Company was in compliance with all requirements relative to the Revolving Credit Agreement and the notes.

At January 1, 1977, the Company and its consolidated subsidiaries have other credit lines for bank borrowings of $91.3 million, of which $21 million is also available to Bell & Howell Industrial Bank. Of these credit lines, $45.5 million were domestic with compensating balance requirements generally averaging 10% of the lines plus 10% of any amounts borrowed. The remaining $45.8 million were Eurocurrency and foreign credit lines with generally no compensating balance requirements. The average compensating balance expected to be maintained for the credit arrangements available at year end totaled approximately $4 million. At January 3, 1976, the Company and its consolidated subsidiaries had credit lines for bank borrowings of $98 million, of which $25.5 million was also available to Bell & Howell Industrial Bank and, in addition, maintained standby bank lines of $45 million.

Notes payable at January 1, 1977, including those classified as long-term under the Revolving Credit Agreement, are primarily to foreign banks and bear interest at an average rate of 11.4%. Notes payable at January 3, 1976, consisted of $17.7 million notes payable to banks and $23.9 million of commercial paper. As of January 3, 1976, the average interest rate for notes payable to banks and commercial paper was 8.8% and 6.1%, respectively. The Company discontinued offering commercial paper in February 1976.

The maximum short-term borrowings amounted to $84 million in 1976 and $95 million in 1975, averaged approximately $57 million and $75 million, respectively, and interest rates averaged 7.8% for 1976 and 8.2% for 1975.

THE BUDD COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 2: Compensating Balances and Short-Term Debt—The terms under which the Company has been granted lines of credit to borrow at the prime rate from various banks call for maintenance of average compensating balances based upon the banks' ledger records adjusted for uncollected funds. Compensating balances 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:

	1976	1975
	(In thousands)	
Lines of Credit		
Total lines of credit at end of period (excluding the $23,000,000 credit agreement in 1976—Note 7) include $56,000,000 which has been extended in 1976 wholly or in part to Budd Financial Corporation and/or The Budd Company	$92,500	77,000
Available Borrowings		
Amount of available borrowings under the lines of credit at end of period reflects utilization of $13,350,000 of joint credit lines by Budd Financial Corporation at year-end, 1976	46,150	72,000
Compensating Balances		
Compensating balances support the lines of credit and the $23,000,000 credit agreement in 1976 (Note 7). During part of 1976 and at year-end, the Company's total compensating balances include $3,100,000 maintained to support the joint credit lines and Budd Financial Corporation maintained the required difference.		
Average for year	12,200	12,200
End of year	9,700	12,500
Other Information		
Average amount of short-term debt outstanding during the period	$ 6,800	18,600
Related weighted average interest rate (daily)	7.6%	8.9%
Maximum amount of short-term debt outstanding at any time during the period, including Canadian short-term debt of $5,000,000 in 1976	$38,000	37,500

During January, 1977, the Company entered into additional credit line arrangements on terms identical to the existing ones. As of January 31, 1977, total lines of credit (excluding the credit agreement) were $99,000,000, including $57,000,000 which has been extended wholly or in part to Budd Financial Corporation and/or The Budd Company.

The Canadian subsidiaries have additional lines of credit aggregating $10,000,000 for which there are no compensating balances.

CONGOLEUM CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 8 (in part): Long-Term Debt—The Company entered into a Credit Agreement with a group of six banks which provides for a credit facility up to $145,000,000 expiring October 22, 1977. At the option of the Company, the borrowing under the Credit Agreement may at any time on or prior to October 22, 1977, be converted to a term loan to be amortized over a six-year period by consecutive and substantially equal quarterly installments. The Credit Agreement is restricted to the purpose of providing financing for the proposed purchase of stock of Universal Leaf Tobacco Company, Incorporated. (See Note 18).

The interest rate is 2¼% above the commercial loan rate. In addition there is a commitment fee of 1% per annum from March 1, 1977 (½% prior to March 1, 1977) to October 22, 1977 on the unused amount of the commitment. There are no requirements for compensating balances.

Terms of the Credit Agreement require, among other things, that the Company maintain consolidated working capital of $45,000,000, a current ratio of 1.7 to 1 and limit the amount of additional debt. Cash dividends after September 30, 1976, are limited to $5,000,000 plus 25% of net income after September 30, 1976. At December 31, 1976 the amount available for future dividends was $5,261,000. The Company is in compliance with these requirements at December 31, 1976.

Maturities of long-term debt during the five years ending December 31, 1981 are $1,939,000, $1,890,000, $404,000, $413,000 and $382,000, respectively.

EX-CELL-O CORPORATION (NOV)

Notes to Consolidated Financial Statements

Note 6: Lines of Credit—The Company and subsidiaries had available total short-term lines of credit as follows:

1976	Domestic	Foreign
Total	$35,000,000	$15,800,000
Unused	35,000,000	15,800,000
1975		
Total	35,000,000	16,350,000
Unused	34,000,000	13,700,000

Under informal arrangements with the U.S. banks, the Company and subsidiaries were required to maintain average compensating balances of approximately $3,850,000 and $4,200,000 in 1976 and 1975, respectively. Compensating balances related to arrangements with certain of the U.S. banks are subject to increase as the lines are utilized. Lines of credit with foreign banks do not require compensating balances.

CUMMINS ENGINE COMPANY, INC. (DEC)

Notes to Financial Statements

Note 6: Compensating Balances and Borrowings—Under lines of credit and revolving credit agreements, informal arrangements with banks require that average compensating balances be maintained or fees paid in lieu of such balances, in addition to interest payments, resulting in effective interest rates that exceed the stipulated nominal rates. Details of such borrowings in 1976 and 1975 are presented in the following table:

	Short-term borrowings and lines of credit		Foreign short-term borrowings		Long-term revolving credit agreements	
(dollars in thousands)	1976	1975	1976	1975	1976	1975
Loans outstanding at year-end	$ 1,043	$ 5,597	$ 6,559	$ 3,467	$ —	$40,000
Maximum loans during period	14,017	25,194	10,957	28,566	30,000	60,000
Average loans during period	1,781	11,628	2,477	13,777	8,266	50,104
Available lines at year-end	50,610	51,750	30,276	22,596	—	60,000
Average interest rate	6.9%	8.2%	20.9%	11.6%	7.0%	8.2%
Average compensating balances	$ 209	$ 2,029	$ 390	$ —	$ 1,178	$ 7,321
Average effective interest rate including effect of compensating balances and other fees paid	8.1%	15.2%	24.8%	11.6%	11.3%	9.8%
Average interest rate at year-end	6.3%	7.2%	26.1%	11.9%	—	7.6%

Short-term debt above excludes bank overdrafts, which were not formal lines of credit and carried no interest rates.

EASCO CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 2 (in part): Long-Term Debt and Dividend Restrictions

	December 31, 1976	1975
8.45% promissory notes due May 1, 1989	$16,000,000	$16,000,000
Borrowings under revolving credit and term-loan agreement	—	—
6-8⅝% capitalized lease obligations	9,346,000	5,770,000
6-8% promissory notes due March 1, 1977	400,000	600,000
7¼% promissory notes payable in annual installments of $71,000	213,000	284,000
Other obligations bearing interest at 4-8% due at various dates through 1983	722,000	930,000
Total debt	26,681,000	23,584,000
Less: current portion	811,000	792,000
Long-term portion	$25,870,000	$22,792,000

The agreement relating to the 8.45% promissory notes due in 1989 requires annual payments of $1,300,000 commencing in 1978.

The Company's revolving-credit and term-loan agreement, as amended during 1976, provides for borrowings at the Company's discretion up to $17,000,000 on a revolving credit basis from November 1, 1974 to April 30, 1979. On or before this date, the Company may convert the outstanding revolving credit loan into a term loan which would be repayable in equal semi-annual installments, maturing on April 30, 1984. Revolving credit borrowings will bear an interest rate of 109% of the bank's prime rate for the first 1½ years and 109% of the prime rate plus .25% for the remaining years. The interest rate for the term loan portion will be prime plus .75%. A fee equal to .5% per annum is payable on the daily unused portion of the loan commitment. In addition, the Company has agreed to maintain compensating balances per the bank records equal to 10% of the loan commitment. Any deficiencies in maintaining such compensating balances are subject to an interest charge equal to 90% of the prime rate, since withdrawal of the compensating balance is not legally restricted.

At December 31, 1976, $1,673,000 of the cash balance shown in the balance sheet represented a compensating balance after adjusting for differences of float between the balance shown by the books of the Company and the records of the bank.

THE GRAND UNION COMPANY (MAR)

Notes to Financial Statements

Note 8: Compensating Balances and Borrowing Arrangements—The Company has borrowing arrangements with a number of banks which generally call for the informal, but not legally binding, maintenance of compensating balances averaged over a yearly period in amounts equal to 10% of the bank lines of credit (aggregating $39,400,000) plus 10% of borrowings under some lines of credit. Compensating balances maintained under these agreements approximated $3,940,000 at April 3, 1976. A substantial portion of the compensating balances is normally covered by incompleted transactions with banks.

UNITED FOODS, INC. (FEB)

Notes to Consolidated Financial Statements

Note 5: Notes Payable to Banks and Others—Notes payable to banks and others consisted of the following:

	February 28 or 29, 1976	1975
Revolving credit notes to banks collateralized by trade receivables and inventories:		
Borrowing limit $22,500,000 with interest at 120% of prime rate plus ¼% (currently 8.4%)	$17,044,292	$19,563,743
Borrowing limit $15,000,000 with interest at 118% of prime rate (currently 8.8%)	7,862,214	14,447,964
	24,906,506	34,011,707
Unsecured demand notes payable to others with interest up to 1½% above prime rate (currently 8¼%)	500,000	560,000
Totals	$25,406,506	$34,571,707

Information with respect to short-term borrowings follows:

Maximum outstanding at any month end	$37,012,410	$37,201,193
Approximate average borrowings outstanding during the year	$32,776,143	$29,994,655
Approximate weighted average interest rate (includes the effect of compensating balance)	9.4%	12.9%

Under the terms of the $15,000,000 line of credit between a subsidiary of the company and the bank, the subsidiary is expected to maintain a compensating balance equal to the greater of 10% of the average short-term borrowings or 5% of the line of credit. At February 29, 1976, $385,892 of the cash balance shown on the balance sheet represents the compensating balance expected to be maintained after adjustment for differences between balances as reflected by the bank and books of the company resulting from items in transit. The withdrawal of the compensating balance is not legally restricted.

See Note 6 for comments relative to certain negative covenants.

MCCORMICK & COMPANY, INCORPORATED (NOV)

Notes to Financial Statements

Note 6: Compensating Balances and Short-Term Borrowing—The Company has agreements with various banks covering lines of credit totaling $26,000,000. There are no restrictions on the use of funds borrowed under these agreements. Compensating balance requirements and interest rates are as follows:

$18,500,000—Average compensating balances to be maintained equaling 10% of the line of credit plus 10% of any borrowings. Interest at the prime rate.

$2,500,000—A fluctuating maintenance fee in lieu of compensating balances. Interest at 109% of the prime rate.

$5,000,000—Average compensating balances to be maintained equal to 10% of the line of credit. Interest at 109% of the prime rate.

The Company has a standby $10,000,000 multicurrency credit facility which expires August 20, 1978. Under this facility borrowings of domestic dollars are at 115% of the prime rate and borrowings of Eurocurrencies are at ¾ of 1% per year above the London Interbank Offered Rate for short-term advances. Generally the facility has a commitment fee of ½ of 1% per year unless a 50% utilization of the facility is maintained over the life of the agreement in which case there is a required fee of ⅜ of 1% per year.

The Company maintains certain short-term lending arrangements for the benefit of its foreign subsidiaries. These lending arrangements provide for an aggregate line of credit of $4,549,000, of which $1,896,000 was being used at November 30, 1976 at interest rates ranging from 6.75% to 18.00%.

TABLE 2-27: LONG TERM LEASES

	Number of Companies 1976	1975	1974	1973
Information Disclosed as to Noncapitalized leases				
Rental Expense				
Basic	393	336	335	211
Contingent	70	72	73	45
Minimum Rental Commitments				
Schedule of	290	245	240	252
Classified by major categories of property	164	155	157	108
Present Value	129	115	116	71
Renewal or Purchase Options	69	62	63	57
Number of Companies				
Noncapitalized leases only	300	319	314	297
Capitalized and noncapitalized leases	164	126	130	124
Capitalized leases only	37	47	45	41
No leases disclosed	99	108	111	138
Total	**600**	**600**	**600**	**600**

LESSEE DISCLOSURES

Paragraphs 8-10 of APB *Opinion No. 31* specify the information which should be disclosed in the financial statements by lessees. In addition to Opinion No. 31 disclosures, SEC *Accounting Series Release* No. 147 specifies that financial statements filed with the Securities and Exchange Commission must disclose the present value of "financing" leases and the impact on net income of capitalizing such leases.

Effective for leasing transactions entered into on or after January 1, 1977, FASB *Statement of Financial Accounting Standards No. 13* supersedes Opinion No. 31 as the authoritative pronouncement on the reporting of leases in the financial statements of lessees. Although the requirements of Statement No. 13 are not mandatory for leasing transactions consummated prior to January 1, 1977, the Financial Accounting Standards Board urges early compliance.

Table 2-27 summarizes lessee disclosures. Examples of such disclosures follow.

AMERICAN AIR FILTER COMPANY, INC. (OCT)

Notes to Consolidated Financial Statements

Leased Assets and Lease Commitments—The Company and its subsidiaries occupy certain manufacturing facilities and sales offices and use certain equipment and automobiles under lease agreements expiring at various dates during the next 26 years. Management expects that in the normal course of business, leases that expire will be renewed or replaced by other leases.

For purposes of the following disclosure, the Company has made a distinction between financing lease arrangements and other lease arrangements. A financing lease is one which, during the noncancelable lease period, either (1) covers 75 percent or more of the economic life of the property, or (2) has terms which assure the lessor a full recovery of the fair market value of the property at the inception of the lease, plus a reasonable return on his investment.

Total rental expense for the two years ended October 31, 1976, was as follows:

	1976	1975
Financing leases:		
Minimum rentals	$ 779,000	$ 755,000
Contingent rentals	6,000	6,000
Totals	785,000	761,000
Other leases:		
Minimum rentals	2,258,000	1,825,000
Sublease rentals	(14,000)	(11,000)
Total	2,244,000	1,814,000
Total leases	$3,029,000	$2,575,000

Contingent rentals paid to lessors of certain equipment items are based on equipment usage in excess of stipulated minimums.

At October 31, 1976, minimum rental commitments under all noncancelable leases, exclusive of leases capitalized in the balance sheet, expire as follows:

Year ended October 31	Real property (In Thousands)	Machinery and equipment (In Thousands)	Automobiles and trucks (In Thousands)	Financing leases (In Thousands)	Other leases (In Thousands)
1977	$1,088	$403	$588	$727	$1,322
1978	744	337	368	577	872
1979	573	229	152	355	599
1980	459	200	15	207	467
1981	171	187	—	186	172
1982-1986	173	256	—	256	173
1987-1991	99	—	—	—	99
1992-1996	95	—	—	—	95
1997-2002	108	—	—	—	108

The majority of leases included above provide that the Company pay taxes, maintenance, insurance and certain other operating expenses applicable to the leased property.

The capitalization of financing leases during the two years ended October 31, 1976, would not have significantly influenced net income.

CERTAIN-TEED PRODUCTS CORPORATION (DEC)

Notes to Financial Statements

Note 1 (in part): Significant Accounting Policies:

Leases—The Company decided on an early application of Financial Accounting Standard No. 13, "Accounting for Leases" ("FAS No. 13") and has recorded as capital leases in the accompanying balance sheet as at December 31, 1976 all leases of the Company meeting the appropriate criteria. Prior years' financial statements have not been restated since the effect of adoption of FAS No. 13 on financial position and net income for such periods is not material.

Note 10–Leases and Other Matters:

(a) The Company's rental expense in 1975 and 1976 amounted to $7,390,000 and $7,230,000, respectively. The principal leases are for distribution centers, sales offices, data processing equipment, autos and trucks. The Company's leases, in most cases, contain renewal options ranging up to 20 years and generally provide that the Company shall pay for utilities, insurance, taxes and maintenance. The Company's leases are not subject to sublease rentals.

Capital Leases—See Note 1 regarding the treatment of capital leases at December 31, 1976. The following is a schedule, by year, of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments as of December 31, 1976:

Year ending December 31:	
1977	$ 3,613,000
1978	3,553,000
1979	3,351,000
1980	2,905,000
1981	2,466,000
Later years	19,069,000
Total minimum lease payments	34,957,000
Less: Amount representing estimated executory costs (such as taxes, maintenance and insurance), including profit thereon, included in total minimum lease payments	(3,135,000)
Net minimum lease payments	31,822,000
Less: Amount representing interest	(11,357,000)
Present value of net minimum lease payments (including current installments of $1,364,000)	$20,465,000

The net book value of leased property under capital leases amounted to $15,163,000 at December 31, 1976.

Operating Leases—The following is a schedule, by year, of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of December 31, 1976:

Year ending December 31:	
1977	$ 3,461,000
1978	2,362,000
1979	1,519,000
1980	1,333,000
1981	892,000
Later years	3,085,000
Total minimum payments required	$12,652,000

(b) As at December 31, 1976, approved additions to and replacements of property, plant and equipment approximate $55,000,000.

CHART HOUSE INC. (DEC)

	1976	1975
	($000)	
Assets		
Leased Property (Note 4):		
Leased property under capital leases, less accumulated amortization of $5,503,000 in 1976 and $4,186,000 in 1975	$26,368	$23,119
Net investment in direct financing leases	1,377	392
	$27,745	$23,511
Liabilities and Shareholders' Investment		
Long-term obligation under capital leases (Note 4)	$29,671	$24,746

Notes to Consolidated Financial Statements

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

Leases—Reference is made to Note 4 of the Notes to Consolidated Financial Statements for accounting policies regarding leases.

The consolidated financial statements for the year ended December 31, 1975, have been restated for the pooling of interests business combination consummated in November, 1976, and to retroactively adopt Statement of Financial Accounting Standards No. 13, as follows:

	Revenues	Net Income	Net Income Per Share Primary	Net Income Per Share Fully Diluted
	(In Thousands of Dollars, Except Per Share Data)			
As previously reported	$138,084	$7,520	$2.18	$2.11
Pooled Business	6,265	129	(.05)	(.05)
Adoption of Statement of Financial Accounting Standards No. 13 (Note 4)	—	(344)	(.10)	(.09)
As restated	$144,349	$7,305	$2.03	$1.97

Note 4: Leases

Accounting Policy

The Company is a party to a number of noncancelable lease agreements involving restaurant land and buildings and has elected to adopt the requirements of Statement of Financial Accounting Standards No. 13 (Accounting for Leases) as of December 31, 1976, as is encouraged by that Statement. The accompanying financial statements have been retroactively restated in accordance with the requirements of Statement 13. Accordingly, minimum lease rentals have been segregated into those portions relating to land and building. The building portion of the minimum rentals has been capitalized and the related asset and obligation recorded using the Company's incremental borrowing rate at the inception of the lease. The assets are amortized on a straight-line basis over the lease term and interest expense is accrued on the basis of the outstanding lease obligation. The portion of the minimum rentals relating to land are expensed as they accrue.

The Company is also a lessor under a number of sublease agreements relating to the above leases. In accordance with the requirements of Statement 13, future minimum rental receipts related to buildings under such subleases have been recorded as a receivable and the difference between the receivable and the capitalized value of the related assets is recorded as unearned income. The unearned income is amortized over the lease term to provide a constant rate of return. For financial reporting purposes, the investment in these direct financing leases is presented net of the unamortized balance of unearned income.

Description of Leasing Arrangements

The Company's leases for restaurant land and buildings are noncancelable and expire on various dates through 2025. Certain of the leases require the payment of an additional amount by which a percentage of annual sales exceeds annual minimum rentals. The percentage rental factors generally vary from 3% to 7%. The total amounts of such contingent rentals on these noncancelable land and building leases were $1,313,000 in 1976, and $1,220,000 in 1975. Approximately 88% of these leases contain renewal options ranging from 5 to 70 years. The portion of the leases attributable to buildings is classified as capital leases, while that relating to land is treated as operating leases.

In addition, the Company leases or subleases the buildings and/or land of 23 restaurant units to others. These leases are noncancelable and expire on various dates through 1993. The total amounts of contingent rentals received on these noncancelable land and building leases were $89,000 in 1976, and $45,000 in 1975. The portion of the leases attributable to buildings is classified as direct financing leases, while that relating to land is treated as operating leases.

In 1976, the Company sold land and buildings at ten restaurant locations for approximately $2,924,000 which approximated the Company's carrying value, and leased them back.

Capital Leases

The following is a schedule by years of future minimum payments under capital leases together with the obligations under capital leases (present value of future minimum rentals) as of December 31, 1976:

Year Ended December 31:	(In Thousands of Dollars)
1977	$ 3,874
1978	3,876
1979	3,876
1980	3,857
1981	3,769
Later years	45,890
Total minimum lease payments	$65,142
Less: amount representing interest	34,547
Total obligations under capital leases	$30,595
Less: current portion of obligations under capital leases	924
Long-term obligations under capital leases, with interest rates ranging from 6½% to 13½% and a weighted average interest rate of 9.9%	$29,671

Total minimum lease payments have not been reduced by minimum sublease rentals of $2,428,000 due in the future under noncancelable subleases.

Amortization of leased property under capital leases was $1,575,000 and $1,313,000 and interest expense on the outstanding obligations under such leases was $2,775,000 and $2,293,000 in 1976 and 1975, respectively.

Direct Financing Leases

The following is an analysis of the components of the net investment in direct financing leases as of December 31:

	1976	1975
	(In Thousands of Dollars)	
Total minimum lease payments to be received	$2,613	$611
Less: unearned income	1,195	189
Net investment in direct financing leases	$1,418	$422
Less: current portion of net investment, included in accounts receivable	41	30
Long-term net investment	$1,377	$392

At December 31, 1976, minimum lease payments to be received for each of the five succeeding fiscal years are approximately $200,000 per year.

Operating Leases

The following is a schedule by years of future minimum rental payments to be made and future minimum rental payments to be received under noncancelable operating leases as of December 31, 1976:

Year Ended December 31	Rental Payments to be Made	Rental Payments to be Received Under Subleases	Other	Total
	(In Thousands of Dollars)			
1977	$ 3,864	$ 176	$ 12	$ 188
1978	3,878	176	12	188
1979	3,842	176	12	188
1980	3,699	176	12	188
1981	3,669	176	12	188
Later years	46,175	1,197	64	1,261
	$65,127	$2,077	$124	$2,201

Net rental expense for all operating leases for the years ended December 31, 1976 and 1975 consisted of the following components:

Year Ended December 31	Rental Expense: Rental Payments Made	Rental Payments Received under Subleases	Net
	(In Thousands of Dollars)		
1976—			
Noncancelable	$3,565	$(118)	$3,447
Other	2,400	—	2,400
Total	$5,965	$(118)	$5,847
1975—			
Noncancelable	$2,869	$(48)	$2,821
Other	1,478	—	1,478
Total	$4,347	$(48)	$4,299

Included in other rental payments made are contingent rents of $354,000 in 1976 and $292,000 in 1975.

INTERSTATE BRANDS CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 6: Lease Commitments—Total rental expenses entering into the determination of results of operations amounted to:

	1976	1975
Gross rental expenses		
Financing leases	$2,513,808	$2,287,107
Other rentals	1,898,239	1,675,816
	4,412,047	3,962,923
Sublease rentals	(146,022)	(114,390)
Totals—net	$4,266,025	$3,848,533

The effect on net income of noncapitalized financing leases is not material.

Future minimum annual rental commitments, gross of sublease rentals which are not material and exclusive of taxes and insurance, for all noncancelable leases as of January 1, 1977 are as follows:

		Financing Leases			
	Total	Plants and Offices	Depots and Thrift Stores	Equipment	Nonfinancing Leases
1977	$ 3,837,250	$ 83,140	$ 2,023,152	$275,941	$1,455,017
1978	3,322,222	81,620	1,988,941	185,408	1,066,253
1979	2,862,269	81,620	1,854,969	37,222	888,558
1980	2,447,340	64,820	1,834,481	—	748,039
1981	2,043,546	45,000	1,406,108	—	592,438
1982-1986	6,107,534	225,000	4,462,852	—	1,419,682
1987-1991	1,931,232	225,000	1,492,255	—	213,977
1992-1996	225,000	225,000	—	—	—
Thereafter	90,000	90,000	—	—	—
Total	$22,866,493	$1,121,200	$14,862,758	$498,571	$6,383,964

Under the Prudential loan agreement, annual rental payments for plants and offices are not to exceed $800,000.

Estimated present values of the future minimum annual rental commitments for all noncapitalized financing leases are as follows:

	January 1, 1977		December 27, 1975	
	Average Interest Rate Used	Amount	Average Interest Rate Used	Amount
Depots and thrift stores	9.0%	$ 9,479,430	9.0%	$ 9,107,501
Plants and offices	7.6	551,664	7.6	700,441
Equipment	9.1	443,230	8.8	669,685
		$10,474,324		$10,477,627

Most of the leases contain renewal options for varying periods, generally from five to ten years. Certain equipment leases include options to purchase during or at the end of the lease term.

The Company is determining the effect of Financial Accounting Standards No. 13 (FAS 13). The definition of a capital lease under FAS 13 differs from that of a financing lease and the Company believes that it has fewer capital leases than financing leases.

THE PANTASOTE COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 5: Commitments and Contingencies—The Company and its subsidiaries rent real estate and equipment under long-term leases expiring at various dates to 1990. Certain of these leases require payment of maintenance charges and property taxes. Total rental expenses for the two years ended December 31, 1976 are as follows:

	1976	1975
	(000's Omitted)	
Gross rental:		
Financing leases	$1,689	$1,788
Other leases	345	578
	2,034	2,366
Rental income from subleases:		
Financing leases	233	228
Other leases	15	91
	248	319
Rental expense	$1,786	$2,047

At December 31, 1976, minimum rental commitments under all noncancellable leases, exclusive of leases capitalized in the balance sheet, expire as follows (000's Omitted):

	Type of Property		Total			
			Before Reduction For Sublease Rental		After Reduction For Sublease Rental	
Year Ended December 31,	Real Estate	Machinery and Equipment	Financing Leases	All Other Leases	Financing Leases	All Other Leases
1977	$249	$1,346	$1,657	$171	$1,438	$157
1978	249	1,108	1,411	173	1,199	158
1979	246	786	1,076	172	875	157
1980	242	802	1,078	161	897	147
1981	242	378	654	161	474	146
1982-1986	833	1,447	2,714	419	1,901	379
1987-1990	187	561	748		748	

Certain leases include options for renewal or purchase of the leased property. The aggregate present values of minimum lease commitments included above by class of asset, with respect to noncapitalized "financing leases" at December 31, 1976 and 1975, were as follows:

Class of Asset	Rates of Interest Used to Compute Present Values			Amount	
	Range	Weighted Average 1976	1975	1976	1975
				(000's Omitted)	
Real estate	4-8%	6.0%	6.0%	$1,033	$1,136
Machinery and equipment	4-14%	7.5%	7.7%	5,483	6,462
				6,516	7,598
Less present value of sublease rentals:					
Real estate	4.8%	4.8%	4.8%	305	351
Machinery and equipment	4.8%	4.8%	4.8%	1,022	1,175
				1,327	1,526
Present value of noncapitalized financing leases net of subleases				$5,189	$6,072

Capitalization of the above "financing leases", together with straight-line amortization of the resultant property rights and accruals of interest on the present value of the lease commitments would have resulted in an increase in reported net income for 1976 and 1975 of $25,000 ($.01 per share) and $28,000 ($.01 per share), respectively.

UNIROYAL, INC. (DEC)

Notes to Financial Statements

Lease Commitments—Total rent expense charged to operations amounted to $49,000,000 for 1976 and $48,000,000 for 1975. Leases generally provide that the Company pay for utilities, insurance, taxes and maintenance and contain renewal options.

The Company has two major and several minor noncancellable leases not accounted for as purchases. One, a 25 year lease expiring in 1993, covers a tire plant in Opelika, Ala.; the other, a 28 year lease expiring in the year 2000, covers the Company's administrative offices, research facilities and a computer center located in Middlebury, Ct. Rental expense under non-cancellable leases not accounted for as purchases amounts to: 1975, $11,900,000; 1976, $11,600,000; 1977, $11,400,000; 1978, $11,000,000; 1979, $10,800,000; 1980, $10,500,000; 1981, $9,100,000; 1982 to 1986, $38,900,000; 1987 to 1991, $27,500,000; 1992 to 1996, $20,400,000; and thereafter, $14,200,000. The present value of these commitments amounts to $73,800,000 at January 2, 1977, calculated at interest rates from 2⅞% to 8½% with the weighted average at 7.1%. These leases contain purchase options at prices representing the estimated market values at the time the options become exercisable. Had these leases been accounted for as purchases, net income would remain approximately the same.

In November of 1976, The Financial Accounting Standards Board issued Statement No. 13 "Accounting for Leases." This statement, which becomes fully effective in 1981, will require retroactive capitalization of the above noncancellable leases. At that time, previous years' consolidated balance sheets will have to be restated to include the amounts for these non-cancellable leases. At January 2, 1977, these amounts would be (dollars in millions):

Manufacturing plant	$30.5
Administrative offices and computer and research centers	41.0
Other	2.3
	$73.8
Long Term Lease Liabilities	$73.8

THE PILLSBURY COMPANY (MAY)

	1977	1976
Assets		
Net investment in direct financing leases (Note 6):		
Owned property, plant and equipment	$31,471,000	$26,496,000
Leased assets under capital leases	8,599,000	6,232,000
	$40,070,000	$32,728,000

Liabilities and Stockholders' Equity

Long-term debt, noncurrent portion (Note 6):		
Restaurant subsidiaries (not guaranteed by The Pillsbury Company):		
Long-term debt	$143,212,000	$118,722,000
Obligations under capital leases	45,136,000	36,998,000
	188,348,000	155,720,000
Parent company and nonrestaurant subsidiaries:		
Long-term debt	64,731,000	64,763,000
Obligations under capital leases	5,541,000	6,623,000
	70,272,000	71,386,000
Total	$258,620,000	$227,106,000

Note 6: Leases—All noncancelable leases and subleases with an initial term greater than one year are included in this note and have been categorized as capital, direct financing or operating leases in conformity with the Definitions in Statement of Finanical Accounting Standards No. 13, Accounting for Leases.

Commitments as Lessee

The Parent Company and nonrestaurant subsidiaries have leases for manufacturing, warehousing, administrative and transportation facilities and equipment with terms (including renewal options) ranging from one to 50 years. In addition, restaurant subsidiaries have leases covering restaurant properties with initial terms, in most cases, of 15 to 25 years which provide for one or more five-year renewal options.

Capital leases are concentrated in restaurant subsidiaries and cover primarily restaurant buildings. At May 31, 1977, Burger King and Steak and Ale were lessees under capital leases on 244 and 74 restaurant buildings, respectively. Capital leases of the Parent Company and nonrestaurant subsidiaries cover transportation and computer equipment and parts of several manufacturing facilities.

The following analysis represents property under capital leases at May 31:

	1977			1976		
	Total	Restaurant subsidiaries	Parent Company and nonrestaurant subsidiaries	Total	Restaurant subsidiaries	Parent Company and nonrestaurant subsidiaries
Buildings	$49,073,000	$40,226,000	$ 8,847,000	$44,780,000	$35,933,000	$ 8,847,000
Equipment	10,390,000	5,722,000	4,668,000	9,827,000	5,049,000	4,778,000
	59,463,000	45,948,000	13,515,000	54,607,000	40,982,000	13,625,000
Less accumulated amortization	(19,427,000)	(11,873,000)	(7,554,000)	(15,571,000)	(8,936,000)	(6,635,000)
	$40,036,000	$34,075,000	$ 5,961,000	$39,036,000	$32,046,000	$ 6,990,000

Amortization of property under capital leases was $4,710,000 and $4,264,000 in 1977 and 1976, respectively.

In addition to its capital leases, the Company is obligated under operating leases primarily for land in the restaurant subsidiaries, transportation equipment and grain handling and storage facilities. Total rental expense (including taxes, insurance and maintenance when included in rent) related to all operating leases (including those with terms less than one year) were as follows:

	Year ended May 31	
	1977	1976
Minimum rentals	$18,703,000	$15,341,000
Contingent rentals	833,000	871,000
Total	$19,536,000	$16,212,000

Minimum future obligations on leases in effect at May 31, 1977 are as follows for the periods ending May 31:

	Capital leases (In thousands)				Operating leases (In thousands)			
		Restaurant subsidiaries				Restaurant subsidiaries		
	Total	Used in operations	Subleased to franchises	Parent Company and nonrestaurant subsidiaries	Total	Used in operations	Subleased to franchises	Parent Company and nonrestaurant subsidiaries
1978	$ 11,019	$ 6,493	$ 1,428	$ 3,098	$ 19,416	$ 8,311	$ 1,823	$ 9,282
1979	8,997	5,991	1,425	1,581	13,874	7,823	1,831	4,220
1980	7,784	5,150	1,405	1,229	12,525	7,433	1,827	3,265
1981	6,844	4,744	1,368	732	11,473	7,319	1,816	2,338
1982	6,253	4,519	1,332	402	10,086	6,960	1,795	1,341
Later	69,827	52,403	11,773	5,651	103,876	72,302	17,535	14,039
Total minimum obligation (a)	110,724	79,300	18,731	12,693	171,260	110,148	26,627	34,485
Less executory costs	(2,948)	(1,524)		(1,424)	(9,530)			(9,530)
Net minimum obligation	107,776	77,776	18,731	11,269	$161,730 (c)	$110,148	$26,627	$24,955
Less amount representing interest	(52,701)	(38,886)	(9,369)	(4,446)				
Present value of net minimum obligation	55,075	38,890	9,362	6,823				
Less current portion	(4,398) (b)	(2,662)	(454)	(1,282)				
Long-term obligation at May 31, 1977	$ 50,677	$36,228	$ 8,908	$ 5,541				
Long-term obligation at May 31, 1976	$ 43,621	$30,220	$ 6,778	$ 6,623				

(a) Minimum future obligations have not been reduced by minimum sublease rentals. In addition to minimum future obligations, contingent rentals may be paid under certain store leases on the basis of a percentage of sales in excess of minimum amounts. Contingent rentals amounted to $741,000 and $698,000 in 1977 and 1976, respectively.

(b) Included in current portion of long-term debt. Amounts so included for May 31, 1976 were Restaurant subsidiaries $2,556,000 and Parent Company and nonrestaurant subsidiaries $1,218,000.

(c) The present value of minimum future obligations under operating leases calculated on the Company's incremental borrowing rate at the inception of the leases are: Used in operations of Restaurant subsidiaries $57,630,000, subleased to franchises $14,314,000 and Parent Company and nonrestaurant subsidiaries $14,710,000.

The present values of minimum future obligations shown above are calculated based on interest rates (ranging from 5% to 15% with a weighted average of approximately 9.7%) determined to be applicable at the inception of the leases.

Interest expense on the outstanding obligation under capital leases was $4,943,000 and $4,583,000 in 1977 and 1976, respectively.

Investments as Lessor

At May 31, 1977, 406 restaurant buildings and land were leased by Burger King to franchisees. Of this number, 117 restaurant buildings were obtained through capital leases and 289 are owned while 164 parcels of land were obtained through operating leases and 242 are owned. The building leases are generally accounted for as direct financing leases while the land leases are accounted for as operating leases. Burger King also leases owned equipment to franchisees under direct financing leases.

Substantially all of the property leases provide for minimum rentals and contingent rentals, while equipment leases provide only for minimum rentals. Property is generally leased to franchisees for 15 years under leases which require the franchisee to pay real estate taxes and other operating expenses.

The following lists the net investment in direct financing leases (all attributable to Burger King) at May 31:

	1977			1976		
		Building and equipment			Building and equipment	
	Total	Owned	Leased	Total	Owned	Leased
Net minimum lease payments receivable (a)	$84,940,000	$66,419,000	$18,521,000	$69,449,000	$57,268,000	$12,181,000
Estimated unguaranteed residual value....	4,276,000	3,310,000	966,000	2,226,000	1,772,000	454,000
Less unearned income......................	(45,853,000)	(35,699,000)	(10,154,000)	(36,654,000)	(30,812,000)	(5,842,000)
Net investment..............................	43,363,000	34,030,000	9,333,000	35,021,000	28,228,000	6,793,000
Less current portion included in receivables	(3,293,000)	(2,559,000)	(734,000)	(2,293,000)	(1,732,000)	(561,000)
Net investment in direct financing leases .	$40,070,000	$31,471,000	$ 8,599,000	$32,728,000	$26,496,000	$ 6,232,000

Owned assets, included in property, plant and equipment, leased to Burger King franchisees under operating leases at May 31 are as follows:

	1977	1976
Land and improvements............	$24,413,000	$22,492,000
Buildings and improvements........	5,441,000	4,378,000
Restaurant equipment	619,000	669,000
	30,473,000	27,539,000
Less accumulated depreciation	(3,109,000)	(1,755,000)
	$27,364,000	$25,784,000

The following is a schedule of minimum future rentals to be received under direct financing and operating leases in effect at May 31, 1977, for the periods ending May 31:

	Direct financing leases			Operating leases		
		Buildings and equipment			Land	
	Total	Owned	Leased	Total	Owned	Leased
1978	$ 8,199,000	$ 6,498,000	$ 1,701,000	$ 4,831,000	$ 2,862,000	$ 1,969,000
1979	8,166,000	6,469,000	1,697,000	4,742,000	2,801,000	1,941,000
1980	8,104,000	6,432,000	1,672,000	4,739,000	2,802,000	1,937,000
1981	7,996,000	6,366,000	1,630,000	4,716,000	2,802,000	1,914,000
1982	7,551,000	5,956,000	1,595,000	4,668,000	2,794,000	1,874,000
Later	44,924,000	34,698,000	10,226,000	28,651,000	15,799,000	12,852,000
Total (a)	$84,940,000	$66,419,000	$18,521,000	$52,347,000	$29,860,000	$22,487,000

(a) Minimum lease payments do not include contingent rentals which were $4,319,000 in 1977 and $3,845,000 in 1976.

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

	1976	1975	1974	1973
Deferred income taxes......	466	479	481	488
Minority interest............	173	179	205	217
Employee Liabilities				
Deferred compensation, bonus, etc.	102	86	73	90
Pension or retirement plan .	70	69	62	72
Other — described..........	14	27	28	29
Estimated losses or expenses				
Discontinued operations.....	19	29	29	29
Warranties	8	8	8	8
Insurance	7	14	22	31
Foreign operations...........	5	18	26	41
General contingencies.......	3	6	6	6
Other — described..........	35	38	31	12
Deferred credits				
Production payments	21	15	13	7
Payments received prior to rendering service	12	17	14	22
Deferred profit on sales.....	12	13	12	9
Excess of acquired net assets over cost............	4	7	6	8
Other — described..........	20	18	41	25
"Miscellaneous" or "other"	**222**	**240**	**247**	**236**

Deferred Taxes

AMERICAN MAIZE-PRODUCTS COMPANY (DEC)

	1976	1975
Long-term debt, less current installments	$37,915,574	$21,890,761
Deferred income taxes (Note 1)....	2,690,140	1,043,140
Deferred incentive compensation...	2,166,093	3,424,058
Minority interest in subsidiary	1,024,900	1,024,900

Note 1 (in part): Summary of Significant Accounting Policies—Deferred income taxes relate principally to the excess of depreciation taken in the income tax returns over that charged against income for financial reporting purposes, and to deferred compensation recognized for financial reporting purposes on a basis which differs from the corresponding amount deducted in the income tax returns.

EX-CELL-O CORPORATION (NOV)

	1976	1975
Long-Term Debt:		
Term loans	$19,538,200	$20,891,200
Other	465,429	601,730
Total long-term debt............	20,003,629	21,492,930
Deferred Items:		
Rental income on leased machines.	10,497,566	8,597,013
Deferred income taxes, Note 7	15,523,272	12,829,068
Total deferred items............	26,020,838	21,426,081

Note 7 (in part): Income Taxes—Income taxes have been charged against earnings as follows:

	1976	1975
Current:		
U.S. Federal......................	$19,364,000	$11,553,000
Foreign	1,366,000	806,000
State and local..................	1,519,000	1,053,000
	22,249,000	13,412,000
Deferred:		
U.S. Federal......................	999,000	3,133,000
Foreign	123,000	(180,000)
State and local..................	(381,000)	45,000
	741,000	2,998,000
	$22,990,000	$16,410,000

Deferred income taxes arise from timing differences between expenses or income as reported for financial statement purposes and their deductibility or inclusion for income tax purposes. The source of these differences and related income tax effect of each were as follows:

	Related Income Tax Effect	
	1976	1975
Timing differences related to inventory valuation...................	$ (870,000)	$ 93,000
Depreciation methods and other allowances relating to fixed assets	1,022,000	1,701,000
Tax deferrals related to income of Domestic International Sales Corporation subsidiary	2,245,000	2,011,000
Timing differences related to accrued liabilities..................	(1,913,000)	(152,000)
Other items, net	257,000	(655,000)
	$ 741,000	$2,998,000

Non-current deferred income taxes in the accompanying balance sheets relating to undistributed income of the Domestic International Sales Corporation subsidiary amounted to approximately $5,730,000 and $4,925,000 at November 30, 1976 and 1975, respectively.

FEDERATED DEPARTMENT STORES, INC. (JAN)

	1977	1976
	(in thousands)	
Deferred income taxes.............	$ 31,265	$ 22,917
Deferred compensation and retirement income	85,644	79,544
Long-term debt.......................	193,807	151,475

Summary of Significant Accounting Policies

Investment tax credits are accounted for under the flow through method. Deferred income taxes are provided on non-permanent differences between reported and taxable income, principally accelerated depreciation, deferred compensation and the deferment of gross margin on installments sales.

The Year in Review (p. 20)

Taxes—Income tax provision is comprised of:

(millions)	1976	1975
Federal	$132.3	$139.2
State and local	25.3	27.2
	$157.6	$166.4
Effective income tax rate on income before income taxes	48.4%	49.6%

The effective income tax rate differs from the federal income tax statutory rate chiefly because of the investment tax credit and state and local income taxes. Investment tax credits, accounted for under the flow through method, totaled $9.5 and $8.0 million in the two years shown above. Internal Revenue Service examination of Federal income tax returns has been completed through February 2, 1974.

Current liability for income taxes includes a deferred amount of $94.1 million at year-end 1976 and $85.2 million at year-end 1975 from deferment of gross margin on installment sales.

Deferred income tax liability is principally the net result of the deferred tax credits from accelerated depreciation and the deferred tax charges resulting from deferred compensation.

Taxes other than income taxes amounted to $94.6 million in 1976 and $82.4 million in 1975. These amounts are comprised principally of real estate, personal property and payroll taxes.

Minority Interests

GENERAL DYNAMICS CORPORATION (DEC)

	1976	1975
	($000)	
Non-Current Liabilities:		
Long-term debt less current installments	$ 77,254	$118,605
Deferred income taxes	60,094	37,768
Other	88,160	62,827
	225,508	219,200
Minority shareholders' equity in subsidiary	51,973	44,618

THE GILLETTE COMPANY (DEC)

	1976	1975
	(Thousands of Dollars)	
Deferred income taxes	$ 23,700	$ 19,100
Other liabilities, principally accrued pensions	25,592	18,086
Long-term debt:		
Convertible debentures	100,000	100,000
Other	60,065	83,434
Total long-term debt	160,065	183,434
Total liabilities	562,131	550,292
Minority interest	4,157	3,856

MELVILLE CORPORATION (DEC)

	1976	1975
Long-term debt	$52,514,118	$30,212,576
Deferred credit	—	50,450
Deferred credit on condemnation of property	6,620,000	6,620,000
Deferred Federal income taxes	2,628,582	2,591,407
Lease obligations for closed stores	2,015,837	1,366,910
Minority interests in subsidiaries (Note 1)	25,549,016	17,286,290

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

Principles of Consolidation—The consolidated financial statements include the accounts of all subsidiaries. Included are foreign subsidiaries whose results of operations for 1976 and 1975 are insignificant in relation to the consolidated results of operations and financial position. The minority interest represents the participation on a 51%-49% basis, respectively, of the Company and S.S. Kresge Co. (Kresge) in the ownership of all retail subsidiaries formed from 1975 through 1984 for the purpose of operating leased shoe departments in K-Mart (Kresge) stores. In addition, Kresge is increasing its ownership in such leased departments in existence at December 31, 1974 from 25% to 49% over a four year period ending in 1978. All intercompany balances and transactions have been eliminated.

SEARS INDUSTRIES INC. (DEC)

	1976	1975
Long-term debt, excluding portion due within one year	$21,745,568	$20,082,781
Deferred federal income taxes	801,550	5,145,397
Minority interest in a subsidiary (Note 6)	10,600,000	—

Note 6: Minority Interest in a Subsidiary—On December 31, 1976, a subsidiary of the Corporation converted $10,600,000 of its subordinated debt owed to affiliates to 10,600 shares of $100 cumulative preferred stock of the subsidiary in conjunction with the refinancing described in Note 5. Such amount is shown as minority interest in a subsidiary in the consolidated balance sheet at December 31, 1976.

Subsequent to December 31, 1976 the subsidiary issued, for $5,000,000 cash, an additional 5,000 shares of the $100 cumulative preferred stock of the subsidiary to an affiliated company.

The holders of each share of the $100 cumulative preferred stock of the subsidiary are entitled to receive cash dividends, accruing quarterly, at a rate of $100 per share per annum. The preferred shareholders shall be preferred as to both earnings and assets of the subsidiaries and in the event of liquidation shall be entitled, to the extent of available assets, to $1,000 per share together with all dividends in arrears. The subsidiary may at any time after December 31, 1978 redeem any or all shares at $1,000 per share plus all dividends in arrears.

STRUTHERS WELLS CORPORATION (NOV)

	1976	1975
Deferred income taxes	$ 122,000	$
Long-term liabilities—net of current portion	3,515,557	3,804,297
Minority interests in subsidiaries	1,103,231	974,919

Notes to the Financial Statements

Note 8: Minority Interests—At November 30, 1976 the minority interests in subsidiaries were as follows:

	Percent	Amount
Struthers Scientific and International Corporation	19.9%	$ 596,709
Struthers Thermo-Flood Corporation	20.0%	506,522
		$1,103,231

WARNER-LAMBERT COMPANY (DEC)

	1976	1975
Total current liabilities	$409,860,000	$378,035,000
Long-term debt	253,769,000	261,611,000
Non-current payables and accrued liabilities	11,392,000	7,320,000
Deferred income taxes	57,271,000	50,911,000
Minority interest in foreign subsidiaries	12,619,000	11,569,000
Contingencies		
Total liabilities	$744,911,000	$709,446,000

Employee Related Liabilities

ALAN WOOD STEEL COMPANY (DEC)

	1976	1975
Long-term debt	$41,144,693	$45,565,757
Deferred pension plan contributions (Note 9)	4,171,763	—
Liability for supplemental unemployment benefits	70,564	47,050
Deferred income	900,000	1,200,000
Deferred income taxes	363,353	2,534,353

Note 9: Pension Plans—The Company has noncontributory pension plans covering substantially all employees. Total pension expense was $5,605,000 in 1976 and $5,572,000 in 1975.

The unfunded vested liability for pension benefits was $36,689,000 as of January 1, 1976, the most recent actuarial valuation date ($51,458,000 at January 1, 1975). The unfunded prior service cost on a single premium basis as of December 31, 1976 was $43,786,000 ($58,891,000 at December 31, 1975). The decreases in the unfunded vested liability and the unfunded prior service cost resulted primarily from changes in certain assumptions underlying the actuarial valuations. The changes were made to implement the requirements under the Employee Retirement Income Security Act of 1974 and to more clearly reflect expected rates of return on investments, expected employee compensation increases and other anticipated experience factors.

All Company current pension plan liabilities prior to 1975 were funded as accrued. The 1975 liability has not been funded but it is the Company's intention to do so. The Company does not intend to make the 1975 contribution during 1977 and accordingly the 1975 liability has been reclassified as noncurrent in the accompanying balance sheet.

AMERICAN BUILDING MAINTENANCE INDUSTRIES (OCT)

	1976	1975
Other noncurrent liabilities:		
Deferred income taxes	$ 73,650	$122,750
Retirement pension plan (Note 6)	203,280	98,203
Total other noncurrent liabilities	$276,930	$220,953

Note 6: Retirement Pension Plan—Effective November 1, 1974, the company established an unfunded retirement pension plan for senior executives. The plan provides for aggregate annual benefits ranging from $25,000 to $155,000 for a period of up to ten years commencing with the respective retirement dates of the four senior executives currently covered under the plan. The benefits expected to be paid are being accrued, with interest, over a period of eleven years, commencing in 1975, based on group annuity tables. The expense for 1976 and 1975 amounted to $105,077 and $98,203, respectively.

CYCLOPS CORPORATION (DEC)

	1976	1975
	($000)	
Total current liabilities	$ 95,416	$ 87,883
Long-term debt (Note 4)	38,217	44,799
Deferred income taxes	13,398	12,322
Excess of vested pension benefits over pension fund assets (Note 6)	20,540	21,076
Total liabilities	$167,571	$166,080

Notes to Consolidated Financial Statements

Accounting Policies (in part)

Pensions—The Company maintains several noncontributory pension plans which cover a substantial number of employees. Pension cost includes the amortization of prior service cost over forty years. It is the Company's policy to fund accrued pension costs, except as described in Note 6.

Note 6: Pension Plans—Pension costs for all plans, exclusive of the effect of the discontinuance of certain operations, were $15,670,000 in 1976 and $11,760,000 in 1975. The increase in pension costs in 1976 is attributable primarily to increased pension benefits effective August, 1975 which are included for all of 1976 and to changes in certain actuarial assumptions. Changes in certain actuarial assumptions had the effect of reducing net income by approximately $837,000 or $.40 per share. 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 $109,400,000.

As a result of the discontinuance of certain operations of the Empire-Detroit Steel Division, $12,082,000 was recorded as the additional liability for vested pensions of employees terminated. This additional liability is being funded over a period of twenty years. The remaining vested pension benefits of the former Detroit Steel Corporation are being funded over 40 years.

Management has taken affirmative action to comply with the requirements of the Employee Retirement Income Security Act of 1974. The effect of this action upon income, funding, and vested benefits is insignificant.

HOMASOTE COMPANY (DEC)

	1976	1975
Deferred compensation—Note 7...	$35,580	$9,225

Note 7: Deferred Compensation—The Company has an employment contract with its Chairman of the Board under which retirement benefits accrue during active service and are to be paid in semi-monthly installments commencing with the first month following the month in which the termination of his principal employment becomes effective. The retirement benefits result from a cost of living escalator clause in the contract. Benefits payable are not funded and the amount accrued for 1975 and 1976 was $35,580.

UNITED BRANDS COMPANY (DEC)

	1976	1975
	($000)	
Total current liabilities	$190,044	$187,268
Long-term debt......................	315,474	341,583
Accrued pension and severance liabilities.........................	72,603	69,750
Other liabilities and deferred credits	8,179	7,784
Total liabilities	$586,300	$606,385

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of Accounting Policies

Pensions and Severance—Liabilities for pensions and related charges to income are determined by the use of actuarially computed valuations of benefits; charges to income include amortization of past service costs primarily over forty years. Pensions are funded based on advice from consulting actuaries. Provision for Latin American severance and similar benefits is made by charges to income based on actuarial determinations of future liabilities.

Estimated Losses or Expenses

CARRIER CORPORATION (OCT)

	1976	1975
Noncurrent liabilities		
Long-term debt......................	$181,550,000	$188,975,000
Extended-term product guarantees.	18,316,000	18,770,000
Deferred taxes on income	13,542,000	16,066,000
Other	8,268,000	6,739,000
	$221,694,000	$230,550,000

Notes to Consolidated Financial Statements

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

Product Guarantees—Current and extended-term product guarantees are established for the estimated future costs that will be incurred under product guarantees and warranties presently in force.

SCOVILL MANUFACTURING COMPANY (DEC)

	1976	1975
Long-term debt, less portion due within one year (Note D)	$61,297,000	$64,237,000
Other non-current liabilities.........	2,191,000	2,138,000
Allowance for loss on discontinued operations (Note B).............	26,312,000	72,000,000
Minority stockholders' interest in subsidiaries......................	4,245,000	3,577,000

Note B: In 1975, a provision of $72,000,000 ($40,000,000 net of income tax benefits) was made for the eventual sale or other disposition of the Metals and General Products Divisions.

On April 15, 1976, the Company concluded the sale of these divisions. The Company sold assets, principally property, plant and equipment and inventories, with a book value of approximately $55,500,000 for cash of $13,000,000 resulting in a pre-tax loss on asset disposals of $42,500,000. In addition the buyer agreed to assume certain unfunded pension liabilities with respect to the factory employees in lieu of additional cash payments for the assets sold. The buyer also agreed to assume the obligations for other future employee benefits.

The Company's obligations for retirement benefits were estimated at $20,900,000, primarily for the benefit of the salaried employees of these divisions.

Other costs and expenses of $8,600,000 were also provided for, including relocation costs for Corporate and divisional operations now located in Waterbury, Connecticut, provision for the operating losses of the discontinued operations from the first of the year until the date of sale, legal fees and other expenses.

While the method of funding the retirement benefits of the salaried employees has not finally been determined, and moving costs and other expenses may vary from the amounts provided, it is management's opinion that the balance of the provision at December 26, 1976 is adequate to cover all future costs and expenses which may arise as a result of the sale.

The table below summarizes changes in the allowance for loss on discontinued operations:

	Provision in 1975	Charges during 1976	Balance
	(Thousands of Dollars)		
Pension costs and other employee benefit obligations	$20,900	$ 286	$20,614
Loss on asset disposals	42,500	42,500	—
Other costs and expenses	8,600	2,902	5,698
	72,000	45,688	26,312
Estimated taxes recoverable	32,000	20,708	11,292
Total	$40,000	$24,980	$15,020

From January, 1976 to the date of sale, the divisions incurred losses from operations of $2,378,000 which have been charged against the above allowance for "Other costs and expenses".

Sales related to discontinued operations amounted to $27,656,000 for the period from January, 1976 to the date of sale, and $83,704,000 for the year ended December 28, 1975.

Losses from discontinued operations in 1975 included:

Provision referred to above	$40,000,000
Loss on disposal of two other divisions (net of income tax benefit of $906,000)	981,000
Operating losses from discontinued operations (net of income tax benefit of $4,734,000)	5,128,000
	$46,109,000

SIGNODE CORPORATION

	1976	1975
	(Thousands of Dollars)	
Deferred Income Taxes and Credits		
Income taxes	$11,391	$ 8,663
Investment credits and grants	4,009	3,695
Total	$15,400	$12,358
Customer Deposits		
Deposits on strapping machines and tools in service with customers, applicable to future operations	$12,578	$12,907
Long-Term Debt	$32,928	$34,398

THE SPERRY AND HUTCHINSON COMPANY (DEC)

	1976	1975
	($000)	
Long-term liabilities, less current portions:		
Liability for stamp redemptions (Note 5)	$117,599	$117,279
Debt	16,311	20,079
Other	1,568	1,772
	$135,478	$139,130

Summary of Significant Accounting Policies

Liability for Stamp Redemptions—The Company records stamp service revenue and provides for cost of redemptions at the time stamps are furnished to licensees. The liability for stamp redemptions is adjusted each year based upon current operating experience and includes the cost of merchandise and related redemption service expenses required to redeem 95% of the stamps issued.

Company studies have indicated that approximately 50% of the stamps outstanding are not presented for redemption within one year; consequently this portion of the liability for stamp redemptions is classified as a long-term liability.

Notes to Consolidated Financial Statements

Note 5 (in part): Income Taxes—The Company believes that adequate provision has been made in the accounts for Federal income taxes for 1976 and prior years. Federal income tax returns of the Company have been examined by the Internal Revenue Service and settled for all years through 1972. For more than 40 years the Company has prepared its Federal income tax returns on the basis that 95% of the stamps issued will ultimately be redeemed. On the basis of statistical studies and the Company's redemption experience since its inception, the Company continues to believe it appropriate to use a 95% redemption rate. The IRS has approved the use of the 95% rate for 1976. While there are indications in recent studies that there may have been some reduction in the redemption rate, unless such redemption rate is substantially lower than 95%, the payment of any additional tax will not have a material effect on the Company's financial position or results of operations. Current IRS regulations provide for acceptance of the Company's estimated redemption rate for Federal income tax purposes if the rate is derived from statistical studies prepared in accordance with the regulations. While the Company has received technical advice from the IRS approving the overall techniques employed in its statistical studies, it may be necessary to review with the IRS certain applications of the statistical studies in future years.

WHIRLPOOL CORPORATION (DEC)

	1976	1975
	(thousands of dollars)	
Other Liabilities		
Long-term debt	$ 88,962	$125,385
Product warranty	13,186	14,821
Deferred income taxes	12,973	10,705
	$115,121	$150,911

Notes to Consolidated Financial Statements

Note A: Summary of Principal Accounting Policies

Product Warranty—The Companies recognize the estimated cost of warranty obligations to the consumers of its products at the time the products are sold.

Deferred Credits

DRAVO CORPORATION (DEC)

	1976	1975
	($000)	
Long-term notes	$17,332	$93,243
Deferred income taxes	21,077	16,292
Other liabilities	5,178	3,631
Deferred revenue from future mineral production	50,000	—

Notes to Consolidated Financial Statements

Deferred Revenue from Future Mineral Production—In 1976 Dravo Lime Company entered into an agreement under which it has conveyed mineral reserves and assigned proceeds of lime sale contracts for production payments, of which $50 million was received in 1976 and $10 million was received in January, 1977. Repayment of the $60 million, with interest at 9.58%, is scheduled semi-annually from 1978 through 1991. During this period the related contract revenues are expected to exceed $300 million.

GULF OIL CORPORATION (DEC)

	1976	1975
	(Millions of Dollars)	
Total current liabilities	$4,191	$3,738
Long-term debt	1,168	1,294
Deferred production payment proceeds (Note 12)	123	57
Deferred income taxes	483	369
Other long-term liabilities	145	156
Minority interests	397	353
Total liabilities	$6,507	$5,967

Note 12: Deferred Production Payment Proceeds—In 1975, the Company entered into two agreements (production payments) for the sale of economic interests in future production. Under these agreements, the Company is receiving total proceeds of $167 million over a three-year period which is being used principally for the development of new oil and gas fields in the Gulf of Mexico and expansion of a coal mine in New Mexico.

Under the terms of the agreements, the Company has dedicated percentages of production revenues for the repayment of the purchase amounts and for interest on the purchasers' financing arrangements. Repayment of the production payments is being made solely out of the revenues derived from recovered hydrocarbons or minerals which are produced from the properties.

Production and the repayment of the production payment from the oil and gas fields began in 1976 and is expected to begin during 1979 for the New Mexico coal mine. Changes during the years ended December 31, 1976 and 1975 are summarized as follows:

	1976	1975
	Millions of Dollars	
Balance, January 1	$ 57	$—
Proceeds received	78	56
Interest charged to expense	7	1
Repayments	(19)	—
Balance, December 31	$123	$57

LONE STAR INDUSTRIES, INC. (DEC)

	1976	1975
	($000)	
Total current liabilities	$102,031	$ 89,916
Notes payable to banks	2,000	38,000
Debentures and other notes payable	123,813	127,000
Deferred income taxes	36,424	34,050
Production payment	45,000	—
Other liabilities	1,778	2,192
Minority interest	9,371	7,523
	$320,417	$298,681

Notes to Financial Statements

Note 7: Production Payment—In July 1976, the company sold a portion of future production from limestone quarries located adjacent to two of its cement plants. The proceeds have been deferred and are being reflected in income through 1988, together with related costs and expenses, as the minerals are produced and sold. The company expects to remit $4,000,000 of proceeds within one year and, accordingly, this amount is classified as a current liability. An amount equivalent to interest is payable by the company partially at the rate of 10% and partially at a rate that fluctuates based on a specified bank's prime lending rate.

MEREDITH CORPORATION (JUN)

	1976	1975
	($000)	
Long-term indebtedness (less current portion)	$17,749	$16,445
Long-term film rental contracts (less current portion)	4,622	4,678
Unearned subscription income	14,563	8,960
Deferred income taxes	16,528	14,361

Summary of Accounting Policies

Unearned Subscription Income—Unearned subscription income consists of unearned subscription liability less deferred circulation expense and is recorded and recognized pro-rata as delivery of magazines is made, beginning with the month of initial delivery.

METRO-GOLDWYN-MAYER INC. (AUG)

	1976	1975
Long-Term Liabilities		
Long-term debt, less current portion	$158,079,000	$ 83,436,000
Advances received on television license agreements (Note 1)	—	6,189,000
Participants' share	13,115,000	10,932,000
Other liabilities	5,407,000	6,090,000
	176,601,000	106,647,000
Deferred Income and Income Taxes (Note 1)		
Deferred income on television license agreements	4,543,000	7,310,000
Deferred income taxes	6,145,000	5,760,000
Other deferred income	3,416,000	5,830,000
	14,104,000	18,900,000

Note 1 (in part): Summary of Accounting Policies

Accounting for Television License Agreements—The Company is reporting revenue from television licensing agreements entered into after August 31, 1972, along with related costs, in the accounting period in which the agreement is executed, provided certain conditions of sale have been met, including availability for broadcast. License fees received before broadcast availability are reflected as "Advances received on television license agreements" in the consolidated balance sheets.

For all license agreements entered into on or before August 31, 1972, the revenue and related costs are recognized proportionately over the contract term, with the portion applicable to future periods reflected as "Deferred income on television license agreements" in the consolidated balance sheets. The consolidated statements of income reflect the following from such agreements (in thousands, except for per share amounts):

	1976	1975
Revenue	$7,521	$12,295
Net income	$3,756	$ 5,110
Net income per share	$ .29	$ .39

TIME INCORPORATED (DEC)

	1976	1975
Unearned portion of paid subscriptions	$97,046,000	$83,830,000

Notes to Financial Statements

Summary of Significant Accounting Policies (in part)

Unearned Portion of Paid Subscriptions—Sales of magazine subscriptions are credited to Unearned Portion of Paid Subscriptions at the gross subscription price at the time of sale. Accounts receivable resulting from charge sales have been deducted from Unearned Portion of Paid Subscriptions. As magazines are delivered to subscribers, proportionate shares of the gross subscription price are credited to revenues. All costs in connection with the procurement of subscriptions are expensed within the year incurred.

S. S. KRESGE COMPANY (JAN)

	1977	1976
Deferred gain on sales and leasebacks	$ 8,073,000	$ 8,376,000
Deferred U.S. and foreign income taxes	61,026,000	51,067,000
Long-term debt, less portion due within one year	210,858,000	210,332,000
Minority interest in Australian subsidiary	8,788,000	5,994,000

Notes to Consolidated Financial Statements

Sale and Leaseback: Gains or losses on sale and leaseback transactions are deferred and recognized in income over the initial terms of the leases.

THE MEAD CORPORATION (DEC)

	1976	1975
	All dollar amounts in thousands	
Long-term liabilities	$320,560	$305,931
Deferred items:		
Income taxes	50,681	42,799
Deferred income	8,731	13,096
Other	6,767	5,732
	66,179	61,627

Financial Details

Deferred Income—In connection with the sale of its interest in Virginal, a Belgian paper mill, in 1974, the company retained an option to repurchase a declining portion of the interest sold until 1978. This sale resulted in a gain which was deferred and is being recognized as the options lapse. During 1976, $4,365,000 was recognized ($1,455,000 in 1975), leaving $8,731,000 to be recognized in 1977 and 1978 should the options lapse unexercised.

THE STANDARD REGISTER COMPANY (DEC)

	1976	1975
Deferred Taxes and Income		
Federal income tax	$2,649,792	$2,559,832
Investment tax credit	1,344,986	1,236,962
Unrealized gain on sale of real estate (Note 7)	653,804	—
Total deferred taxes and income	$4,648,582	$3,796,794

Note 7: Deferred Gain on Sale of Real Estate—The Company sold its former Glendale, California, manufacturing plant in September, 1976 for $1,000,000. It accepted a mortgage note from the buyer for the unpaid balance of $850,000 payable in monthly installments of $8,203 including interest at 10% until fully paid on November 30, 1991. The Company has elected to report the gain from this sale by the installment method for both financial and tax accounting purposes.

HMW INDUSTRIES, INC. (JAN)

	1977	1976
Excess of net assets acquired over acquisition cost	$826,000	$ —

Summary of Significant Accounting Policies

Property, Depreciation and Amortization (in part)—The excess of net assets acquired over the acquisition cost (negative goodwill) is amortized as a credit to income on a straight-line basis over fifteen years.

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 while the term *Reserve* appeared occasionally in the 1976 annual reports of the survey companies, there has been a decrease over the past few years in the number of survey companies using the term *Reserve*.

TABLE 2-29: USE OF TERM "RESERVE"

	Number of Companies			
	1976	1975	1974	1973
To describe deductions from assets for				
Uncollectible accounts	41	45	44	53
Accumulated depreciation	12	15	18	20
Decline in value of investments	3	11	11	10
Other	17	29	29	20
To describe accruals for				
Employee benefits or compensation	24	27	29	34
Estimated expenses relating to property abandonments or discontinued operations	8	19	17	15
Estimated losses or expenses relating to foreign operations	3	16	28	35
Insurance	6	10	15	25
Other — identified	26	19	21	42
Other — not identified	16	30	39	40

TITLE OF STOCKHOLDERS' EQUITY SECTION

Table 2-30 summarizes the titles used in the 1976 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

	1976	1975	1974	1973
Stockholders' equity	298	298	289	301
Shareholders' equity	235	217	210	210
Shareholders' investment	18	25	29	27
Shareowners' equity	14	23	23	23
Stockholders' investment	9	13	13	15
Other or no title	26	24	36	24
Total Companies	**600**	**600**	**600**	**600**

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.

AMERICAN MAIZE-PRODUCTS COMPANY (DEC)

	1976	1975
Stockholders' equity:		
Capital stock (Note 6):		
Preferred 7% cumulative, par and liquidating value $100	$ 700	$ 700
Series preferred, authorized 2,500,000 shares	—	—
Common, Class A, $.80 par value; authorized 8,750,000 shares; issued 3,289,519 shares in 1976 and 3,278,019 shares in 1975	2,631,615	2,622,415
Common, Class B, $.80 par value; authorized 2,500,000 shares; issued 1,644,467 shares in 1976 and 1,638,961 shares in 1975	1,315,574	1,311,169
Capital in excess of par value of common stock	8,417,240	8,331,506
Retained earnings	65,284,120	59,622,391
	77,649,249	71,881,181
Less, Common stock in treasury, at cost: 160,985 Class A and 41,825 Class B shares in 1976 and 145,635 Class A and 38,375 Class B shares in 1975	1,771,431	1,510,887
Total stockholders' equity	$75,877,818	$70,377,294

Note 6: Capital Stock—Class A and B common stock are identical in all respects except that voting power of the Class A is limited to the election of 30% of the Board of Directors, to matters involving stock options, and, under certain circumstances, to the acquisition of the stock or assets of another company. All other voting rights are vested in the Class B stock (one vote per share) and preferred stock (45 votes per share).

In accordance with resolutions adopted by the Board of Directors, during 1976 the Company acquired 15,350 of its Class A and 3,450 of its Class B shares at an aggregate cost of $260,544.

The Series Preferred stock is without par value. The dividend rate, redemption price, rights of conversion, rights upon liquidition and other preferences are subject to determination by the Board of Directors.

At a special meeting of Stockholders on January 21, 1976, the Articles of Incorporation were amended to increase the number of authorized shares of Class A common stock from 7,000,000 shares to 8,750,000 shares and Class B common stock from 2,000,000 shares to 2,500,000 shares, and to reduce the par value of both classes of common stock from $1.00 per share to $.80 per share. At the same time, the Company's Class A and Class B common stock were split on a 5-for-4 basis and all share and per share information, including dividends, shown herein give retroactive effect to this split.

H.J. HEINZ COMPANY (APR)

	1976	1975
Shareholders' Equity:		
Capital stock:		
Cumulative preferred	$ 2,695,000	$ 2,833,000
Second cumulative preferred, having an involuntary liquidation value of $100 per share, or $282,000 ($940,000 in 1975), based on shares outstanding:		
$3.50 first series	10,000	10,000
$3.50 second series	42,000	164,000
Third cumulative preferred, having a liquidation value of $30.50 per share, or $54,900,000, based on shares outstanding:		
$1.70 first series	18,000,000	—
Common stock	63,142,000	62,894,000
	83,889,000	65,901,000
Additional capital	87,376,000	62,812,000
Retained earnings	427,356,000	374,091,000
	598,621,000	502,804,000
Less Treasury shares at cost	8,000	8,000
	$598,613,000	$502,796,000

Notes to Consolidated Financial Statements

Note 4: Capital Stock—The number of shares authorized, outstanding, issued, retired or converted, and the par values of the company's capital stock appear in the table following this note.

The 3.65% series cumulative preferred stock is callable or redeemable through the sinking fund at $102.75 per share. Payments (or open market purchases of such stock) aggregating $200,000 are required to be made to the sinking fund on or before October 1 of each year.

The $3.50 first series second cumulative preferred stock may be redeemed by the company at $100 per share. On or before each August 1, so long as any shares of this series are outstanding, the company (as and for an annual sinking fund) shall have retired, through redemption, purchase or otherwise, a specified portion of the total number of shares of this series outstanding (659 shares) at the close of business on June 1, 1973. That portion shall be calculated at the rate of 2% per year, on a cumulative basis.

The $3.50 second series second cumulative preferred stock was convertible into common stock at any time prior to February 1, 1976 at a conversion rate of four shares of common stock or may be redeemed by the company at $100 per share. On or before April 1, 1976, and on or before each April 1 thereafter, so long as any shares of this series are outstanding, the company (as and for an annual sinking fund) shall have retired, through redemption, purchase or otherwise, a specified portion of the total number of shares of this series outstanding (2,394 shares) at the close of business on February 1, 1976. That portion shall be calculated at the rate of 2% per year, on a cumulative basis.

The $1.70 first series third cumulative preferred stock is convertible into common stock at any time at an initial conversion rate of one-half share of common stock or may be redeemed by the company at $30.50 per share beginning on December 1, 1982, and at decreasing prices thereafter until December 1, 1986, when it may be redeemed at $28.50 per share.

At April 28, 1976, there were authorized, but unissued, 2,200,000 shares of third cumulative preferred stock for which the series had not been designated.

At April 28, 1976, 1,170,733 shares (377,656 at April 30, 1975) of common stock were reserved for conversion of convertible preferred stock outstanding and for outstanding options or for the granting of options under the employees' stock option plan.

TABLE 2-31: CAPITAL STRUCTURES

	1976	1975	1974	1973
Common stock with:				
No preferred stock	177	168	164	173
One class of preferred stock	328	329	333	323
Two classes of preferred stock	75	83	81	88
Three or more classes of preferred stock	20	20	22	16
Total Companies	**600**	**600**	**600**	**600**
Companies included above with two or more classes of common stock	17	18	20	17

	Cumulative preferred stocks 3.65% series $100 par	$3.50 First series $18.50 par	$3.50 Second series $18.50 par	$1.70 First series $10 par	Common stock $4.16⅔ par	Treasury stock
Year ended April 30, 1975:						
Outstanding at beginning	29,208	560	9,487	—	15,091,931	16,398
Reacquired and retired	(878)	—	—	—	—	—
Converted to common stock	—	—	(648)	—	2,592	—
Issued on exercise of stock options	—	—	—	—	—	(16,200)
Outstanding at end	28,330	560	8,839	—	15,094,523	198
Authorized at end	28,330	560	8,839	—	20,000,000	—
Year ended April 28, 1976:						
Outstanding at beginning	28,330	560	8,839	—	15,094,523	198
Reacquired and retired	(1,384)	—	(136)	—	—	—
Converted to common stock	—	—	(6,445)	—	25,780	—
Issued:						
For acquisition	—	—	—	1,800,000	—	—
On exercise of stock options	—	—	—	—	33,867	—
Outstanding at end	26,946	560	2,258	1,800,000	15,154,170	198
Authorized at end	26,946	560	2,258	1,800,000	20,000,000	—

OWENS-ILLINOIS, INC. (DEC)

	1976	1975
	Thousands of Dollars	
Shareholders' equity:		
Preferred shares	$ 13,413	$ 14,198
Preference shares (liquidation preference, 1976-$65,706; 1975-$66,394)	13,141	13,279
Common shares	44,187	43,455
Capital in excess of stated value	143,473	71,548
Retained earnings	793,320	705,493
	$1,007,534	$847,973

Financial Review

Capital Shares

	Number of Shares 1976	1975
Preferred shares, $100 par value, 4% cumulative:		
Authorized	141,985	481,953
Issued and outstanding	134,127	141,985
Preference shares, without par value, cumulative, issuable in series:		
Authorized	2,000,000	2,000,000
$4.75 convertible series, $20 stated value, entitled to $100 in involuntary liquidation:		
Authorized	743,766	743,766
Issued and outstanding	657,058	663,942
Common shares, $3.125 par value:		
Authorized	45,000,000	30,000,000
Issued and outstanding	14,139,973	13,905,525
In treasury	270,833	1,317,933

Changes in issued and outstanding shares during the period resulted from the purchase and retirement of preferred shares, the sale of common shares in an offering to the public, the exercise of stock options (including shares subscribed on an installment basis), conversion of preference shares and debentures into common shares, contribution of common treasury shares in lieu of cash to the Owens-Illinois Stock Purchase and Savings Plan and the acquisition of common shares by exchange.

4% Preferred Shares—Preferred shares are redeemable at the option of the Company through March 31, 1977, at $100.75 per share and thereafter at prices which are reduced by 25 cents per share each April 1 to $100 per share if redeemed after March 31, 1979. Shareholders are entitled to $100 per share in the event of involuntary liquidation in preference to the $4.75 preference and common shares.

The Company is obligated to set aside on May 1 of each year a $2 million purchase fund which is to be used in the following 12 months for the purchase of preferred shares, if obtainable, in the open market, at the best prices obtainable. The Company's bid prices are determined weekly by a formula based upon a published industrial preferred stock yield average; provided, however, that at no time will the Company bid less than $75 per share nor more than $100 per share. If any portion of a purchase fund installment is not so expended during the 12 months following the date set aside, the balance will be available for general corporate purposes. In 1976 and 1975, 7,858 and 18,690 shares were purchased for $0.6 million and $1.4 million, respectively, through the purchase fund leaving 134,127 shares outstanding at December 31, 1976. The authorized preferred shares, other than those outstanding, are shares previously issued and subsequently acquired by the Company and retired; they cannot be reissued.

Preference Shares—The outstanding preference shares are presently convertible into one and one-half common shares for each such preference share and are redeemable at the option of the Company at $102.85 per share to April 1, 1977, and thereafter at prices which decline annually to $100 per share if redeemed on or after April 1, 1979. In 1976, 6,884 preference shares were converted into 10,309 common shares. None were converted in 1975.

In the opinion of counsel, there are no restrictions upon retained earnings by reason of the excess of the involuntary liquidation preference over the stated value of the preference shares.

The Board of Directors may authorize additional series of preference shares, and may set the terms of each new series as to the number of shares, dividend rate, redemption rights, liquidation price, sinking fund requirements, conversion rights and certain related matters. Subject to the voting rights in certain circumstances of the 4% preferred shares, preference shares of all series are entitled to general voting rights of one-half vote for each share, voting with the common shares without distinction as to class. Under certain circumstances and with respect to certain matters, the holders of preference shares shall be entitled to one vote for each share and to vote separately as a class.

Common Shares—At the annual meeting of shareholders of the Company in April, 1976, authorized common shares were increased from 30,000,000 to 45,000,000 shares.

In March 1976, the Company sold 1,400,000 common shares through an offer to the general public. In December 1976, the Company acquired and cancelled 1,362,240 of its common shares in exchange for 1,226,016 shares of Owens-Corning Fiberglas Corporation common stock (see Listed Securities). The Company contributed 47,100 common treasury shares in 1976 and 15,400 common treasury shares in 1975 to the Owens-Illinois Stock Purchase and Savings Plan in lieu of cash. At December 31, 1976, 270,833 common shares were held in treasury.

At December 31, 1976, 783,330 unissued common shares were reserved for issuance under the performance award plan and stock option plans, 304,637 shares for conversion of 5% guaranteed debentures, 782,237 shares for conversion of 4½% convertible subordinated debentures and 985,587 shares for conversion of $4.75 preference shares.

JIM WALTER CORPORATION (AUG)

	1976	1975
	(in thousands)	
Stockholders' equity (Note 6)		
Non-convertible preferred stock (aggregate liquidation preference $7,013,000)	$ 7,013	$ 5,053
Convertible preferred stock (aggregate liquidation preference $115,759,000; convertible into 3,100,124 shares of common stock at August 31, 1976)	5,396	547
Common stock, 16⅔ cents par value per share:		
Authorized—25,000,000 shares		
Issued—14,244,394 and 13,813,594 shares	2,374	2,302
Capital in excess of par or recorded value	89,864	88,111
Retained earnings, per accompanying statement	379,663	335,397
	$484,310	$431,310

Note 6: Stockholders' Equity—Non-convertible preferred stock and convertible preferred stock are summarized as follows:

	August 31, 1976	1975
	(in thousands)	
Non-convertible preferred stock:		
5% cumulative preferred stock, $20 par value per share ($5,037,000 aggregate liquidation preference):		
Authorized—300,000 shares		
Issued—251,860 shares	$5,307	$5,037
Sixth preferred stock, no par or stated value ($1,976,000 aggregate liquidation preference):		
Authorized—1,000,000 shares		
Issued—46,500 and 96,500 shares—Series 1	1,976	16
	$7,013	$5,053
Convertible preferred stock:		
Third preferred stock, no par or stated value, 1,000,000 shares authorized:		
$2 convertible Series 1:		
Issued—47,309 shares (converted in 1976)	$ —	$ 8
Series 3 voting convertible ($4,897,000 aggregate liquidation preference):		
Issued—35,615 and 53,978 shares	4,897	33
$1.60 cumulative convertible voting fourth preferred stock, no par or stated value ($110,862,000 aggregate liquidation preference):		
Authorized—3,700,919 shares		
Issued—2,771,555 and 2,810,002 shares	499	506
	$5,396	$ 547

At August 31, 1976, shares of common stock are reserved for issuance for the following purposes:

	Shares
Conversion of convertible preferred stock	3,100,124
Conversion of convertible debt (Note 4)	833,279
Exercise of employee stock options (Note 7)	504,601
	4,438,004

The priorities of the classes of the Company's preferred stocks to receive dividends and distributions in liquidation are in descending order as set forth in the following paragraphs. All shares have equal voting rights except that the 5% cumulative preferred stock is non-voting (except in certain circumstances).

The 5% cumulative preferred stock is (i) callable in whole or in part on any quarterly dividend date for $20 per share plus cumulative dividends, (ii) upon liquidation is entitled to $20 per share plus cumulative dividends, and (iii) holders are entitled to receive quarterly cumulative dividends at an annual rate of $1.00 per share.

The $2 convertible series 1-third preferred stock was called for redemption during 1976. During 1976 and 1975 47,309 and 1,555 shares of $2 convertible series 1-third preferred stock were converted into 141,927 and 4,665 shares of common stock, respectively.

The series 3 voting convertible-third preferred stock (i) is convertible into three shares of common stock (106,845 shares of common stock are reserved for such conversion at August 31, 1976), (ii) upon liquidation is entitled to $137.50 per share plus cumulative dividends, and (iii) holders are entitled to receive quarterly cumulative dividends at an annual rate of $5.75 per share. Sinking fund payments of $137.50 per share are required for 18,129 shares annually; during 1976 and 1975 18,129 shares were repurchased (or were converted after notice of redemption) and retired in connection with such sinking fund and an additional 29 shares have been repurchased in anticipation of the 1977 sinking fund. During 1976 and 1975 1,393 and 3,082 shares of series 3 voting convertible-third preferred stock were converted into 4,179 and 9,246 shares of common stock, respectively.

The $1.60 cumulative convertible voting fourth preferred stock (i) is convertible into 1.08 shares of common stock (2,993,279 shares of common stock are reserved for such conversion at August 31, 1976), (ii) is callable in whole or in part on any quarterly dividend date for $50 per share plus cumulative dividends, (iii) upon liquidation is entitled to $40 per share plus cumulative dividends, and (iv) holders are entitled to receive quarterly cumulative dividends at an annual rate of $1.60 per share. During 1976 and 1975 38,447 and 9,925 shares of $1.60 cumulative convertible voting fourth preferred stock were converted into 41,521 and 10,718 shares of common stock.

The series 1, sixth preferred stockholders are entitled (i) upon liquidation to $42.50 per share plus cumulative dividends and (ii) to receive quarterly cumulative dividends at an annual rate of $.40 per share. The series 1, sixth preferred stock is to be redeemed at the rate of 50,000 shares annually at $42.50 per share plus cumulative dividends. During 1976 and 1975 50,000 shares of series 1, sixth preferred stock were so redeemed.

During 1976 the recorded value of preferred stocks with mandatory sinking fund provisions was increased to redemption value with appropriate charges to retained earnings and capital in excess of par or recorded value.

Warrants were exercised during 1976 for the purchase of 187,500 shares of common stock at $24.00 per share ($4,500,000 aggregate).

Changes in convertible preferred stock, common stock and capital in excess of par or recorded value for the years ended August 31, 1975 and 1976 are summarized as follows:

	Convertible preferred stock Recorded value	Common stock Shares	Common stock Par value	Capital in excess of par or recorded value
		(in thousands)		
Balance at August 31, 1974	$7,085	13,776	$2,296	$89,160
Stock options exercised		13	2	398
Conversion of preferred stock	(4)	25	4	
Retirement of preferred stock	(6,518)			(1,447)
Transfer to non-convertible preferred stock	(16)			
Balance at August 31, 1975	547	13,814	2,302	88,111
Stock options and warrants exercised		243	41	6,098
Conversion of preferred stock	(29)	187	31	(2)
Conversion of debentures				1
Retirement of preferred stock	(11)			(1,399)
Record preferred stock at mandatory redemption value	4,889			(2,945)
Balance at August 31, 1976	$5,396	14,244	$2,374	$89,864

TABLE 2-32: COMMON STOCK

	1976	1975	1974	1973
Par value stock shown at par value	500	501	501	506
Par value stock shown at amount in excess of per share par value	34	38	35	42
Par value stock shown at assigned value per share	14	13	15	2
No par value stock shown at assigned value per share	14	15	14	17
No par value stock shown at assigned value — per share value not disclosed	55	51	55	50
Issues Outstanding	**617**	**618**	**620**	**617**

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 2-33: PREFERRED STOCK

	1976	1975	1974	1973
Valuation Bases				
Par value stock shown at par value	169	186	184	168
Par value stock shown at assigned value per share	7	9	9	12
Par value stock shown at liquidation or redemption value	9	4	4	5
No par value stock shown at assigned value per share	51	47	45	50
No par value stock shown at assigned value — per share value not disclosed	56	56	57	43
No par value stock shown at liquidating value	11	12	11	9
Other	10	8	8	10
Issues Outstanding	**313**	**322**	**318**	**297**
Number of Companies				
Showing preferred stock outstanding	237	242	238	236
Not showing preferred stock outstanding	363	358	362	364
Total	**600**	**600**	**600**	**600**

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

AMERADA HESS CORPORATION (DEC)

	1976	1975
Stockholders' equity		
Preferred stock, par value $1.00 Authorized — 20,000,000 shares for issuance in series $3.50 cumulative convertible series Authorized — 12,000,000 shares Outstanding — 6,780,750 shares in 1976; 6,781,142 shares in 1975 (aggregate involuntary liquidation value $678,075,000 at December 31, 1976)	$ 6,781,000	$ 6,781,000
Common stock, par value $1.00 Authorized—100,000,000 shares Issued—25,258,276 shares in 1976; 24,682,906 shares in 1975	25,258,000	24,683,000
Capital in excess of par value	158,530,000	147,844,000
Retained earnings	977,944,000	870,541,000
Less common stock in treasury — at cost (1,887,596 shares in 1976; 1,908,609 shares in 1975)	(6,670,000)	(6,744,000)
Total stockholders' equity	$1,161,843,000	$1,043,105,000

Notes to Consolidated Financial Statements

Note 7: Stockholders' Equity—Each share of the $3.50 cumulative convertible preferred stock is entitled to one vote and to a cumulative annual dividend of $3.50, and is convertible into 2.2 shares of common stock. The vote and conversion rate are subject to adjustment in the event of stock dividends, stock splits, reclassifications and like events, except that no such adjustments will be made with respect to annual stock dividends not in excess of 2½% paid on common stock. The $3.50 cumulative convertible preferred stock is redeemable at the option of the Corporation, at a call price of $150 per share plus accrued dividends. In the event of voluntary dissolution of the Corporation, the holders of the $3.50 cumulative convertible preferred stock are entitled to $150 per share, and in the event of involuntary dissolution to $100 per share plus, in each case, accrued dividends. The aggregate involuntary liquidation value applicable to the $3.50 cumulative convertible preferred stock exceeded the aggregate par value of such shares by $671,294,000 at December 31, 1976. In the opinion of counsel for the Corporation, the excess of involuntary liquidation value of the $3.50 cumulative convertible preferred stock over the par value will not restrict retained earnings.

DRAVO CORPORATION (DEC)

	1976	1975
Shareholders' equity		
Preference stock, par value $1		
Authorized 600,000 shares; issued		
26,817 shares of $2.20 cumulative convertible Series A (entitled in liquidation to $1.5 million)...............	$ 27	$ 27
165,516 shares of $2.475 cumulative convertible Series B (entitled in liquidation to $9.1 million)......	165	165
Common stock, par value $1		
Authorized 12,000,000 shares in 1976 and 6,000,000 in 1975; issued 5,107,934 shares in 1976 and 4,530,934 in 1975..................	5,108	4,531
Other capital	17,944	7,646
Retained earnings...............	109,987	99,126
Treasury stock at cost; common shares; 134,257 and 165,966......................	(2,467)	(3,046)
Notes from employees for common stock purchases........	(1,652)	(1,208)
Total shareholders' equity ..	$129,112	$107,241

Notes to Consolidated Financial Statements

Shareholders' Equity—On January 22, 1976, the Board of Directors voted a 2-for-1 stock split in the form of a 100 percent stock dividend to shareholders of record February 5, 1976. The par value of common stock issued increased by $2.3 million with an equal reduction of other capital, and both the number of common shares issued and treasury shares doubled. The December 31, 1975 balance sheet has been adjusted retroactively to reflect this split, and the net income per share and dividends per share shown on the statement of income and retained earnings for 1975, 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 1975.

On April 21, 1976, 500,000 new shares of common stock were issued in a public offering, increasing the par value of common stock issued by $500 thousand and other capital by $10.3 million. There were 77,000 new shares of common stock issued in exchange for stock of F. C. de Weger Internationaal B.V. increasing the par value of common stock by an additional $77 thousand; this acquisition was treated as a pooling of interests and resulted in a decrease in other capital of $28 thousand and an increase in retained earnings of $811 thousand.

The 192,333 preference shares outstanding are convertible into 408,500 common shares. The Series A became callable in September, 1975 for $1.5 million; the Series B will be callable after June 12, 1978 for $9.1 million.

The company reacquired 47,376 common shares for $1.1 million in 1976 and 74,120 common shares for $1.4 million in 1975 for the treasury. Sales of treasury common shares to employees amounted to 56,035 shares with a cost of $1.3 million in 1976 and 48,290 shares with a cost of $798 thousand in 1975. Employees' notes held by the company for common stock sales amounted to $1.7 million as of December 31, 1976, and $1.2 million as of December 31, 1975. The other principal treasury stock transactions were the sale of 23,000 shares in 1976 and 7,600 shares in 1975 for stock options exercised.

FOOTE MINERAL COMPANY (DEC)

	1976	1975
Shareholders' equity (Note 5):		
Convertible preferred stock—$2.20 cumulative if earned, $1 par value (liquidating value $18,357,000); Authorized 651,351 shares; Issued 458,915 shares	$ 459,000	$ 459,000
Common stock, $1 par value; authorized 10,000 shares; issued 7,648,807 and 7,627,537 shares...........	7,649,000	7,628,000
Additional paid-in capital........	27,156,000	27,117,000
Retained earnings................	46,378,000	42,525,000
	81,642,000	77,729,000
Less 574,770 shares of common stock in treasury, at cost...	3,369,000	3,369,000
Total shareholders' equity ..	$78,273,000	$74,360,000

Note 5: Capital Stock—The outstanding capital stock of the Company consists of Convertible Preferred Stock—$2.20 Cumulative if Earned, par value $1.00, and Common Stock, par value $1.00.

Holders of shares of the Company's Convertible Preferred Stock, par value $1.00, are entitled to receive dividends cumulatively to a maximum of $2.20, if earned, annually, and to convert at the holder's option such shares into Common Stock on the basis of three and one-half shares of Common Stock for each share of Convertible Preferred Stock. The Company may redeem the Convertible Preferred Stock at $42.40 per share until September 30, 1977 and thereafter in decreasing amounts to $40.00 per share after September 30, 1982. In the event of liquidation, the holders of the Convertible Preferred Stock have a preferential right to receive $40.00 per share, an aggregate of $18,357,000 based on shares outstanding at December 31, 1976. The Company has been advised by counsel that under the laws of Pennsylvania, no dividend may be paid which would reduce its net assets below the aggregate preferential amount to which the holders of the Convertible Preferred Stock should be entitled in liquidation. At December 31, 1976, consolidated net assets exceeded this aggregate preferential amount by $59,916,000. On December 31, 1976, 1,606,202 shares of Common Stock were reserved to meet the conversion requirements of the Convertible Preferred Stock. Holders of Convertible Preferred Stock have three and one-half votes per share, with cumulative voting for directors.

KELLOGG COMPANY (DEC)

	1976	1975
	($000)	
3½% Cumulative preferred stock, $100 par value:		
Authorized and issued 74,263 shares less 51,169 shares in treasury (78,013 less 54,807 in 1975)	$ 2,309	$ 2,321
Common stock, $.50 par value:		
Authorized 80,000,000 shares; issued 76,219,064 shares in 1976 and 76,080,259 in 1975	38,110	38,040
Capital in excess of par value	28,225	26,122
Retained earnings	420,820	365,896
Total shareholders' equity	$489,464	$432,379

Notes to Consolidated Financial Statements

Note 8: Preferred Stock—The Company may redeem its outstanding preferred shares at a price of $101 ($100 after 1985). Each year the Company must offer to purchase 3,750 shares of preferred stock at a maximum price of $100, or apply previously acquired shares (51,169 in treasury at December 31, 1976) against this requirement.

WALTER KIDDE & COMPANY, INC. (DEC)

	1976	1975
	($000)	
Shareholders' investment:		
Preference Shares, $1.00 par value; authorized 6,000,000 shares, issuable in series:		
Series A Convertible Cumulative, outstanding 189,242 and 218,182 shares, respectively (Preference on liquidation $2,271 at December 31, 1976)	$ 189	$ 218
Series B Convertible Cumulative, outstanding 257,270 shares (Preference on liquidation $23,154 at December 31, 1976)	257	257
Series C Convertible Cumulative, outstanding 394,031 shares (Preference on liquidation $35,463 at December 31, 1976)	394	—
Common shares, $2.50 par value; authorized 18,000,000 shares, outstanding 9,912,090 and 9,640,599 shares, respectively	24,780	24,102
Paid-in capital	175,268	154,554
Earnings retained in the business	238,899	190,484
Total shareholders' investment	$439,787	$369,615

Notes to Financial Statements

Preference Shares—Each Convertible Cumulative Preference Share is entitled to one vote together with the Common Shares and is entitled to cumulative dividends at annual rates of $2.20 for each Series A Share and $4.00 for each Series B and C Share.

In the event of liquidation, the holders will be entitled to receive $12.00 per Series A Share and $90.00 per share for each of the other series before any distribution on Common Shares. Each Preference Share is convertible, at the option of the holder, into Common Shares at any time at rates which are subject to adjustment in certain events. As of December 31, 1976 the conversion rates were 2.1218 Common Shares for each Series A Share and 1.163 for each Series B and C Share.

Series A and Series C Shares are redeemable at the Company's option at any time at $80.00 and $100.00 per share, respectively. The Series B Shares are redeemable, at the option of the Company, after January 1977 initially at a price of $100.00 per share, declining to $90.00 after January 1982.

Preferred Stock Extended at Stated Value

AVCO CORPORATION (NOV)

	1976	1975
	($000)	
Stockholders' Equity		
Preferred stock, without par value		
Authorized: 6,458,000 voting shares		
Designated: $3.20 cumulative convertible, stated at $6 per share		
Outstanding: 3,565,711 shares in 1976 and 5,119,394 in 1975 (liquidation preference: $162,596,000 in 1976) (Notes 2 and 3)	$ 21,394	$ 30,716
Common stock, par value $3 per share		
Authorized: 40,000,000 shares		
Outstanding: 11,498,063 shares in 1976 and 11,480,868 shares in 1975	34,494	34,442
Reserved in 1976: 16,271,910 shares (Note 3)		
Additional paid-in capital	72,980	78,620
Retained earnings (Note 2)	408,853	370,480
Net unrealized loss on marketable equity securities of unconsolidated subsidiaries (Note 1)	(11,265)	
Total stockholders' equity	$526,456	$514,258

ANCHOR HOCKING CORPORATION (DEC)

	1976	1975
Preferred stock — $4 cumulative — without par value (stated valued and redeemable at $107 a share) Authorized 36,305 shares; issued and outstanding 6,077 shares (1975-6,205)........	$ 650,000	$ 664,000
Special preference stock—$1 par value Authorized 5,000,000 shares; issued—none		
Common stockholders' equity:		
Common stock—$3.25 par value per share Authorized 15,000,000 shares; issued 7,082,803 shares	23,019,000	23,019,000
Capital in excess of par value..	5,665,000	5,645,000
Retained earnings...............	187,959,000	169,709,000
Less common stock in treasury, at cost 340,950 shares (1975-337,200)............	(5,807,000)	(5,632,000)
Total common stockholders' equity....................	210,836,000	192,741,000

DAYCO CORPORATION (OCT)

	1976	1975
Shareholders' equity		
Preferred Stock—no par value Authorized 500,000 shares Series A Voting, $4.25 Cumulative Convertible Issued and outstanding 68,155 shares (73,479 shares in 1975)—at stated amount (aggregate redemption—also liquidation—value at $100 per share—$6,815,500 in 1976; $7,347,900 in 1975....	$ 268,532	$ 275,561
Common Stock—par value $1.00 per share Authorized 9,000,000 shares; issued—1976-3,479,663 shares; 1975-3,301,661 shares (including shares in treasury).................	3,479,663	3,301,661
Additional paid-in capital........	30,095,192	27,708,227
Retained earnings...............	51,777,658	43,799,658
	85,621,045	75,085,107
Less cost of Common Stock held in treasury (281,134 shares in 1976; 161,107 shares in 1975)........................	4,596,135	2,762,123
	$81,024,910	$72,322,984

MONSANTO COMPANY (DEC)

	1976	1975
	(Millions)	
Shareowners' Equity:		
Preferred stock—authorized, 10,000,000 shares without par value, issuable in series; outstanding, 382,587 shares in 1976 and 1,666,184 shares in 1975; involuntary liquidation preference, $35 per share, or an aggregate of $13.4 and $58.3 at December 31, 1976 and 1975, respectively..........................	$ 0.8	$ 3.7
Common stock—authorized, 100,000,000 shares, par value $2 each; issued, 36,708,144 shares in 1976 and 35,116,300 shares in 1975..........................	73.4	70.2
Additional contributed capital...	648.2	638.1
Reinvested earnings............	1,541.1	1,275.7
	2,263.5	1,987.7
Less common stock in treasury, at cost (268,903 shares in 1976 and 1975)............	11.0	11.0
	$2,252.5	$1,976.7

Notes to Financial Statements

Capital Stock (in part)—The outstanding preferred stock is stated at $2.24 per share and has a cumulative dividend of $2.75 per share. The preferred stock is convertible into Company common stock at the rate of 1.12 shares of common for each share of preferred, subject to adjustment in certain events under antidilution provisions. During 1976, 1,283,597 preferred shares were converted into 1,437,537 common shares; in 1975, 567,885 preferred shares were converted into 635,933 common shares. Of 2,330,510 total preferred shares originally issued in the period 1969 through 1974, 1,947,923 preferred shares have been converted to 2,181,472 shares of common stock through December 31, 1976. The preferred stock may be redeemed at the Company's option at $73 per share, which amount is also the voluntary liquidation preference.

HEUBLEIN, INC. (JUN)

	1976	1975
Shareholders' Equity		
Preferred stock	$ 1,940,000	$ 2,649,000
Common stock	10,578,000	10,567,000
Additional paid-in capital........	141,973,000	141,256,000
Retained earnings...............	218,741,000	170,486,000
	373,232,000	324,958,000
Less treasury stock, at cost....	330,000	390,000
Total shareholders' equity ..	372,902,000	324,568,000
	$824,102,000	$742,923,000

Notes to Consolidated Financial Statements

Capital Stock—There are 5,000,000 authorized shares of series preferred stock. Changes in outstanding preferred stock during 1976 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, 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
Conversions to common stock	(218)	(2,000)	(13,116)	(131,000)
Redemptions (including partial redemptions)	(115,128)	(565,000)	(1,092)	(11,000)
Balance at June 30, 1976	250,588	$1,602,000	33,772	$ 338,000

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. Only the last series of partial redemptions 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. 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 1976 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 1976 and 1975 are summarized as follows:

	1976		1975	
	Issued	In Treasury	Issued	In Treasury
Shares at beginning of year	21,134,790	9,150	20,993,157	9,150
Shares issued for acquisitions			128,320	
Shares issued upon exercise of stock options	16,432	(1,500)	8,588	
Conversions of preferred shares	3,826		4,725	
Shares at end of year	21,155,048	7,650	21,134,790	9,150

At June 30, 1976 and 1975, shares of common stock were reserved as follows:

	1976	1975
Conversion of outstanding:		
4½% convertible subordinated debentures	1,438,800	1,438,800
Series A convertible preferred stock	15,761	21,690
Series B convertible preferred stock	10,044	14,269
Stock options	1,502,995	1,522,860
	2,967,600	2,997,619

Preferred Stock Extended at Redemption Value

THE BF GOODRICH COMPANY (DEC)

	1976	1975
	($000)	
Shareholders' Equity		
Series Preferred Stock—$1 par value:		
Authorized 10,000,000 shares		
Issued and outstanding in 1976 and 1975, 250,000 shares, $7.85 cumulative. Series A (Stated at mandatory redemption value of $100 per share)	$ 25,000	$ 25,000
Common Stock—$5 par value:		
Authorized 50,000,000 shares		
Issued—14,588,974 shares in 1976 and 14,558,310 shares in 1975	72,945	72,791
Additional capital	83,457	82,297
Income retained in the business	560,133	562,493
	741,535	742,581
Less shares of Common Stock held in treasury (39,764 shares in 1976, 225,529 shares in 1975), at cost	981	6,308
Total shareholders' equity	$740,554	$736,273

Notes to Financial Statements

Note F (in part): Shareholders' Equity—

Series Preferred Stock—

The Board of Directors is authorized to establish and designate the series and to fix the number of shares and the relative rights, preferences and limitations of the respective series of the Series Preferred Stock.

The Company has issued 250,000 shares of $7.85 Cumulative Preferred Stock, Series A. Commencing August 15, 1979, and annually thereafter, so long as any shares of Series A Stock are outstanding, the Company must, in order to comply with sinking fund requirements, redeem 12,500 shares of the Series A Stock at a price of $100.00 a share, plus dividends accrued at the redemption date. The Company may redeem, at such price, up to an additional 12,500 shares in each such year.

At the option of the Company, the Series A Stock may also be redeemed, in whole or in part at any time, but subject to certain conditions prior to August 15, 1982. The redemption price, which decreases each August 15, is $106.28 a share to August 15, 1977 ($105.89 a share for the twelve months thereafter) plus accrued dividends. There were no changes in the Series Preferred Stock in either 1976 or 1975.

TABLE 2-34: ADDITIONAL PAID-IN CAPITAL — CAPTION TITLE

	1976	1975	1974	1973
Additional paid-in capital	170	163	152	154
Capital in excess of par or stated value	154	151	147	149
Capital surplus	85	86	87	99
Additional capital, or *other capital*	48	56	53	43
Paid-in capital, or *other paid-in capital*	38	35	29	30
Paid-in surplus	14	18	19	22
Other captions	19	19	36	29
	528	528	523	526
No additional paid-in capital account	72	72	77	74
Total Companies	**600**	**600**	**600**	**600**

ADDITIONAL PAID-IN CAPITAL

Table 2-34, summarizes descriptive captions used to describe additional paid-in capital and indicates a continuing trend away from the use of the term *surplus* to describe additional paid-in 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 paid-in capital are shown below and in connection with discussions of the other components of stockholders' equity in this section.

ALLIS-CHALMERS CORPORATION (DEC)

	1976	1975
Shareholders' equity		
Preferred stock—$100 par value, 1,000,000 shares authorized		
Outstanding—		
422,500 and 448,333 shares $4.00 cumulative convertible, Series A	$ 42,250,000	$ 44,833,300
7,142.92 shares $3.00 cumulative convertible, Series B	714,292	—
Common stock—25,000,000 shares authorized		
Outstanding—		
11,165,158 and 10,811,051 shares $1 par value	11,165,158	10,811,051
Capital in excess of par value of stock	224,569,667	217,679,534
Earnings retained	222,392,889	172,282,481
	501,092,006	445,606,366
Less—108,808 shares of common stock held in treasury—at cost	1,962,411	1,962,411
Total shareholders' equity	$499,129,595	$443,643,955

AMPCO-PITTSBURGH CORPORATION (DEC)

	1976	1975
Shareholders' Equity		
Cumulative preference stock—no par value; authorized 500,000 shares; issued (none)	$ —	$ —
Common stock—par value $1; authorized 5,000,000 shares; issued 3,457,430 shares	3,457,430	3,457,430
Other capital contributed upon issuance of shares	5,967,695	5,967,695
Earnings invested in business	48,250,571	45,416,717
	57,675,696	54,841,842
Less—Cost of 573,366 shares of stock in treasury	4,603,722	4,603,722
Total shareholders' equity	$53,071,974	$50,238,120

ANHEUSER-BUSCH, INCORPORATED, (DEC)

	1976	1975
	(In Thousands)	
Shareholders Equity:		
Common stock, $1 par value, authorized 60,000,000 shares; issued 45,608,283 shares	$ 45,608	$ 45,608
Capital in excess of par value (principally arising from stock dividends)	57,957	57,957
Retained earnings	518,076	493,289
	621,641	596,854
Less cost of 540,388 shares of treasury stock	3,212	3,212
	$618,429	$593,642

THE GILLETTE COMPANY (DEC)

	1976	1975
	($000)	
Stockholders' Equity:		
Common stock, par value $1.00 per share: Authorized 35,375,228 shares Issued 30,092,967 shares (30,078,827 in 1975)	$ 30,093	$ 30,079
Additional paid-in capital	34,345	33,951
Earnings reinvested in the business	440,196	407,773
	504,634	471,803
Less common stock held in treasury, at cost—1,451 shares (576 in 1975)	48	19
Total stockholders' equity	504,586	471,784
	$1,070,874	$1,025,932

CARRIER CORPORATION (OCT)

	1976	1975
Stockholders' Equity		
Senior Preferred Stock, par value $50 per share; 4½% Series—authorized 162,651 shares; outstanding 116,626 shares in 1976 and 124,136 shares in 1975	$ 5,831,000	$ 6,207,000
Cumulative Preferred Stock, without par value; authorized 5,000,000 shares:		
$2.25 Series, stated at $50 per share; authorized 9,000 shares; outstanding 8,000 shares	400,000	400,000
$3.00 Series, stated at $50 per share; authorized 115,031 shares; outstanding 109,810 shares	5,491,000	5,491,000
Common Stock, par value $2.50 per share; authorized 50,000,000 shares; issued 24,640,025 shares in 1976 and 24,639,725 shares in 1975	61,600,000	61,599,000
	73,322,000	73,697,000
Amounts contributed in excess of par value	24,365,000	24,650,000
Earnings retained	261,091,000	240,269,000
	358,778,000	338,616,000
Less—Common Stock in treasury at cost, 457,226 shares in 1976 and 107,300 shares in 1975	6,377,000	1,464,000
Total Stockholders' Equity	$352,401,000	$337,152,000

ESMARK, INC. (OCT)

	1976	1975
		($000)
Stockholders' equity		
Preferred stock (liquidation preference $40,000)	$ 32,440	$
Common stock	17,849	17,849
Other paid-in capital	196,009	197,519
Accumulated earnings	468,083	416,570
Cost of common stock in treasury	(3,793)	(10,157)
Total stockholders' equity	$710,588	$621,781

FREEPORT MINERALS COMPANY (DEC)

	1976	1975
Stockholders' Equity		
Common stock, par value $5, authorized 40,000,000 shares issued 15,550,335 shares December 31, 1976, and 15,547,175 shares December 31, 1975	$ 77,752,000	$ 77,736,000
Excess of amount paid in over par value of common stock	11,411,000	11,361,000
Retained earnings	259,046,000	235,286,000
	$348,209,000	$324,383,000

RETAINED EARNINGS

Accounting Terminology Bulletin No. 1, recommends:

> The term *earned surplus* be replaced by terms which will indicate source, such as *retained income, retained earnings, accumulated earnings*, or *earnings retained for use in the business*. In the case of a deficit, the amount should be shown as a deduction from contributed capital with appropriate description.

Table 2-35 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.

TABLE 2-35: RETAINED EARNINGS — CAPTION TITLE

	1976	1975	1974	1973
Retained Earnings	450	439	440	435
Retained earnings with additional words	18	40	20	23
Earnings with additional words	77	56	80	77
Income with additional words	27	35	28	32
Earned Surplus	8	11	10	16
Companies with deficits	20	19	22	17
Total Companies	**600**	**600**	**600**	**600**

AIR PRODUCTS AND CHEMICALS, INC. (SEP)

	1976	1975
	($000)	
Shareholders' Equity		
Preferred stock, par value $1 per share		
Authorized 2,000,000 shares, issuable in series.		
Issued and outstanding—none..	$ —	$ —
Common stock, par value $1 per share		
Authorized 65,000,000 shares. Issued 27,848,110 shares less 263,274 shares in Treasury, 27,584,836 shares outstanding at September 30, 1976...........	27,585	13,489
Capital in excess of par value......	131,326	122,768
Retained earnings ($113,000 restricted at September 30, 1976)	203,902	164,943
Total shareholders' equity	$362,813	$301,200

ARMCO STEEL CORPORATION (DEC)

	1976	1975
	($000)	
Shareholders' Equity		
Preferred stock—authorized 4,333,100 shares of no par value, issuable in series. Series issued: $2.10 cumulative convertible (involuntary liquidation preference aggregates approximately $51,000)	$ 14,459	$ 14,459
Common stock—authorized 60,000,000 shares of $5 par value each..............	147,986	147,011
Additional paid-in capital........	121,628	118,266
Income retained in the business	1,121,686	1,055,291
Net unrealized gains (losses) on marketable equity securities of unconsolidated subsidiaries	381	(4,284)
Total Shareholders' Equity ..	$1,406,140	$1,330,743

EX-CELL-O CORPORATION (NOV)

	1976	1975
Shareholders' Equity:		
Preferred stock, no par value:		
Authorized—5,000,000 shares		
Issued—none	$ —	$ —
Common stock, par value $3 a share:		
Authorized—25,000,000 shares		
Issued—8,000,000 shares.....	24,000,000	24,000,000
Additional paid-in capital...........	26,313,214	26,313,214
Earnings reinvested in the business	170,356,738	153,933,715
	220,669,952	204,246,929
Less cost of 45,000 shares of treasury stock...................	778,042	778,042
Total shareholders' equity	$219,891,910	$203,468,887

DRESSER INDUSTRIES, INC. (OCT)

	1976	1975
	($000)	
Shareholders' Investment		
Common shares, $0.25 par value.........................	$ 9.8	$ 4.4
Capital in excess of par value..	347.6	207.7
Reserve for foreign business risks (created out of retained earnings.....................	5.0	5.0
Retained earnings...............	558.4	429.2
Total Shareholders' Investment	$920.8	$646.3

FAIRCHILD INDUSTRIES, INC. (DEC)

	1976	1975
Stockholders' Equity:		
Preferred stock, without par value:		
Authorized—1,000,000 shares		
Issued—none		
Common stock, par value $1.00 per share		
Authorized—10,000,000 shares		
Issued—4,598,085 shares and 4,563,703 shares	$ 8,515,602	$ 8,481,220
Additional paid-in capital	21,352,211	21,138,283
Accumulated earnings	35,649,126	32,116,861
	65,516,939	61,736,364
Less treasury stock (13,300 shares at cost)	118,372	118,372
	$65,398,567	$61,617,992

THE PARKER PEN COMPANY (FEB)

	1976	1975
Stockholders' Equity:		
Cumulative preferred stock, $100 par value—		
Authorized 100,000 shares, none issued	$ —	$ —
Common stock $1.50 par value—		
Authorized 10,000,000 shares,		
Issued 6,301,443 shares in 1976 and 6,273,977 in 1975	9,452,165	9,410,966
Capital in excess of par value	139,983	—
Earnings retained for use in the business	57,732,123	49,346,839
	67,324,271	58,757,805
Less—Treasury stock, at par value (49,259 shares in both years)	73,889	73,889
Total stockholders' equity	$67,250,382	$58,683,916

STRUTHERS WELLS CORPORATION (NOV)

	1976	1975
Shareholders' Equity		
$1.25 cumulative preferred stock—		
No par value—Callable at $26 a share		
Authorized—123,388 shares		
Issued—82,533 shares—At stated value of $25 per share	$ 2,063,325	$2,063,325
Second preferred stock—		
$10 par value		
Authorized and unissued—1,000,000 shares		
Common stock—		
$1 par value		
Authorized—5,000,000 shares		
Issued—1976—2,052,429 shares; 1975—1,965,763 shares	2,052,429	1,965,763
Additional paid-in capital	6,107,791	5,997,936
Retained earnings (deficit)	863,609	(1,689,348)
Unrealized loss on noncurrent marketable equity securities	(67,521)	
	11,019,633	8,337,676
Less: Cost of $1.25 Cumulative Preferred Stock in Treasury—1976—3,794 shares; 1975—2,078 shares	54,144	24,939
	$10,965,489	$8,312,737

WM. WRIGLEY JR. COMPANY (DEC)

	1976	1975
Stockholders' equity:		
Capital stock, no par value—		
Authorized—8,000,000 shares		
Issued—4,000,000 shares.	$ 19,200,000	$ 19,200,000
Accumulated earnings retained for use in the business	149,377,000	134,720,000
Accumulated earnings appropriated for guarantees under employment assurance contracts	2,000,000	2,000,000
	170,577,000	155,920,000
Less capital stock in treasury, at cost (63,032 shares)	1,502,000	1,502,000
Total stockholders' equity	$169,075,000	$154,418,000

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.

Restrictions Imposed by Indebtedness

ALLIS-CHALMERS CORPORATION (DEC)

Notes to Consolidated Financial Statements

Long-Term Debt (in part)—The various loan agreements require maintenance of specified amounts of working capital and tangible net worth, as well as specified ratios of current assets to current liabilities and total liabilities to tangible net worth. The agreements also require that short-term borrowings, as defined, not exceed $15 million for a period of 60 consecutive days during any two-year period. Short-term borrowings were less than $15 million throughout 1976. In addition, there are restrictions on incurrence of rental obligations, making of investments, disposition of property, sale and/or discounting of receivables, assumption of additional indebtedness and/or guarantees, payment of dividends, and amounts of mortgages, liens, pledges and other encumbrances which can be incurred.

As at December 31, 1976, the aggregate amount of earnings retained available for future declaration and payment of dividends on capital stock was approximately $35.5 million under the most restrictive provision of the agreements applicable thereto.

The Company was in compliance with all covenants of its various loan agreements at December 31, 1976.

ARVIN INDUSTRIES, INC. (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Long-Term Debt—The most restrictive provisions of the promissory note agreement and the sinking fund debenture agreements provide for defined minimum consolidated working capital of $85,000,000 ($100,000,000 after September 1, 1979), maintenance of certain financial ratios and limitations on borrowings, various financing and lease transactions, and cash dividends. At January 2, 1977, retained earnings of $11,452,000 were unrestricted for payment of cash dividends. The promissory note agreement also requires certain maximum levels of short-term borrowings during a period of 60 consecutive days annually. This limitation is subject to the greater of either the results of a formula or until September 1, 1979 a maximum of $7,500,000 during a period of 60 consecutive days.

TABLE 2-36: RESTRICTIONS ON RETAINED EARNINGS — NATURE

	1976	1975	1974	1973
Limitation on retained earnings only	116	133	135	164
Limitation on retained earnings and working capital	64	79	80	81
Limitation on retained earnings, working capital and other restrictions	157	128	133	125
Limitation on retained earnings and other restrictions	68	44	43	39
Other restrictions	32	36	37	22
Companies referring to restrictions	437	420	428	431
Companies not referring to restrictions	163	180	172	169
Total Companies	**600**	**600**	**600**	**600**

CULBRO CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 5: Restrictions on Distribution of Retained Earnings—Various loan agreements place certain restrictions on the Corporation and its consolidated subsidiaries including certain requirements as to maintenance of minimum levels of working capital and net worth, payment of dividends (except stock dividends), additional indebtedness, prepayment of subordinated debentures, certain types of investments, and purchase of common stock of the Corporation. Under the most restrictive loan agreement as of January 1, 1977, $3,985,000 of retained earnings were available for the payment of dividends.

GRANITEVILLE COMPANY (DEC)

Note to Consolidated Financial Statements

Note 3: Long-Term Debt—On December 1, 1975, the Company entered into a note agreement providing for a loan of $25,000,000. The indebtedness is evidenced by unsecured promissory notes bearing interest at 9.625% per annum and due December 1, 1990. On December 1, 1975, the Company delivered a note to the lender in the principal amount of $20,000,000 in exchange for cash of $9,000,000 and surrender for cancellation of the Company's 7.70% promissory note due December 1, 1984, in the unpaid principal amount of $11,000,000. On March 1, 1976, the Company delivered a note to the lender in the principal amount of $5,000,000 in exchange for cash. The Company is required to make payments on the notes as follows: $1,000,000 on

December 1 in each of the years 1976 to 1979, inclusive; $1,200,000 on December 1, 1980; $1,800,000 on December 1, 1981; and $2,000,000 on December 1 in each of the years 1982 to 1990, inclusive. The Company is subject to additional requirements and restrictions under the terms of the notes, as follows:

1. The Company must maintain a consolidated working capital of at least $37,500,000. (At January 2, 1977, consolidated working capital totaled approximately $60,400,000.)
2. The Company may not pay dividends or make "restricted investments" in excess of consolidated net earnings available for dividends or "restricted investment", as such earnings and "restricted investments" are defined in the note agreement. Approximately $12,600,000 was free of restriction at January 2, 1977.
3. The Company may not place or allow to exist an encumbrance on any of its assets with certain limited exceptions.
4. The Company may not incur debt or contingent liabilities, in addition to the promissory notes, in excess of amounts allowed under the note agreement, nor may the Company enter lease agreements requiring annual expenditures in excess of $1,000,000, such amount excluding sales office and data processing equipment rentals.
5. The Company may not merge or consolidate with any other corporation unless it is the continuing or surviving corporation.

The 7.70% unsecured note outstanding through December 1, 1975, surrendered for cancellation in conjunction with execution of the new note agreement as heretofore mentioned, was repayable in annual installments on December 1, amounting to $1,000,000 in each of the years 1975 through 1979, and $1,200,000 in each of the years 1980 through 1984. Restrictions similar to those detailed above were embodied in the terms of the note.

WHITE MOTOR CORPORATION (DEC)

Notes to Financial Statements

Note B: Short-Term Borrowing—At December 31, 1975, maximum borrowings under lines of credit with banks of $145,500,000 were outstanding at rates ranging from the banks' base rates to 125% of the base rate, with rates in excess of the base rates in lieu of compensating balance requirements. In January 1976, pending negotiation of a revolving credit agreement, the banks agreed to eliminate all compensating balance requirements. On August 27, 1976, the $145,500,000 of demand notes then outstanding were replaced by a 364-day Revolving Credit Agreement with essentially the same banks. Interest on borrowings under the Credit Agreement is payable at 125% of the sum of ¼% plus the agent bank's base rate (6¼% at December 31, 1976). At December 31, 1976, maximum borrowings of $143,400,000 were outstanding under the Credit Agreement.

The Corporation's Revolving Credit Agreement does not require maintenance of compensating balances but does require maintenance of prescribed equity base and quick-assets ratio. Also, the Credit Agreement prohibits the incurrence of certain liens; places limitations on the incurrence of indebtedness, lease obligations, guarantees and capital expenditures; prohibits the sale of certain operations and related assets for less than going-concern values including any receivables sold to its finance subsidiaries; and prohibits the payment of any cash dividends or redemption of shares of any class of the Corporation's capital stock outstanding. In addition, the agreement contains covenants which require the Corporation to maintain working capital of at least $97,000,000 and to substantially reduce its debt-to-equity ratio by May 31, 1977. Proceeds from the sale of various business are being used to reduce the aggregate commitments under the Credit Agreement.

The Credit Agreement covenants correspond closely to those currently in effect under agreements with its insurance company lenders and require the finance subsidiaries to comply with their own credit agreements. At various times since inception of the Credit Agreement, the Corporation has received waivers to take actions otherwise precluded and for defaults for noncompliance with financial measurements under certain maintenance requirements, including a reduction in the minimum rate for the quick-asset ratio for the period January through March, 1977.

STERNDENT CORPORATION (DEC)

Notes to Financial Statements

Note 5: Long-Term Debt

	December 31 1976	1975
6½% Notes due 1980—payable in semi-annual installments of $88,500	$ 707,000	$ 884,000
7% Senior Subordinated Note due 1980—payable in semi-annual installments of $77,000	537,000	691,000
6½% Secured Debentures of Canadian subsidiary due 1982—payable in annual installments of $80,000	480,000	551,040
6% Convertible Subordinated Note due 1979—convertible into common shares at $19.71 per share	250,000	250,000
Other	317,449	520,426
Total long-term debt	2,291,449	2,896,466
Less: Portion payable within one year	616,741	421,237
Balance	$1,674,708	$2,475,229

Long-term debt matures as follows:

1977	$ 616,741
1978	411,000
1979	661,000
1980	331,000
1981	80,000
Thereafter	191,708
	$2,291,449

The most restrictive of the loan agreements (including the financing agreements described in Note 14) limits future borrowings and requires the Company to maintain a specified current ratio and working capital levels, and imposed limits on the payment of cash dividends on common shares. At December 31, 1976, $750,000 of the Company's retained earnings were available for such payments.

Restrictions Imposed By Preferred Stock Or Certificate of Incorporation

COLGATE-PALMOLIVE COMPANY (DEC)

Notes to the Consolidated Financial Statements

Note 9: Dividend Restrictions—The preferred stock provisions of the Certificate of Incorporation contain restrictions on the payment of cash dividends to convertible second preferred and common stockholders. At December 31, 1976, domestic retained earnings were free of such restrictions to the extent of $388,769,000.

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, 1976, the amount of retained earnings available under the most restrictive of the above covenants was $685.5 million.

PENNWALT CORPORATION (DEC)

Notes to Consolidated Financial Statements

Long-Term Debt and Dividend Restriction (in part)—Terms of the long-term debt and preference stock agreements contain certain 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, 1976, approximately $70,000,000 of earnings retained for use in the business was not restricted as to the payment of dividends.

STOCK OPTION AND STOCK PURCHASE PLANS

Chapter 13B of *ARB No. 43,* which discusses stock option and stock purchase plans, states in paragraph 15:

> In connection with financial statements, disclosure should be made as to the status of the option or plan at the end of the period of report, including the number of shares under option, the option price, and the number of shares as to which options are exercisable. As to options exercised during the period, disclosure should be made of the number of shares involved and the option price thereof.

APB Opinion No. 25, issued in October 1972 and effective "to all stock option, purchase, award, and bonus rights granted by an employer corporation to an individual employee after December 31, 1972" reaffirms the disclosure requirements of paragraph 15.

Examples of stock option and stock purchase plans follow.

STOCK OPTION PLANS

ALLIED CHEMICAL CORPORATION (DEC)

Other Financial Statement Data

Stock Options

	Number of Shares
Outstanding at December 31, 1974	639,830
Less—	
Exercised at $23-$34 per share	39,512
Lapsed or cancelled	22,389
Outstanding at December 31, 1975	577,929
Granted at $39-$41 per share	47,000
Less—	
Exercised at $29-$34 per share	94,253
Lapsed or canceled	24,706
Outstanding at December 31, 1976, $29-$46 per share	505,970
Exercisable at December 31, 1976	409,091
Available for grant at December 31, 1975	36,488
Available for grant at December 31, 1976	14,194

Under the terms of the plan, qualified options and non-qualified options have been issued. Qualified options are granted at 100 percent of fair market value at dates of grant and are exercisable in installments over five years. Non-qualified options are granted at 100 percent of fair market value at dates of grant for terms of 10 years and become exercisable in installments over the first five years. Tandem options, which extended the term of the options for an additional five years, were granted in prior years to employees who held certain qualified options. Options outstanding at

TABLE 2-37: STOCK OPTION PLANS

	1976	1975	1974	1973
Relation of Option Price to Market Value at Date of Grant of Option				
Not less than market........	419	405	407	399
Not less than 95% of market value	—	8	9	9
90% or less	30	9	8	8
Not disclosed.................	113	133	128	134
Total Plans..........................	**562**	**555**	**552**	**550**
Number of Companies				
Referring to stock option plans	533	534	535	532
Not referring to stock option plans	67	66	65	68
Total	**600**	**600**	**600**	**600**
Number of companies with stock purchase plans	83	82	78	80

December 31, 1976, were granted as follows: 1969, 129,141 shares; 1971, 72,293 shares; 1972, 111,728 shares; 1973, 50,335 shares; 1974, 95,473 shares and 1976, 47,000 shares. Treasury stock has been used upon exercise of stock options and differences between the cost of treasury stock used and the total option price of shares exercised have been insignificant and charged to earnings reinvested.

THE AMERICAN DISTILLING COMPANY (SEP)

	1976	1975
Stockholders' equity (Note 5):		
Preferred stock, $1.00 par value, 250,000 shares authorized, none issued	—	—
Common stock, $1.00 par value, 4,000,000 shares authorized, 1,515,295 shares issued in both years	$ 1,515,000	$ 1,515,000
Capital in excess of par value..	14,137,000	14,791,000
Retained earnings...............	16,751,000	14,854,000
Less:		
Treasury stock, at cost (57,407 shares in 1976 and 95,407 in 1975) ...	(1,154,000)	(1,918,000)
Deferred option compensation and related taxes...	(997,000)	(1,166,000)
Total stockholders' equity	$30,252,000	$28,076,000

Note 5: Stock Options—The Company has a qualified stock option plan for key employees under which 75,000 shares of its common stock are reserved for issuance. During 1975, all outstanding options were cancelled; no options have been granted since and none were outstanding at September 30, 1976 and 1975.

On January 21, 1975, the shareholders approved an additional stock option plan for key employees under which 100,000 shares of its common stock are reserved for issuance. Under the terms of this plan, the purchase price of shares subject to each option granted will not be less than 75% of their fair market value at the date of grant. Options granted are exercisable for six years from the date of grant, but no option is exercisable until the employee has been in the employ of the Company for at least three years.

On September 10, 1975, options covering 42,500 shares of common stock were granted at an exercise price of $5.16 (on the dates of grant the market price was $6.88). At September 30, 1975, these options were outstanding but were not exercisable. During fiscal 1976 options were granted covering 15,000 shares at exercise prices ranging from $6.66 to $6.75 (on the date of grant the market price ranged from $8.88 to $9.00). At September 30, 1976 all the above options were outstanding, but none were exercisable.

In addition, on November 20, 1974 pursuant to an option agreement with the chief executive officer, approved by the Board of Directors, the Company granted an option to purchase 200,000 shares of the Company's common stock exercisable as follows:

Number of shares	Date becomes exercisable	Exercise price
50,000	April 1, 1975	$2
50,000	October 1, 1975	3
50,000	April 1, 1976	4
50,000	October 1, 1976	5
200,000		

This option agreement expires on November 20, 1979. The market price on the date of grant was $9.25. On September 30, 1975, the option had not been exercised. During fiscal 1976 38,000 shares were purchased by partial exercise of this option for a total purchase price of $76,000. On the dates of exercise the aggregate fair market value of these shares was $227,000.

For all options granted, the Company has charged the difference between the fair market value of the common stock at the date of grant and the option price ($34,000 in 1976 and $1,223,000 in 1975) to deferred compensation, reflected in stockholders' equity and credited capital in excess of par value. The deferred compensation is being amortized over the lives of the respective employees' employment agreements ($135,000 and $109,000 in 1976 and 1975 respectively). Amortization of option compensation and related taxes amounted to $203,000 in 1976 and $57,000 in 1975.

ANCHOR HOCKING CORPORATION (DEC)

Notes to Financial Statements

Note 6: Stock Option Plans—The company has two stock option plans under which qualified and non-qualified options have been granted to key employees to purchase the company's common stock at fair market value at date of grant. The qualified options are granted for terms of five years and non-qualified options are for terms of up to 10 years. Options become exercisable over periods of two or four years in equal cumulative installments for each year of employment, except that no qualified option may be exercised while the optionee has outstanding an earlier qualified option at a higher price.

The proceeds from shares issued and any applicable tax benefits related to non-qualified options are credited to common stock and capital in excess of par value.

The 1976 changes in stock options are summarized as follows:

	SHARES Reserved for Future Options	Issuable under Outstanding Options	Option Prices and Market Value at Date of Grant
At beginning of year	185,005	259,100	\$16 to \$37¼
Exercised		(5,850)	16 to 27
Granted	(94,500)	94,500	27 to 32½
Terminated	14,150	(14,150)	16 to 37¼
At end of year	104,655	333,600	16 to 33⅛

The aggregate option price and market value at date of grant for shares issuable under outstanding options at December 31, 1976 was \$7,751,000.

At December 31, 1976, outstanding options were exercisable to purchase 153,654 shares at per share prices of \$16 to \$33⅛ or an aggregate of \$3,350,000.

ARMCO STEEL CORPORATION (DEC)

Notes to Financial Statements

Note 3: Common Stock Options

	Number of Shares	Option Price Per Share
Options outstanding December 31		
Qualified		
1976	135,000	\$20.31-31.62
1975	171,550	16.75-31.44
Nonqualified		
1976	680,990	16.75-31.75
1975	674,693	16.75-31.44
Options which become exercisable		
Qualified		
1976	42,319	21.88-31.44
1975	50,111	16.75-24.75
Nonqualified		
1976	72,631	21.50-31.44
1975	378,749	16.75-24.75
Options exercised		
Qualified		
1976	38,488	16.75-24.75
1975	95,975	16.75-24.75
Nonqualified		
1976	128,040	20.19-26.00
1975	13,500	20.19-26.00

The Common Stock Option Plan was adopted by the shareholders of Armco on April 17, 1969. This plan provided generally for the granting of both qualified and nonqualified options to purchase common stock, not to exceed 1,000,000 shares in the aggregate, at a purchase price of not less than 100% of the market price of Armco's common stock on the date the option is granted. Under the plan, options relating to 8,607 and 189,732 shares of common stock were available for granting at December 31, 1976 and 1975, respectively. Subject to earlier termination under certain conditions, qualified options granted under this plan expire five years after the date of the grant and nonqualified options expire ten years after the date of the grant.

On January 28, 1977, the Board of Directors adopted the 1977 Stock Option Plan, subject to approval by the shareholders. The plan provides for the granting of non-qualified options to purchase common stock, not to exceed one million shares in the aggregate, at a purchase price of not less than 100% of the fair market value of the common stock on the date the option is granted.

BAUSCH & LOMB INCORPORATED (DEC)

Notes to Financial Statements

Capital Stock and Stock Option Plans—Changes in the number of common and Class B shares outstanding were:

	1976	1975
Balance at beginning of year	5,739,716	5,709,696
Shares issued under stock option plans	13,880	30,020
Balance at end of year	5,753,596	5,739,716

Under stock option plans approved by the shareholders, 550,000 shares of Class B stock have been authorized and reserved for issuance to employees. Class B stock, which is used only in connection with the plans, has the same voting, dividend and liquidation rights as common stock. The proceeds of the sales of Class B stock, to the extent they exceed par value, are added to capital in excess of par value.

Options granted under the plans expire either five years (qualified) or ten years (nonqualified) from the date of grant. Since 1970, options to purchase 344,070 shares (net of cancellations) of Class B stock have been granted at a price equal to the market value of the common stock on the date of grant. These prices ranged from \$16.53 to \$89.94 per share. The total value on the dates of grant was \$10,247,000.

Summary data relating to option plans:

	1976	1975
Shares under option at year end	195,200	199,810
Price range per share	\$18.72-\$89.94	\$18.72-\$89.94
Total purchase value	\$6,883,000	\$7,058,000
Shares under options which became exercisable during year	25,220	65,060
Price range per share	\$21.88-\$33.57	\$21.88-\$33.44
Total purchase value	\$668,000	\$1,839,000
Market price per share	\$26.25-\$33.57	\$26.19-\$33.81
Total market value	\$732,000	\$1,922,000
Shares under option purchased during year	13,880	30,020
Price range per share	\$21.88-\$33.44	\$14.00-\$30.00
Total purchase value	\$346,000	\$648,000
Market price per share	\$26.75-\$38.94	\$25.00-\$38.75
Total market value	\$432,000	\$930,000
Shares under options granted during year	17,900	71,300
Price range per share	\$26.25-\$33.57	\$27.57-\$33.44
Total purchase value	\$502,000	\$2,058,000
Shares available for future grants	205,930	15,200
Participants' borrowings under the plans	\$2,425,000	\$2,294,000

BROWN GROUP, INC. (DEC)

Notes to Consolidated Financial Statements

Note C (in part): Employee Benefit Plans

Stock Options—The Corporation has qualified and non-qualified stock options plans under which certain officers and employees may purchase shares of Common Stock. All options are granted at market value and are exercisable over periods up to ten years.

Under one of the non-qualified option plans the Corporation may grant a maximum of 200,000 stock appreciation units in tandem with options. The units entitle the employees to payment of the increase in market price per share five years from date of the award. Under the plan, if the awards and options are issued in tandem, the exercise of either serves to cancel the other.

No charges or credits to income are made with regard to options granted under the plans. Compensation expense of $596,000 in 1976 and $315,000 in 1975 was recognized in connection with the stock appreciation units granted to date.

The following summary sets forth activity under the plans for the two years ended October 30, 1976:

	Number of Shares	Number of Appreciation Units	Option or Award Price
Options and units outstanding November 2, 1974	463,400	57,500	$17 to $40
Granted and awarded	132,600	65,000	15 to 16
Terminated	(108,300)	(1,000)	15 to 40
Options and units outstanding November 1, 1975	487,700	121,500	15 to 40
Granted and awarded	50,650	25,000	19 to 24
Exercised	(1,825)		15 to 22
Terminated	(91,975)	(5,750)	15 to 40
Options and units outstanding October 30, 1976	444,550	140,750	$15 to $40

Options outstanding at October 30, 1976 included 140,750 granted in tandem with the stock appreciation units. Options for 197,643 shares were exercisable at October 30, 1976 at prices ranging from $15 to $40 and 147,925 shares of Common Stock were reserved for future options.

CONTINENTAL OIL COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 5 (in part): Stockholders' Equity—Under stock option plans for officers and other key employees, options for the purchase of shares of the Company's Common Stock have been granted and exercised as set forth below. During 1976 and 1975, options for 58,000 shares and 8,500 shares, respectively, were canceled or expired. In addition, in 1976, options for 665,350 shares were surrendered in exchange for 236,806 shares having a market value of $8,158,000 and for cash payments of $3,445,000, and in 1975 options for 216,300 shares were surrendered in exchange for 57,386 shares having a market value of $1,953,000 and for cash payments of $1,645,000, under the surrender alternative described in the following paragraph. At December 31, 1976, 989,000 shares were available for the granting of future options, at prices not less than market value of the Company's Common Stock on the date of grant. Of the options outstanding at December 31, 1976, options for 110,000 shares were subject to substitution upon their expiration by options for 110,000 shares at prices ranging from $14 to $20 per share, an aggregate of $2,040,000, under the 1971 Non-Qualified Stock Option Plan. Options generally do not become exercisable until at least one year after date of grant. No charges have been made against income in accounting for the options, except as described in the following paragraph.

In May 1975, the 1971 Non-Qualified Stock Option Plan was amended to increase the options available for granting by 1,000,000 shares and to provide optionees the alternative of surrendering options granted under the Plan, subject to acceptance by the Company's Compensation Committee, for payment to the optionees of an amount equal to the difference between the option price and the fair market value of the shares applicable to options surrendered on date of surrender. Such payments can be made in shares, cash, or both, at the discretion of the Company's Compensation Committee. The cost thereof is being accrued over the lives of the options, resulting in charges against income of $6,281,000 in 1976 and $2,583,000 in 1975 after reduction for income taxes.

	Number of shares	Option price Per share	Option price Total ($000)	Corresponding market price Per share	Corresponding market price Total ($000)
Under option at December 31, 1976 (741,700 exercisable)	819,700	$14 to 34	$18,012	$14 to 34	$18,012
Granted					
1975	203,000	30	6,039	30	6,039
1976	78,000	34	2,642	34	2,642
Became exercisable					
1975	644,000	18 to 20	11,809	23 to 32	20,264
1976	203,000	30	6,039	37	7,536
Exercised					
1975	299,750	12 to 19	4,673	21 to 35	8,041
1976	153,450	14 to 30	2,772	31 to 39	5,430

EMERSON ELECTRIC CO. (SEP)

Notes to Consolidated Financial Statements

Note 7: Common Stock—The Company has in effect various qualified and nonqualified stock option plans which permit certain officers and employees to purchase common stock. Qualified options are granted at market value, expire in five years and are exercisable in installments. Nonqualified options are granted generally at 90% of market value, expire in ten years and are exercisable in installments. At September 30, 1976, 593,088 shares of common stock, including 180,944 treasury shares, are reserved for issuance under these plans. Changes in the number of shares reserved for granted options are summarized as follows:

	1976		1975	
	Average Price	Number of Shares	Average Price	Number of Shares
Beginning of year	$23.25	417,390	$23.05	410,090
Options granted	34.03	43,000	28.10	24,000
Assumed options of pooled company	11.85	54,320	—	—
Options exercised	22.94	(38,391)	22.30	(5,833)
Options cancelled	20.39	(18,552)	27.22	(10,867)
End of year	23.05	457,767	23.25	417,390
Exercisable at year end		107,277		70,040

EMHART CORPORATION (DEC)

Notes to Financial Statements
(In Thousands Except Share Amounts)

Note 13: Stock Option Plans—The plans provide for the granting of qualified and nonqualified options to key employees to purchase common stock of Emhart at not less than 100% of the fair market value on the date options are granted.

Under the 1976 Plan approved by the shareholders on May 3, 1976, the total number of shares of common stock that may be granted and exercised is 400,000 shares, and no employee may be granted options under such Plan totaling more than 20,000 shares. No option may be exercisable prior to twelve months from the date of grant. At December 31, 1976 options to purchase 199,300 shares for $6,443, at prices of $32.31 and $36.50 a share, were outstanding under the 1976 Plan.

Under the 1965 Plan, as to which no further options may be granted, there were outstanding at December 31, 1975 options to purchase 67,959 shares for $1,309 and at December 31, 1976 options to purchase 35,253 shares for $568, at prices ranging from $15.125 to $24.48 a share.

In connection with the merger of USM Corporation in May 1976, Emhart assumed the rights and obligations with respect to outstanding options of USM for the purchase of 160,990 shares of common stock (adjusted to give effect to the conversion ratio for the USM common stock pursuant to the merger) for $2,693, at prices ranging from $10.62 to $17.85 a share. At December 31, 1976 there were outstanding options to purchase 96,664 shares for $1,634, at prices ranging from $10.62 to $17.85 a share.

A summary of option transactions for 1975 and 1976 follows:

	Number of Shares	Option Value
Outstanding at January 1, 1975	89,951	$1,856
Exercised	(21)	
Cancelled	(21,971)	(547)
Outstanding at December 31, 1975	67,959	1,309
Assumed in merger with USM	160,990	2,693
Granted	199,300	6,443
Exercised	(94,520)	(1,734)
Cancelled	(2,512)	(66)
Outstanding at December 31, 1976	331,217	8,645
At December 31, 1976:		
Exercisable options	102,929	1,766
Options available for grant	200,700	

FAIRCHILD CAMERA AND INSTRUMENT CORPORATION (DEC)

Notes to Financial Statements

Note 7: Stock Options—At January 2, 1977 and December 28, 1975, there were 670,696 and 776,839 shares, respectively, of common stock reserved for issuance under stock option plans (1965 Plan, which terminated as of March 17, 1975, and 1974 Plan) for officers and key employees. Issuance of the following types of options is permitted:

(a) A "qualified" option (as defined in the Internal Revenue Code) exercisable until the fifth anniversary of the grant date;

(b) A "nonqualified" option exercisable until the tenth anniversary of the grant date.

Options may not be granted at prices lower than the market price at the date of issuance and exercisable options expire 90 days after termination of employment. Under the 1974 Plan, options become exercisable in four annual installments commencing one year after the date of grant. Under the 1965 Plan, through May 1974, options become exercisable in three annual installments commencing two years after the dates of grant; options granted subsequent to May 1974 become exercisable in four annual installments commencing one year after the dates of grant.

During 1975, the shareholders approved a reduction of the option price for all options outstanding under the 1965 Plan. Such approval covered 448,390 shares of common stock purchasable at an average per share price of $34.09. The new option price was $25.38 per share (equal to 100% of fair market price on February 26, 1975) and each option has a new five or ten year term depending upon the type of new option granted. During 1975, 86,070 options were issued in exchange for 114,836 options previously outstanding.

A summary of transactions relating to outstanding options during 1976 and 1975 is shown below:

	1976	1975
Balance, beginning of year	568,089	559,632
Add (Deduct)—		
Granted	92,805	296,261
Exercised ($18.38 to $46.13 per share)	(80,989)	(110,302)
Cancelled	(56,461)	(177,502)
Balance, end of year	523,444	568,089

At January 2, 1977, options were outstanding at prices of $81.31 to $60.88 (an average of $34.24) per share, of which options as to 164,634 shares were exercisable.

GRUEN INDUSTRIES, INC. (MAR)

Notes to Consolidated Financial Statements

Note 6: Stock Option Plan—In April 1975, the Company terminated its Performance Stock Unit and Employees Qualified Stock Option Plans. Under these plans, the Company was authorized to grant stock units, as defined, and stock options to officers and key employees of the Company.

To replace the aforementioned plans, the Company in April 1975 adopted a stock option plan under which it may grant to its officers and employees qualified and nonqualified stock options to purchase 150,000 shares of common stock of the Company at not less than 125% of the fair market value at date of grant. Qualified stock options may be granted with terms of up to five years from date of grant, while nonqualified stock options may be granted with terms of up to ten years from date of grant.

A summary of transactions under the plan from its inception to March 31, 1976 follows:

	Number of shares	
	Qualified	Nonqualified
Options granted at $1.41 per share	—	105,500
Options cancelled	—	3,500
Options outstanding, March 31, 1976	—	102,000

No options were exercisable as of March 31, 1976.

INTERLAKE, INC. (DEC)

Notes to Consolidated Financial Statements

Note 5: Stock Options—In 1965 the shareholders approved a Qualified Stock Option Plan for the Company's officers and key employees. Under the plan, options were available for grant until December 31, 1974 to purchase common stock for periods not longer than five years from the date of grant and at prices not less than the market value at date of grant. Options are exercisable 33⅓% annually, on a cumulative basis, beginning one year from date of grant. Options outstanding at December 26, 1976 expire at varying dates until 1979.

In April, 1975 the shareholders approved a non-qualified Stock Option Plan for the Company's officers and key employees. Under the plan, options may be granted until December 31, 1984 to purchase common stock for periods not longer than ten years from date of grant and at prices not less than the market value at date of grant. Options are exercisable 33⅓% annually, on a cumulative basis, beginning one year from date of grant. The total number of shares which may be issued pursuant to this plan may not exceed 375,000 shares. At December 26, 1976, 254,825 options were available for grant.

Changes in the number of shares of common stock under option related to these plans were as follows:

	1976	1975
Options outstanding at beginning of year	208,600	217,500
Options granted—Per share—$40.25 in 1976 and $22.00 in 1975	70,400	54,975
Options exercised—Per share—$15.79 to $22.00 in 1976 and $15.42 to $18.75 in 1975	(52,450)	(47,099)
Options cancelled	(6,875)	(16,776)
Options outstanding at end of year:		
Number of shares	219,675	208,600
Exercise price per share	($15.79-$40.25)	($15.79-$22.00)
Options exercisable at end of year	96,475	98,075

In connection with the acquisition of Arwood Corporation on April 29, 1976, existing Arwood qualified stock options were converted to qualified options to purchase 12,222 Interlake common shares at prices ranging from $8.26 to $31.16 per share. Of these options 5,531 were exercised prior to December 26, 1976 and 1,334 were cancelled. At year end 5,357 options were outstanding at prices ranging from $8.26 to $31.16 per share, of which 3,485 were exercisable.

KELLOGG COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 9: Stock Options—Options to purchase common shares of the Company at market values on dates of grant have been granted to key employees under the Company's qualified stock option plans. The options, exercisable over four years beginning one year from date of grant, are as follows:

	Shares
Under option at December 31, 1975 ($13.69 to $19.25 a share)	562,363
Exercised at $15.39 average a share	133,405
Cancelled	3,280
Under option at December 31, 1976 ($14.94 to $10.25 a share)	425,678
Options exercisable at December 31, 1976	402,818

Under the merger agreement between Kellogg and Mrs. Smith's, the Company also assumed an unexercised, nonqualified stock option to purchase shares equivalent to 5,400 Kellogg common shares at $10.00 a share. The option was exercised in 1976.

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

Notes to Consolidated Financial Statements

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

Stock Options—Stock option plans are in effect which provide for the granting of options to outside directors, officers and key employees to buy the Company's common stock. No entries are made in the accounts for qualified stock options until such options are exercised. When non-qualified stock options are granted, compensation expense is charged and accrued compensation expense is credited for the excess of the aggregate fair market value of the shares on the date of grant over the aggregate option price. When qualified options are exercised, common stock is credited with the par value of the stock issued and the excess of the proceeds over par value is credited to additional paid-in capital. In the case of non-qualified stock options, such excess as well as the accrued compensation expense is credited to additional paid-in capital.

Note 9: Stock Options—The Company has stock option plans which provide for the purchase of the Company's common stock by officers and key employees. These plans authorize the granting of qualified stock options, non-qualified options or combinations of both. Qualified stock options which have been granted are exercisable as to 50% thereof after one year from the date of grant and as to the remaining 50% after the end of the second year. The option periods do not exceed five years from dates of grant and the option prices are equal to the fair market values on the dates of grant. Non-qualified options which have been granted differ from qualified options in that they were granted at 85% of fair market value and were immediately exercisable for a period of ten years from the dates of grant.

On April 28, 1976, the shareholders of the Company approved a stock option plan authorizing the granting of non-qualified stock options for up to 50,000 shares of common stock to outside directors. Options which have been granted under this plan were granted at 85% of fair market value and were immediately exercisable for a period of ten years from the date of grant.

Transactions relating to stock options during 1976 and 1975 follow:

	Shares	
	1976	1975
Options outstanding at beginning of year	178,133	171,533
Options granted:		
Non-qualified options:		
At a price of $28,37 per share (fair market value on date of grant was $33.38)	25,000	
At prices averaging $11.23 per share (fair market values on dates of grant averaging $13.20)		14,500
Options exercised:		
Qualified Options:		
At prices averaging $22.21 per share	(50,250)	—
Non-qualified options:		
At prices averaging $11.34 per share	(21,400)	—
Options expired or terminated	(10,700)	(7,900)
Options outstanding at end of year:		
At prices averaging $21.27 per share	120,783	
At prices averaging $19.46 per share		178,133
Available at end of year for future grants	193,067	157,367

At December 31, 1976, there were 313,850 shares of common stock reserved for issuance under stock option plans. On that date, options for 120,783 shares were exercisable at prices averaging $21.27 per share, an aggregate of $2,569,000. At December 31, 1975, options for 151,932 shares were exercisable at prices averaging $19.66 per share, an aggregate of $2,987,000.

During 1976 and 1975, 180 and 125 shares of treasury stock were awarded to employees.

UMC INDUSTRIES, INC. (DEC)

Notes to Financial Statements

Note 7: Stock Options—Under a qualified stock option plan adopted in 1969 and a non-qualified stock option plan adopted in 1973, options to purchase 350,000 shares and 225,000 shares, respectively, of common stock may be granted to officers and key employees at a price not less than 100% of the fair market value of the stock on the date of grant. The options expire five years and ten years, respectively, from date of grant.

The shares exercised in 1976 and 1975 had an average market value as of the dates exercised of $13.61 a share, aggregating $117,428 and $10.19 a share, aggregating $15,281, respectively. The shares which became exercisable had market values as of the dates they became exercisable in 1976 of $12.94 to $14.63 a share aggregating $858,410 and in 1975 of $9.75 to $11.63 a share aggregating $846,044.

With respect to options exercised in 1976 and 1975, a total of 13,225 shares (1,500 shares in 1975) of the Company's common stock were issued, resulting in credits to common stock of $33,000 in 1976 ($4,000 in 1975) and to capital in excess of par value of $123,000 in 1976 ($12,000 in 1975). No charges are made against income in accounting for the options.

The Company also has an Alternate Stock Plan under which rights were granted before December 1972 to holders of qualified stock options. The rights entitle the holder to receive, upon certain conditions, shares of common stock without payment therefor. Under rights outstanding at December 31, 1976, the maximum number of shares issuable was 35,550, and no shares could be issuable unless the fair market value of the Company's common stock exceeds $21.00 per share. All outstanding rights expire during 1977 and no right will be granted under the Alternate Stock Plan in the future. In 1975, a total of 233 shares of common stock were issued resulting in a credit to common stock and a charge to capital in excess of par value of $600. No shares were issued in 1976.

The following is a summary of stock option transactions for 1976 and 1975:

	1976			1975		
		Option Price			Option Price	
	Number of shares	Per share	Total	Number of shares	Per share	Total
Outstanding, beginning of year.....	385,400	$10.06 to 27.38	$5,805,948	423,550	$10.19 to 27.38	$6,341,546
Granted	171,500	11.94 to 14.38	2,227,118	750	10.06	7,545
Exercised	(13,225)	10.50 to 13.88	(139,622)	(1,500)	10.50	(15,750)
Expired or cancelled................	(120,500)	10.50 to 26.63	(2,018,682)	(37,400)	10.19 to 27.38	(527,393)
Outstanding, end of year	423,175	$10.06 to 27.38	$5,874,832	385,400	$10.06 to 27.38	$5,805,948
Becoming exercisable	63,413	$10.06 to 27.38	$ 9,16,847	81,163	$10.50 to 27.38	$1,122,584
Exercisable, end of year...........	171,513			233,776		
Available for grant, end of year...	111,686			162,686		

STOCK PURCHASE PLANS

BAKER INTERNATIONAL CORPORATION (SEP)

Notes to Consolidated Financial Statements

Note 4: Stock Option and Purchase Plans—The Company has stock option plans which provide for granting of qualified and non-qualified options for the purchase of Common Stock to officers and other key employees. Such stock options are granted for the purchase of shares of the Company's Common Stock (over terms which may range, at the election of the Board of Directors, from one to ten years) at prices equal to the fair market value of the stock on the date the options are granted.

Stock option activity during 1976 and 1975 was as follows:

	Number of Shares 1976	1975
Balance beginning of year	403,449	298,970
Options granted (per share: 1976, $47.28 to $51.25; 1975, $24.74 to $41.82).............	111,002	149,106
	514,451	448,076
Less:		
Options exercised (per share: 1976, $13.35 to $38.50; 1975, $8.82 to $38.50)	133,412	35,016
Options expired......................	1,879	9,611
	135,291	44,627
Balance end of year (per share: 1976, $18.19 to $51.25; 1975, $13,35 to $41.82)......	379,160	403,449

Substantially all options outstanding at September 30, 1976, become exercisable during fiscal 1977. At September 30, 1976, 458,557 shares, including 200,000 authorized by the shareholders in 1976, were available for future grants.

The company also has an Employee Stock Purchase Plan under which up to an aggregate of 189,218 shares (after deducting 50,782 shares issued under the Plan in 1976) of the Company's Common Stock are authorized for sale to employees. The number of shares subject to each option under the Plan is determined on the date of grant and equals the employee's annual contribution, of up to 10 percent of regular pay, divided by 85 percent of the fair market value of a share of Common Stock at the date of grant. Grants of options under the Plan are to be made annually, and each option is to be exercised one year from the date of grant at a price to be 85 percent of the lower of the fair market value on the date of grant or the date of exercise. Based on the market price of Common Stock on the date of grant, the Company estimates that approximately 89,000 shares will be purchased under the Plan on May 1, 1977 at $36.44 per share through the exercise of options outstanding at September 30, 1976.

Upon exercise of options, proceeds are credited to common stock (par value) and capital in excess of par value.

BOWNE & CO., INC. (OCT)

Notes to Consolidated Financial Statements

Note 2 (in part): Stockholders' Equity

Employees' Stock Purchase Plan—Under the Company's employees stock purchase plan, 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 21,700 shares (1976) and 26,900 (1975) of the Company's common stock on the open market. At October 31, 1976, the stock purchase plan held 81,829 shares of the Company's common stock (85,920 shares after giving effect to the 5% stock dividend declared in November 1976). Charges to income, representing the companies' contributions, amounted to $64,000 (1976) and $65,000 (1975). Contributions made by the companies vest with the employees two years after the date of such contributions.

LIGGETT GROUP INC. (DEC)

Notes to Financial Statements

Note 7: Employee Stock Purchase Plan—The Employee Stock Purchase Plan was approved by the stockholders in April 1975 and expires December 31, 1984. It provides, to substantially all employees, the right to subscribe to shares of the Company's common stock on periodic offering dates at a purchase price of 85 percent of either the fair market value of the shares on the offering date or, if lower, the fair market value of the shares on the exercise date. A maximum of 400,000 shares is reserved for offerings under the Plan.

The first offering was made on October 1, 1975 and employees subscribed to 135,275 shares. During 1976, eligible employees purchased 1,408 shares, and other employees withdrew subscriptions to purchase 15,020 shares. The remaining subscribed shares may be purchased on December 31, 1977 at the lower of $23.06 per share or 85 percent of their fair market value on that date. Funds to effect purchase are being accumulated through payroll deductions over the twenty-four month period ending on the December 31, 1977 exercise date.

EMPLOYEE STOCK OWNERSHIP PLANS

DENNISON MANUFACTURING COMPANY (DEC)

	1976	1975
Shareholders' Equity		
Debenture Stock, $8 cumulative, par value $100 per share—Authorized and issued 18,806 shares, including 7,502 and 4,074 shares held in treasury in 1976 and 1975, respectively, liquidation value on outstanding shares—$1,809,000 in 1976	$ 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 531,703 and 142,065 shares held in treasury in 1976 and 1975, respectively; liquidation value on outstanding shares—$1,647,000 in 1976	748,000	4,645,000
Common Stock, par value $5 per share—Authorized 6,000,000 shares; issued 3,989,712 and 3,597,491 shares in 1976 and 1975, respectively, including 243,659 shares held in treasury in 1975	19,948,000	17,987,000
Capital in excess of par value	9,743,000	4,611,000
Earnings reinvested	81,129,000	71,176,000
	113,449,000	100,300,000
Less:		
Cost of Debenture Stock and Common Stock held in treasury	949,000	2,547,000
Account receivable from Employee Stock Ownership Plan	5,027,000	
	5,976,000	2,547,000
	$107,473,000	$ 97,753,000

Notes to Consolidated Financial Statements

Note H: Employee Stock Benefit Plans—In 1975 and 1976, the company adopted an Employee Stock Ownership Plan (ESOP) and a Stock Savings Plan (SSP) to improve the company's employee benefit plans by enabling most employees to acquire shares of the company's Common Stock. The cost of the ESOP is borne by the company through annual contributions to an Employee Stock Ownership Trust in amounts determined by the Board of Directors. The SSP provides for employee and company contributions up to a specified amount.

Shares of Common Stock acquired by the plans are to be allocated to each employee and are held until the employee's retirement or death. Contributions to the plans amounted to $1,169,000 in 1976.

At December 31, 1976, the Employee Stock Ownership Trust was indebted to the company in the amount of $5,027,000, which has been shown as a deduction from shareholders' equity in the consolidated balance sheet. In 1976, the Trust acquired 242,325 shares of Common Stock held in the treasury for $5,202,000, the fair market value on the date of sale.

TABLE 2-38: TREASURY STOCK — BALANCE SHEET PRESENTATION

	1976	1975	1974	1973
Common Stock				
Cost of treasury stock deducted from total of capital stock, additional paid-in capital (if any), and retained earnings	341	357	355	357
Par or stated value of treasury stock deducted from issued stock of the same class	51	70	67	51
Cost of treasury stock deducted from stock of the same class	11	7	7	8
Shown as a noncurrent asset	9	8	9	11
Other	12	13	12	25
Total Presentations	**424**	**455**	**450**	**452**
Preferred Stock				
Cost of treasury stock deducted from total of capital stock, additional paid-in capital (if any), and retained earnings	30	45	44	42
Par or stated value of treasury stock deducted from issued stock of the same class	12	24	23	25
Other	9	3	3	11
Total Presentations	**51**	**72**	**70**	**78**
Number of Companies				
Disclosing treasury stock	433	443	449	453
Not disclosing treasury stock	167	157	151	147
Total	**600**	**600**	**600**	**600**

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 both common treasury stock and preferred treasury stock is to deduct treasury stock at cost from all other stockholders' equity accounts.

Examples of treasury stock presentations are shown below.

Cost of Treasury Stock Deducted From Stockholders Equity

AMERICAN MAIZE-PRODUCTS COMPANY (DEC)

	1976	1975
Shareholders' equity:		
Capital stock (Notes 6 and 7):		
Preferred 7% cumulative, par and liquidating value $100	$ 700	$ 700
Series Preferred, authorized 2,500,000 shares	—	—
Common, Class A, $.80 par value; authorized 8,750,000 shares; issued 3,289,519 shares in 1976 and 3,278,019 shares in 1975	2,631,615	2,622,415
Common, Class B, $.80 par value; authorized 2,500,000 shares; issued 1,644,467 shares in 1976 and $1,638,961 shares in 1975	1,315,574	1,311,169
Capital in excess of par value of common stock (Note 7)	8,417,240	8,331,506
Retained earnings (Note 3)	65,284,120	59,622,391
	77,649,249	71,888,181
Less, Common stock in treasury, at cost: 160,985 Class A and 41,825 Class B shares in 1976 and 145,635 Class A and 38,375 Class B shares in 1975	1,771,431	1,510,887
Total stockholders' equity	$75,877,818	$70,377,294

BELDEN CORPORATION (DEC)

	1976	1975
	Thousands of dollars	
Shareholders' Equity		
Preferred stock:		
Authorized 500,000 shares, no par value; issued and outstanding Series A, 711; Series B, 3,583 (1975—Series A, 711; Series B, 4,166)	$ 172	$ 195
Common stock:		
Authorized 6,000,000 shares, par value $5.00; issued 2,033,789 shares (1975—2,030,146 shares)	10,169	10,151
Capital in excess of par value	3,942	3,881
Retained earnings	33,091	29,882
Treasury stock, common, 13,700 shares, at cost	(446)	(446)
	$46,928	$43,663

COMBUSTION ENGINEERING, INC. (DEC)

	1976	1975
Shareholders' Equity:		
Preferred Stock, no par value— Authorized—2,000,000 shares Issued—592,197 shares in 1976 and 661,218 shares in 1975 of Series A Convertible Preferred Stock, $1.70 cumulative (liquidating value $26,648,865 in 1976 and $29,754,810 in 1975), stated at	$ 3,674,320	$ 4,102,568
Common Stock, $1 par value— Authorized—30,000,000 shares Issued—10,418,726 shares in 1976 and 1975, stated at	53,528,144	53,212,569
Retained earnings (see accompanying statement)	341,731,238	311,145,366
	$398,933,702	$368,460,503
Deduct shares held in treasury, at cost:		
Preferred Stock—54,930 shares in 1976 and 1975	$ 48,293	$ 48,293
Common Stock—157,452 shares in 1976 and 226,050 shares in 1975	468,304	3,478,504
	$ 516,597	$ 3,526,797
	$398,417,105	$364,933,706

GULTON INDUSTRIES, INC. (FEB)

	1976	1975
Stockholders' Equity:		
Cumulative Convertible Preferred Stock, par value $10 per share, issuable in series: Authorized 500,000 shares Issued 117,559 shares $2 Series A, liquidating preference $5,878,000.	$ 1,176,000	$ 1,176,000
Common Stock, par value $1 per share: Authorized 6,000,000 shares Issued 2,674,946 and 2,674,286 shares.......	2,674,000	2,674,000
Capital in excess of par value..	9,733,000	9,731,000
Retained earnings...............	15,764,000	13,830,000
	29,347,000	27,411,000
Less: Held in treasury—13,039 preferred shares—at cost..	506,000	506,000
Total Stockholders' Equity...	$28,841,000	$26,905,000

WINN-DIXIE STORES, INC. (JUN)

	1976	1975
	(Amounts in thousands)	
Stockholders' Equity:		
Capital stock:		
Common stock, $1 par value per share. Authorized 23,636,925 shares; issued 13,600,063 shares (13,516,790 shares in 1975)....................	$ 13,600	$ 13,517
Class B common stock (accumulating convertible), $1 par value per share. Authorized 5,859,286 shares; issued 5,858,597 shares (5,922,263 shares in 1975)................	5,859	5,922
Total capital stock...	19,459	19,439
Capital in excess of par value of capital stock.................	1,000	—
Retained earnings....................	320,534	276,683
	340,993	296,122
Less cost of common stock held for employees' stock purchase plan, stock option plan, or for other corporate purposes, 163,238 shares (253,039 shares in 1975)..	4,668	5,995
Total stockholders' equity.......	$336,325	$290,127

Treasury Stock Deducted From Stock of Same Class

CLAROSTAT MFG. CO., INC. (DEC)

	1976	1975
Shareholders' equity:		
Common stock, $1 par value: Authorized—750,000 shares Outstanding—554,194 shares (after deducting 25,309 shares in treasury)..........................	$ 554,194	$ 554,194
Capital in excess of par value..	979,909	979,909
Retained earnings................	4,777,621	4,094,358
	$6,311,724	$5,628,461

FIELDS PLASTICS AND CHEMICALS, INC. (APR)

	1976	1975
Stockholders' Equity (Notes 9 and 10):		
Common stock, $1 par—shares authorized 2,500,000; issued 713,749; in treasury 8,206; outstanding 705,543 (47,436 shares reserved for options)......................	$ 705,543	$ 705,543
Additional paid-in capital........	1,593,551	1,593,551
Retained earnings (deficit)......	(1,474,705)	300,192
Total Stockholders' Equity...	$ 824,389	$2,599,286

Treasury Stock Shown As Noncurrent Asset

FREEPORT MINERALS COMPANY (DEC)

	1976	1975
Other assets:		
Notes and accounts receivable due after one year	$ 1,431,000	$ 1,264,000
Common stock of Freeport Minerals Company held in treasury, at cost, 61,623 shares December 31, 1976, and 62,810 shares December 31, 1975 (Note 5)	1,618,000	1,656,000
Prepaid and deferred items chargeable to future operations	12,381,000	11,481,000
	$15,430,000	$14,401,000

Note 5: Stockholders' Equity—At December 31, 1976 and 1975, there were 10,000,000 shares of preferred stock without par value authorized and unissued.

....

The common stock held in the treasury is available for the purpose of fulfilling contingent awards payable in common stock under the incentive compensation Plan of the Company.

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

HOUDAILLE INDUSTRIES, INC.

Statement of Consolidated Income

ELI LILLY AND COMPANY

Consolidated Statements of Income and Reinvested Earnings

Earnings

ABBOTT LABORATORIES

Consolidated Statement of Earnings

BURLINGTON INDUSTRIES, INC.

Consolidated Statement of Earnings and Retained Earnings

Operations

AMSTED INDUSTRIES INCORPORATED

Consolidated Results of Operations

CITY STORES COMPANY

Statement of Operations

Other

F&B/CECO INDUSTRIES, INC.

Consolidated Statement of Loss

TABLE 3-1: INCOME STATEMENT TITLE

	1976	1975	1974	1973
Income	369	376	386	378
Earnings	175	163	170	180
Operations	51	60	43	39
Other	5	1	1	3
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 3-2: INCOME STATEMENT FORMAT

	1976	1975	1974	1973
Single-step form				
Federal income tax shown as separate last item	301	308	301	306
Federal income tax listed among operating items	59	59	86	96
Multiple-step form				
Costs and expenses deducted from sales to show operating income	114	133	109	101
Costs deducted from sales to show gross margin	126	100	104	97
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 those types of profit-directed activities of an enterprise that can change owners' equity (see paragraph 134). Revenue under present generally accepted accounting principles is derived from three general activities: (a) selling products, (b) rendering services and permitting others to use enterprise resources, which result in interest, rent, royalties, fees, and the like, and (c) disposing of resources other than products—for example, plant and equipment or investments in other entities. Revenue does not include receipt of assets purchased, proceeds of borrowing, investments by owners, or adjustments of revenue of prior periods.

Paragraphs 19 and 26 of *APB Opinion No. 30* comment on the presentation and disclosure of revenue items.

> 19. Judgment is required to segregate in the income statement the effects of events or transactions that are extraordinary items (as required by paragraph 11). The Board concludes that an event or transaction should be presumed to be an ordinary and usual activity of the reporting entity, the effects of which should be included in income from operations, unless the evidence clearly supports its classification as an extraordinary item as defined in this Opinion.

> 26. A material event or transaction that is unusual in nature or occurs infrequently but not both, and therefore does not meet both criteria for classification as an extraordinary item, should be reported as a separate component of income from continuing operations. The nature and financial effects of each event or transaction should be disclosed on the face of the income statement or, alternatively, in notes to the financial statements. Gains or losses of a similar nature that are not individually material should be aggregated. Such items should not be reported on the face of the income statement net of income taxes or in any manner inconsistent with the provisions of paragraphs 8 and 11 of this Opinion or in any other manner that may imply that they are extraordinary items. Similarly, the earnings per share effects of those items should not be disclosed on the face of the income statement.

Table 3-3 summarizes the descriptive captions used by the survey companies to describe revenue derived from selling products and/or rendering services. Table 3-4 shows the nature of other sources of revenue. Excluded from Table 3-4 are those revenue items shown after the caption for income taxes (see Table 3-16) or shown as extraordinary gains (see Table 3-17). Examples of revenue items, other than foreign currency translation gains, follow. See Translation of Foreign Currency Accounts for examples of translation gains.

TABLE 3-3: SALES — CAPTION TITLE

	1976	1975	1974	1973
Net Sales				
Net sales	364	375	364	365
Net sales and operating revenue	25	22	27	26
Net sales combined with other terms	21	15	17	17
Sales				
Sales	102	98	94	93
Sales and operating revenue	28	40	45	45
Sales combined with other terms	14	10	12	11
Other Captions				
Revenue or gross operating income	32	28	24	25
Gross sales, income, billings, shipments, etc. ...	14	12	17	18
Total Companies	**600**	**600**	**600**	**600**

Sales

AIR PRODUCTS AND CHEMICALS, INC. (SEP)

	1976	1975
Sales and other income	($000)	
Sales, net of direct costs of construction and maintenance contracts of $214,314 in 1976 and $188,260 in 1975 (Note 1)	$818,213	$699,012
Other income (Note 10)	7,422	5,320
	$825,655	$704,332

Note 1 (in part): Major Accounting Policies

Accounting for Sales—The Company and its subsidiaries, other than the Catalytic Group, record profits on fixed price contracts for the sale of major equipment and plant construction principally on the completed contract method; however, provisions for anticipated losses are made on incomplete contracts when determinable. Income from royalties is reported in the periods in which earned.

Sales and other revenues of Catalytic, Inc. and its subsidiaries are reported net of direct costs of construction and maintenance contracts. Revenues and profits of the Catalytic Group are recorded on the completed contract method of accounting for fixed fee and fixed price contracts and on the percentage-of-completion basis for all other contracts (principally cost-plus-percentage contracts).

Note 10 (in part): Supplementary Information

	1976	1975
	(in thousands)	
Other income		
Foreign currency exchange gains	$3,451	$ 693
Interest income	1,532	2,480
Gain on sale of assets	1,374	609
Income from unconsolidated affiliates	1,541	1,725
Minority interest share of consolidated earnings	(1,540)	(880)
....	1,084	693
	$7,442	$5,320

THE AMALGAMATED SUGAR COMPANY (SEP)

	1976	1975
Sales	$155,070,000	$175,861,000
Income from miscellaneous sources	928,000	2,615,000
	$155,998,000	$178,476,000

BURROUGHS CORPORATION (DEC)

	1976	1975
Revenue		
Net sales	$1,070,236,199	$1,022,499,409
Rentals and equipment service	800,608,939	653,146,999
Interest and other income	31,004,107	26,461,416
	$1,901,849,245	$1,702,107,824

CHEMETRON CORPORATION (DEC)

	1976	1975
	(Millions of dollars)	
Sales and operating income	$460.8	$470.0
Sundry income	9.1	7.6
Total	$469.9	$477.6

TABLE 3-4: OTHER REVENUE

	Number of Companies			
	1976	1975	1974	1973
Interest	192	169	197	174
Equity in earnings of investees	103	82	104	104
Dividends	56	60	71	69
Gains on dispositions of assets	47	49	45	53
Royalties	49	48	58	55
Translation adjustments	37	17	10	16

CROWN CENTRAL PETROLEUM CORPORATION (DEC)

	1976	1975
Revenues:		
Sales and operating revenues	$511,730,722	$434,253,209
Other	828,968	1,219,421
	$512,559,690	$435,472,630

Notes to Consolidated Financial Statements

Note A (in part): Summary of Accounting Policies

Sales and Operating Revenues—The Company has short-term processing contracts which require the delivery of refined products by the Company in exchange for crude oil and, in certain instances, cash. These transactions have been recorded on a purchase and sale basis and accordingly have been included in revenues at an amount equal to the market value of crude oil and cash received and in costs at production cost for refined products. Previously these contracts were of a long-term nature and were referred to as term contracts. The amount of processing contracts included in sales revenues was $63,340,000 in 1976 and $54,832,000 in 1975.

During 1976 a wholly-owned foreign subsidiary was established for the purpose of selling crude oil purchased under contract which from time to time is not required for the Company's own use. These sales are recorded net of the related crude oil cost (first-in, first-out) in sales and operating revenues.

Sales and operating revenues exclude excise and other similar taxes. In 1976 sales of crude oil production and exchanges of crude oil and refined products are excluded from sales and operating revenues and reflected as a reduction of costs and operating expenses. Similar reclassifications have been made for 1975 to conform with 1976 classifications.

DEL MONTE CORPORATION (MAY)

	1976	1975
Sales and operating revenues	$1,430,424,000	$1,279,274,000

THE GENERAL TIRE & RUBBER COMPANY (NOV)

	1976	1975
	($000)	
Net sales	$2,022,545	$1,751,958
Other income	14,002	20,440
	$2,036,547	$1,772,398

HAZELTINE CORPORATION (DEC)

	1976	1975
Revenues		
Sales	$81,426,000	$78,978,000
Rentals	8,023,000	6,205,000
	$89,449,000	$85,183,000

Notes to Consolidated Financial Statements

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

Revenue and Expense Recognition—Sales of products and services to customers are reported in operating results at the time of shipment of the product or the performance of services pursuant to contractual terms. Patent income is recognized in operating results when the amounts due are reported to the Company.

Expenditures for Hazeltine initiated research and development programs applicable to Government Products ($1,490,000 in 1976 and $740,000 in 1975) are reflected in contract costs as incurred. Industrial Products engineering research and development expenses ($646,000 in 1976 and $840,000 in 1975) are charged to income as incurred.

All general and administrative expenses and sales, service, training and marketing costs are charged to income as incurred including those marketing costs referred to as "lease acquisition costs", except that refurbishment costs relating to remarketed computer terminal equipment are amortized over one year and salesman's commissions are amortized over the rental periods.

HUMANA INC. (AUG)

	1976	1975
	($000)	
Revenues (Notes 1 and 2)	$300,321	$215,754
Less provisions for contractual allowances and doubtful accounts	39,673	26,896
Net revenues	$260,648	$188,858

Note 1 (in part): Accounting Policies:

Basis of Presentation—The consolidated financial statements include all subsidiaries except a newly-formed insurance subsidiary (Note 6). The Company's investments in a 49%-owned English hospital and the insurance subsidiary are accounted for by the equity method.

Certain accounts for 1975 have been restated to conform with 1976 classifications, with no effect on previously reported net income or stockholders' equity. The principal change related to the presentation of gross revenues and contractual allowances.

Note 2: Third-Party Cost-Based Revenues—Revenues include amounts estimated by the Company to be reimbursable by Medicare and certain Medicaid and Blue Cross programs under cost reimbursement formulas. Such cost reimbursements are generally less than the hospitals' established billing rates, and the differences are charged to "contractual allowances" on the consolidated statement of income.

Cost reimbursements are subject to examination by agencies administering the programs. The Company is contesting certain issues raised in audits of prior-year Medicare cost reports. In the opinion of management, the Company's bases for appeal of these issues are justified and it should prevail. However, if the Company is not successful, earnings will be charged in future years to the extent that loss allowances have not been provided. The Company believes that its unreserved loss exposure is not in excess of $2,500,000 (before related tax effects).

The Company continues to claim certain of the disputed items in current cost reports, but has discontinued recognizing the related reimbursements for financial-reporting purposes.

LYKES CORPORATION (DEC)

	1976	1975
Sales and Other Revenues		
Net sales of products	$1,394,313,000	$1,288,615,000
Vessel revenues	225,375,000	229,224,000
Interest, dividends and other income	18,573,000	28,765,000
Equity in earnings of affiliated companies	5,124,000	3,667,000
	$1,643,385,000	$1,550,271,000

Summary of Significant Accounting Policies

Revenue Recognition—Revenue from sales of products is recognized upon passage of title to the customer which generally coincides with delivery. Vessel revenue is recognized upon unloading inbound cargoes (terminated voyage basis).

Voyages in progress in the consolidated statement of financial position includes revenues and expenses, net of operating-differential subsidy, for cargo loaded at the last port from which a vessel sailed prior to the end of the accounting period.

MARRIOTT CORPORATION (JUL)

	1976	1975
Sales by Operating Groups		
Restaurant operations	$299,244,000	$253,096,000
Business and professional services	278,135,000	256,421,000
Hotels and related operations	269,573,000	216,512,000
Theme parks	35,975,000	—
Cruise ships	7,476,000	6,367,000
Total sales	$890,403,000	$732,396,000

R.J. REYNOLDS INDUSTRIES, INC. (DEC)

	1976	1975
	($000)	
Net sales and revenues	$5,753,568	$4,837,643

Summary of Significant Accounting Policies

Sales and Revenues—Sales of products, which are recognized in income as customer shipments are made, include certain excise taxes (see Note 1). The Company's transportation revenues and related vessel voyage expenses are generally recognized at the commencement of a voyage. Revenues received from the advance sale of oil and gas production are deferred and recognized in income as production occurs (see Note 6).

ROWE FURNITURE CORPORATION (NOV)

	1976	1975
	($ thousands)	
Net shipments	$46,935	$44,591
Cost of shipments	37,766	36,288
	$ 9,169	$ 8,303

Interest Income

FORD MOTOR COMPANY (DEC)

	1976	1975
	(in millions)	
Operating income	$1,586.9	$436.4
Interest income (expense), net (Note 4)	16.0	(145.2)
Equity in net income of unconsolidated subsidiaries and affiliates	136.3	107.0
Income before income taxes	$1,739.2	$398.2

Note 4: Interest Income (Expense), Net

	1976	1975
	(in millions)	
Interest income		
Marketable securities	$128.3	$ 60.3
Other, principally from dealers	104.3	85.5
Interest expense		
Long-term debt	(121.6)	(114.6)
Short-term debt and other	(63.1)	(135.2)
Discount expense, primarily on receivables purchased by unconsolidated subsidiaries	(31.9)	(51.2)
Total	$ 16.0	$(145.2)

HOUDAILLE INDUSTRIES, INC. (DEC)

	1976	1975
Income from operations	$42,018,005	$29,769,393
Other income net of other expense:		
Interest received	2,577,251	2,194,751
Gain on assets retired—less losses	1,996,968	877,599
Sundry income—less other income deductions	246,739	562,396
Total	4,820,958	3,634,746
Less interest expense, principally on long-term debt	1,638,072	1,693,379
Other income—net	3,182,886	1,941,367
Income before provision for United States and Canadian taxes on income	$45,201,391	$31,710,760

TWENTIETH CENTURY-FOX FILM CORPORATION (DEC)

	1976	1975
	(in thousands)	
Revenues:		
Operating revenues	$351,474	$340,589
Interest and non-operating income (Note 16)	3,564	2,141
	355,038	$342,730

Note 16: Interest and Non-Operating Income—Interest and non-operating income consists of the following:

	1976	1975
	(in thousands of dollars)	
Interest income	$ 1,272	$ 1,707
Gain on sale of property and equipment	1,316	434
Gain on sale of investment securities	976	—
	$ 3,564	$ 2,141

Dividends

COOK PAINT AND VARNISH COMPANY (NOV)

	1976	1975
Other income:		
Royalties	$ 437,589	$ 532,304
Dividends	120,267	120,198
Gain on disposal of fixed assets	59,401	177,798
Miscellaneous	216,038	292,938
	$3,434,258	$1,697,374

UNIVERSAL LEAF TOBACCO COMPANY, INC. (JUN)

	1976	1975
Revenues:		
Sales	$670,730,000	$725,259,000
Other operating revenues	35,357,000	35,208,000
Dividends received	201,000	182,000
	$706,288,000	$760,649,000

Royalty income

CLUETT, PEABODY & CO., INC. (DEC)

	1976	1975
Revenues:		
Net sales	$580,702,673	$519,354,799
Royalty income	8,493,742	7,380,447
Other income (net)	316,722	649,678
	$589,513,137	$527,384,924

DRESSER INDUSTRIES, INC. (OCT)

	1976	1975
	In Millions of Dollars	
Other income (deductions)		
Interest expense	$(36.2)	$(33.2)
Interest earned	14.0	4.5
Royalties earned	4.8	4.8
Other income net of other deductions—Notes A and B	5.3	(2.0)
	$(12.1)	$(25.9)

Gain From Sale of Assets

CYCLOPS CORPORATION (DEC)

	1976	1975
	(Dollars in Thousands)	
Costs and expenses:		
Cost of products sold	$489,950	$417,993
Depreciation	13,703	13,971
Selling and administrative	41,189	38,915
Interest	4,454	5,933
Nonrecurring (gains) or losses on discontinuance of certain operations (Note 8)	(2,570)	27,751
	$546,726	$504,563

Note 8: Restructure of Empire-Detroit Division—As a result of the discontinuance of certain operations in 1975, the Company recorded nonrecurring charges to income before taxes of $27,751,000, which reduced 1975 net income by $11,140,000 or $5.36 per share.

During 1976, the Company sold portions of the discontinued facilities and recognized a nonrecurring credit to income before taxes of $2,570,000, which increased net income $1,316,000, or $.62 per share.

The Company contemplates selling the remaining discontinued facilities. Such assets have been included in the balance sheet at their estimated realizable value (Note 2).

HERCULES INCORPORATED (DEC)

	1976	1975
	($000)	
Income from operations	$160,040	$77,179
Gain on sale of property, plant and equipment	56,780	—
Other income (deductions)—net	2,997	(1,412)
Interest and debt expense	(31,495)	(38,312)
Equity in net income of affiliated companies	12,609	3,195
Income before taxes on income	$200,931	$40,650

Notes to Financial Statements

Note 2: Formation of Joint Ventures and Gain on Sale of Property, Plant and Equipment—a. On August 31, 1976, Hercules and American Petrofina, Incorporated, formed two joint ventures, Hercofina and Hercofina Europe, for the production and marketing of terephthalates. Hercules sold to American Petrofina a 25% interest in its terephthalate assets (net book value $50.8 million) for $87.0 million in cash, notes, and other considerations. The notes are payable $24.6 million in January, 1977, and $23 million in 120 equal monthly installments beginning February, 1977. Hercules realized an after-tax gain of $17.7 million ($.39 per share).

Hercules contributed its remaining terephthalate assets for a 75% interest in the joint ventures. American Petrofina contributed its interest in the aforementioned assets and other assets for a 25% interest in the joint ventures. Hercules' interest will be reduced as American Petrofina elects to invest additional money for capital expansion.

The consolidated financial statements include Hercules' share of their assets and liabilities at October 31, 1976, and of their results of operations for the two months then ended.

In connection with the aforementioned transaction, the company sold a 50% interest in an uncompleted plant. The company's remaining investment of $17,328,000 in this plant has been included in 1976 in Deferred Charges and Miscellaneous Assets.

b. On October 1, 1976, Hercules sold its nitrogen products plant and inventories at Hercules, California (net book value $3.0 million) for $23.6 million in cash. Hercules realized an after-tax gain of $12.2 million ($.27 per share).

HONEYWELL INC. (DEC)

	1976	1975
	($000)	
Revenue and Other Income		
Sales	$1,973,182	$1,831,500
Computer rental and service revenue	522,113	460,348
Total revenue	2,495,295	2,291,848
Gain on sale of interest in CHB	14,840	
Other income	7,216	16,849
Total	$2,517,351	$2,308,697

Notes to Financial Statements
(Dollars in Thousands)

Note 2 (in part): Business Change—On June 30, 1976, HIS reduced its ownership in its French computer affiliate, Compagnie Honeywell Bull S.A. (CHB), from 66% to 47% by selling a portion of its interest in CHB. At that time, the general purpose data processing operations of Compagnie Internationale pour l'Informatique S.A. (CII), were merged into CHB and CHB's name was changed to Compagnie Internationale pour l'Informatique CII-Honeywell Bull S.A. (CII-HB). Compagnie des Machines Bull S.A., formerly the 34% owner of CHB, now owns 53% of CII-HB.

The French government has undertaken to grant significant support to CII-HB through March 1980, including annual purchases of computer systems and decreasing annual subsidies to cover transition costs of the merger.

A payment in the amount of $57.9 million has been made to HIS in connection with the sale of the 19% interest resulting in a gain of $14.8 million which represents the excess of proceeds received over the prorata share of the investment applicable to the interest in CHB sold (determined on an equity basis) and direct costs associated with the transaction. The sale increased net income by $12.1 million ($.59 per share primary and assuming full dilution).

THE VENDO COMPANY (DEC)

	1976	1975
Other Income (expense):		
Gain on sales of manufacturing facilities (Note 10)	$2,189,195	$ —
Interest income	1,074,504	1,852,699
Interest expense	(871,716)	(1,877,936)
Royalties	505,991	393,484
Currency translation gains (losses)	46,754	(163,206)
Miscellaneous, net	(260,333)	166,458
	$2,684,395	$ 371,499

Note 10: Relocation of Manufacturing Facilities—In 1976 the Company sold its principal vending equipment manufacturing facility, located in Kansas City, for $7,000,000 and also sold the Aurora coinage mechanism manufacturing facility for $790,000. The operations previously conducted in these plants are being transferred to the Company's California manufacturing facility, and a new plant in Corinth, Mississippi, acquired at a cost of $3,600,000.

The gain on the plant sales (net of related undepreciated asset cost and closing costs) totaling $6,200,000 was offset by accrued relocation costs of $4,000,000 for a net gain of $2,200,000 which was credited to other income in 1976. The accrued relocation costs of $4,000,000 (of which $1,433,000 was expended as of December 31, 1976) relates to anticipated costs of moving machinery, equipment and inventory to the new facilities; administering, planning and controlling the relocation; and terminating employees at the former manufacturing facilities.

Capital expenditures incurred in the relocation have been recorded as incurred. Estimated total capital expenditures are $1,600,000 of which $770,000 has been expended at December 31, 1976.

The $4,000,000 provision for estimated relocation expenses does not include any amount for abnormal operating costs incurred during the transition period. These transition costs include, among other things, excess costs for subcontracting the manufacture of component parts, training direct labor employees, "learning curve" inefficiencies, and underutilization of plant capacity during the startup period, all of which are charged to expense as incurred.

Claim Settlements

HAZELTINE CORPORATION (DEC)

	1976	1975
Income before claim settlement, provision for income taxes and extraordinary credit	$5,452,000	$1,722,000
Settlement with U.S. Air Force, net of related expenses (Note 2)	4,671,000	—
Income before provision for income taxes and extraordinary credit	10,123,000	1,722,000
Income taxes	4,335,000	514,000
Income before extraordinary credit	5,788,000	1,208,000
Extraordinary credit—utilization of tax carryovers	1,050,000	100,000
Net income	$6,838,000	$1,308,000

Note 2: U.S. Air Force Settlement—During the second quarter of 1976 the U.S. Air Force agreed to pay $5,200,000 in settlement of the Company's claims for compensation of certain expenditures incurred under an F-4 aircraft scan converter equipment contract which were charged to income in prior years. This amount has been shown separate in the accompanying Consolidated Statement of Income after related expenses of $529,000. The effect of this settlement on income before extraordinary credit, and related per common share amounts, was $2,660,000 and $1.33, respectively.

Of the $5,200,000 settlement, $2,500,000 was received a year ago, originally on a provisional basis, and an additional $2,700,000 was received in June 1976, of which $1,600,000 was paid in reduction of the Company's long-term debt. The settlement agreement also released the Company from any possible claims for liquidated damages and costs of retrofit of equipment delivered under this and related contracts.

NORTHROP CORPORATION (DEC)

	1976	1975
Net sales	$1,265,009,000	$988,123,000
Cost of sales, including administrative and general expenses	1,173,569,000	937,453,000
Operating margin	91,440,000	50,670,000
Other income (deductions)		
Claim settlement—Note C	9,234,000	
Other income, net	6,377,000	5,225,000
Write-off of interest in affiliated company—Note C	(32,771,000)	
Interest expense	(4,535,000)	(6,069,000)
Income before income taxes	$ 69,745,000	$ 49,826,000

Note C: Unusual Items—In July 1976, the Canadian Government, in settlement of claims brought against it by the company which arose out of Canada's licensed production of Northrop aircraft, paid the company $9,234,000 and withdrew its counterclaims against the company.

In September 1976, the company wrote off the balance of its investments in and advances to General Energy Resources, Inc. (GERI), an affiliated company, when it determined that GERI would be unable to repay the amounts due the company. The amount of the write-off includes the satisfaction of a bank guarantee.

Excess Insurance Proceeds

MOSINEE PAPER CORPORATION (DEC)

	1976	1975
Other income:		
Interest on short-term investments	$ 699,480	$214,136
Fire loss—Excess direct damage insurance proceeds	416,181	
Other insurance proceeds	299,982	41,688
Other	196,635	244,614
	$1,612,278	$500,248

Credit Adjustment of Loss Provision

THE WURLITZER COMPANY (MAR)

	1976	1975
	($000)	
Costs and Expenses:		
Cost of products sold	$49,671	$56,518
Selling and administrative expenses	22,159	22,237
Engineering and research expense	2,291	2,342
Interest expense	2,325	4,562
Credit adjustment of 1974 provision for loss on discontinuance of U.S. phonograph operations	(207)	(544)
Total	$76,240	$85,116

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 at that date.

The $207,079 credit adjustment of the 1974 provision for loss on discontinuance recorded in the 1976 statement of income represents the excess of proceeds on sales of inventories over original estimated amounts less an additional provision for costs to be incurred in the phase-out period.

The principal assets of the U. S. phonograph business are included in the balance sheet as of March 31, 1976 and 1975 at their estimated realizable values. A summary of changes during 1976 and 1975 affecting such assets and accruals for costs to be incurred in the phase-out period follows:

Year Ended March 31, 1975	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

Year Ended March 31, 1976	Estimate March 31, 1975	1976 Recoveries (Expenses)	Credited (Charged) to Earnings	Estimate March 31, 1976
	(In Thousands of Dollars)			
Trade receivables	$3,290	$2,795		$ 495
Inventories	348	605	$257	Nil
Accrued phase-out costs	2,192	(809)	(50)	1,433
			$207	

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.

TABLE 3-5: COST OF GOODS SOLD

	1976	1975	1974	1973
Single Amount				
Cost of goods sold	180	179	216	213
Cost of sales	220	243	207	198
Cost of products sold	122	124	120	121
Elements of cost	13	14	15	15
Other captions	43	27	24	31
	578	**587**	**582**	**578**
More Than One Amount	**22**	**13**	**18**	**22**
Total Companies	**600**	**600**	**600**	**600**

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. See Translation of Foreign Currency Accounts for examples of translation losses.

Costs of Goods Sold

AMERICAN CYANAMID COMPANY (DEC)

	1976	1975
	(Thousands of dollars)	
Expenses:		
Manufacturing cost of sales less depreciation and depletion	$1,241,224	$1,088,905
Selling and advertising expenses	386,564	344,821
Administrative and general expenses	91,097	108,266
Depreciation and depletion	89,270	77,642
Research and process development expenses	83,246	72,661
	$1,891,401	$1,692,295

AMERICAN STORES COMPANY (MAR)

	1976	1975
Cost of sales and operating expenses:		
Cost of merchandise sold, including warehousing and transportation expenses	$2,557,185,000	$2,197,610,000
Wages, rents, advertising, administrative and other operating expenses	556,054,000	471,016,000
Depreciation and amortization	28,267,000	24,639,000
	$3,141,506,000	$2,693,265,000

DICTAPHONE CORPORATION (DEC)

	1976	1975
Costs and Expenses		
Cost of products sold	$ 60,666,000	$41,431,000
Cost of service income and equipment rental	12,582,000	12,615,000
Selling, general and administrative	51,027,000	42,089,000
Interest	937,000	643,000
	$125,212,000	$96,778,000

TABLE 3-6: EXPENSES INCURRED TO PRODUCE REVENUE

	Number of Companies		
	1976	1975	1974
Selling, general and administrative	316	332	329
Selling and administrative or general	172	178	183
General and/or administrative	82	54	55
Selling	30	30	31
Interest	543	535	539
Research, development, engineering, etc.	133	123	115
Employee benefit plans	49	52	55
Advertising	35	34	33
Rent	18	24	28
Exploration, dry holes, abandonments	20	25	20
Bad debts	12	9	9
Maintenance and repairs	24	12	10

TABLE 3-7: OTHER EXPENSES

	Number of Companies			
	1976	1975	1974	1973
Taxes other than income taxes	60	52	53	56
Translation losses	59	24	15	4
Minority interest	44	51	51	52
Losses on dispositions of assets	23	N/C	26	16
Equity in losses of investees	15	18	15	11

N/C — Not Compiled.

FALCON SEABOARD INC. (DEC)

	1976	1975
Coal Operations:		
Coal sales	$74,748,000	$58,916,000
Less—		
Mining costs other than depreciation and depletion	50,812,000	38,711,000
Depreciation and depletion	4,784,000	3,559,000
General and administrative expenses	1,332,000	1,273,000
	56,928,000	43,543,000
Operating income	17,820,000	15,373,000
Oil and Gas Operations:		
Oil and gas sales	5,835,000	2,923,000
Less—		
Lease operating expenses	1,104,000	846,000
Depreciation and depletion	1,286,000	812,000
General and administrative expenses	154,000	205,000
	2,554,000	1,863,000
Operating income	3,291,000	1,060,000
Seismic Equipment Sales and Services:		
Sales and services	8,873,000	7,876,000
Less—		
Cost of operations other than depreciation and amortization	5,579,000	5,008,000
Depreciation and amortization	586,000	543,000
General, administrative, and selling expenses	844,000	776,000
	7,009,000	6,327,000
Operating income	1,864,000	1,549,000
Total operating income	$22,975,000	$17,982,000

GENERAL ELECTRIC COMPANY (DEC)

	1976	1975
	(In millions)	
Sales of products and services to customers	$15,697.3	$14,105.1
Operating costs		
Employee compensation, including benefits	5,849.9	5,136.8
Materials, supplies, services and other costs	7,726.0	7,038.9
Depreciation, depletion and amortization	486.2	470.5
Taxes, except those on income	258.8	162.1
Decrease (increase) in inventories during the year	(151.5)	110.2
	14,169.4	12,918.5
Operating Margin	$ 1,527.9	$ 1,186.6

INTERCO INCORPORATED (FEB)

	1976	1975
	($000)	
Costs and expenses:		
Cost of sales	$ 959,460	$ 936,157
Selling, general and administrative expenses	292,131	282,791
Interest expense	3,623	5,722
Minority interests	418	416
	$1,255,632	$1,225,086

THE KROGER CO. (DEC)

	1976	1975
Costs and Expenses:		
Merchandise costs, including warehousing and transportation	$4,795,340,322	$4,199,114,950
Operating, general and administrative expenses	1,054,004,518	935,457,124
Rent	92,811,259	83,282,429
Depreciation and amortization	51,604,650	49,549,358
Interest income	(5,062,966)	(2,545,367)
Interest expense on long-term debt	16,045,108	14,706,215
Other interest expense	527,596	913,330
Taxes based on income	39,276,939	24,787,774
Total	$6,044,547,426	$5,305,265,813

PPG INDUSTRIES, INC. (DEC)

	1976	1975
	(Millions)	
Net sales	$2,254.8	$1,886.6
Cost of sales	1,440.1	1,249.7
Gross margin	$ 814.7	$ 636.9

REPUBLIC STEEL CORPORATION (DEC)

	1976	1975
	(Thousands of Dollars)	
Costs and expenses:		
Manufacturing cost of products sold	$2,155,013	$1,930,042
Pension expense	83,784	66,562
Administrative and selling expenses	89,069	85,623
Depreciation and depletion	87,982	84,530
Interest and other debt expense	27,652	23,404
Sundry other deductions	1,192	4,015
Taxes:		
Income taxes (credit)	$ (24,800)	$ 19,200
Other taxes	84,840	74,985
Total taxes	$ 60,040	$ 94,185
	$2,504,732	$2,288,361

STERNDENT CORPORATION (DEC)

	1976	1975
Net Sales	$131,754,135	$109,435,868
Equity in earnings before income taxes of non-consolidated affiliates	614,045	184,985
	132,368,180	109,620,853
Cost of goods sold (Note 8)	110,993,449	85,412,836
Operating expenses	18,651,114	15,344,289
	129,644,563	100,757,125
Operating income	$ 2,723,617	$ 8,863,728

Note 8: Cost of Goods Sold—A substantial portion of the Company's gold and silver inventories owned at year-ends 1975 and 1974 were sold early in 1976 and 1975 and repurchased at lower prices at various times during the respective years. Cost of goods sold has been reduced by approximately $300,000 in 1976 and $3,100,000 in 1975 representing the profits derived on these transactions. Additionally, during 1975, the Company had a $289,000 writedown on other precious metal inventories.

WM. WRIGLEY JR. COMPANY (DEC)

	1976	1975
Costs and expenses:		
Materials, labor, and services consumed in making chewing gum and other products bought by customers	$185,028,000	$181,448,000
Selling, distribution, and general administrative expenses	125,197,000	103,246,000
Interest expense	746,000	1,172,000
Miscellaneous other expense—net	336,000	417,000
Settlement of antitrust litigation		4,800,000
Total costs and expenses	$311,307,000	$291,083,000

XEROX CORPORATION (DEC)

	1976	1975
	(Dollars in thousands)	
Costs and Expenses		
Cost of rentals	$ 642,359	$ 670,280
Cost of sales	486,348	401,801
Research and development expenses	225,650	198,550
Selling, service, administrative and general expenses	2,186,691	1,948,589
Total costs and expenses	$3,541,048	$3,219,220

CLARK EQUIPMENT COMPANY (DEC)

	1976	1975
	Amounts in Thousands	
Costs and expenses:		
Cost of goods sold	$1,031,244	$1,187,411
Selling, general and administrative expenses	109,501	120,237
Charges for services of finance subsidiaries	32,356	28,906
Interest paid on indebtedness to:		
Outsiders	29,597	39,532
Finance subsidiaries	4,551	8,655
	$1,207,249	$1,384,741

CONAGRA, INC. (MAY)

	1976	1975
Cost of goods sold	$531,656,040	$451,379,634
Selling, administrative and general expenses	25,711,851	22,025,258
Interest expense (Note 13)	13,427,772	6,273,676
Sundry expense	184,608	821,393
	$570,980,271	$480,499,961

Note 13: Debt discount and expense relating to continuing operations is being amortized on a straight-line basis over the lives of the issues with adjustments annually to write off the unamortized discount and expense applicable to retirements. Interest and debt expense include the following:

	1976	1975
Interest on long-term debt	$ 6,134,635	$3,510,900
Debt expense	16,081	11,666
Other interest	7,277,056	2,751,110
	$13,427,772	$6,273,676

INTERNATIONAL HARVESTER COMPANY (OCT)

	1976	1975
	($000)	
Costs and Expenses		
Cost of sales	$4,536,658	$4,384,475
Marketing and administrative expenses	547,276	520,159
Provision for losses on receivables	11,810	9,123
Financing charges on receivables sold to sales finance subsidiaries	98,786	86,037
Interest expense:		
Long-term debt	73,935	66,227
Other	47,361	82,140
Total costs and expenses	$5,315,826	$5,148,161

HARSCO CORPORATION (DEC)

	1976	1975
	($000)	
Other income (expenses):		
Interest income	$3,175	$2,386
Interest expense	(6,985)	(6,168)
Other, net	5,367	6,093
	$1,557	$2,311

Minority Interest

GENERAL DYNAMICS CORPORATION (DEC)

	1976	1975
	($000)	
Costs and Expenses:		
Cost of sales, selling and general and administrative expenses	$2,383,320	$2,023,279
Interest expense	17,228	23,707
Provision for income taxes	53,305	47,709
Minority shareholders' equity in earnings of subsidiary	8,963	4,564
Other (income) expense, net (Notes H and I)	(8,913)	(20,309)
	$2,453,903	$2,078,950

GULF OIL CORPORATION (DEC)

	1976	1975
	(Millions of Dollars)	
Revenues		
Sales and other operating revenues	$18,117	$15,838
Interest income	189	183
Equity in earnings (losses)	40	(23)
Other revenues	57	44*
	18,403	16,042
Deductions		
Purchased crude oil and products	10,019	7,306
Operating expenses	1,400	1,251
Selling, general and administrative expenses	1,299	1,216*
Taxes other than income taxes	2,097	2,214
Depreciation, depletion, amortization and retirements	631	628
Exploration and dry hole expenses	364	317
Federal Energy Administration entitlements	214	224
Interest on long-term financing	109	114
Income applicable to minority interests	62	60
	16,195	13,330
Income before taxes on income	$ 2,208	$ 2,712

Estimated Liquidation Loss

THE ANSUL COMPANY (DEC)

	1976	1975
Cost and Expenses:		
Cost of products sold	$ 69,304,091	$66,905,722
Research and development	1,208,457	988,752
Marketing, administrative and general	25,255,917	23,525,206
Non-recurring cost of European reorganization (Note 3)	2,100,000	—
Interest	2,765,745	2,681,691
Total Cost and Expenses	$100,670,210	$94,101,371

Note 3: Non-Recurring Cost of European Reorganization—At September 30, 1976, we provided for estimated expenses of $1,250,000 related to our European operations, of which $800,000 were non-recurring costs for manpower reductions in Belgium and the restructuring of our French operations.

As we proceeded with the reorganization, it became apparent that the only way to eliminate the increasing losses being incurred by Soframi ($1,514,000 in 1976) was to liquidate this subsidiary of Ansul's Belgian company. The costs of this liquidation necessitated an increase of $1,300,000 in the estimated expenses for the European reorganization. The resulting total of $2,100,000 of non-recurring expenses is reflected on the statement of earnings as non-recurring cost of European reorganization.

UMC INDUSTRIES, INC. (DEC)

	1976	1975
Earnings from operations	$18,743,000	$14,144,000
Other income (deductions):		
Interest expense	(2,876,000)	(2,917,000)
Interest income	2,080,000	1,091,000
Miscellaneous	220,000	(705,000)
	(576,000)	(2,531,000)
	18,167,000	11,583,000
Provision for loss on liquidation of Italian subsidiary	(1,525,000)	—
Earnings before income taxes	16,642,000	11,583,000
Provision for income taxes:		
Current	9,330,000	5,668,000
Deferred	(187,000)	107,000
	9,143,000	5,775,000
Net earnings	$ 7,499,000	$ 5,808,000

Estimated Losses On Disposal Of Assets

ANCHOR HOCKING CORPORATION (DEC)

	1976	1975
Income from operations	$62,647,000	$40,084,000
Other income	930,000	1,221,000
Interest expense	(5,361,000)	(2,380,000)
Provision for plant phase out	(8,100,000)	
Income before income taxes	50,116,000	38,925,000
Income taxes (net of $4,125,000 credit in 1976 applicable to provision for plant phase out)	22,742,000	17,221,000
Net income for the year	$27,374,000	$21,704,000

Notes to Financial Statements

Note 2: Provision for Plant Phase Out—During 1976, operations at the Los Angeles, California container plant were reduced to approximately one-third of prior capacity in order to avoid significant capital expenditures including a major expenditure for environmental control equipment from which the company would realize no return. Based on evaluations of both current and projected operations of this plant, management intends to phase out and dispose of this facility within the near future. Present plans are to continue operations over the remaining lives of the operable furnaces or until the volume of available business no longer warrants continuing operations.

The provision of $8,100,000 ($3,975,000 after taxes, or $.59 per common share) includes the estimated loss on the ultimate disposition of the assets and various costs and expenses related to the planned phase out.

ANHEUSER-BUSCH, INCORPORATED (DEC)

	1976	1975
	(In Thousands)	
Operating income	$128,294	$175,142
Other income and expenses:		
Interest income	10,304	10,944
Interest expense	(26,941)	(22,602)
Purchase discounts, other income and expenses, net	1,748	1,816
Loss on partial closing of Los Angeles Busch Gardens	(10,020)	—
Income before income taxes	$103,385	$165,300

Notes to Consolidated Financial Statements

Los Angeles Busch Gardens—In December 1976, the company announced its decision to convert a portion of the Los Angeles Busch Gardens to a sales promotion facility and to discontinue operation of the remainder of the Garden facilities. Closing a portion of the Gardens resulted in a nonoperating charge of $10,020,000 (before reduction for income tax benefits of approximately $5,000,000). This nonoperating charge includes the net book value of assets to be disposed of, plus provision for demolition costs and other related costs, less estimated salvage value.

BELDEN CORPORATION (DEC)

	1976	1975
	Thousands of dollars	
Costs and expenses:		
Cost of sales	$144,527	$121,032
Plant closing costs	2,200	—
Selling and administrative	24,233	21,580
Research and development	2,248	1,827
Interest	3,253	2,506
Other (income) expense, net	(397)	657
	$176,064	$147,602

Notes to Consolidated Financial Statements

Note 9: Plant Closing—The phase down and closing of the Chicago facility, which was announced late in February, 1976, was completed by December, 1976. A majority of the production machinery and equipment was transferred to other facilities. The land and buildings were donated to a charitable, nonprofit organization on February 1, 1977. A pre-tax provision of $2,200,000, for asset disposition and shutdown expenses, was charged against earnings in 1976. The unexpended balance of the provision as of December 31, 1976, was $166,000.

DIAMOND SHAMROCK CORPORATION (DEC)

	1976	1975
	(In thousands)	
Cost and Expenses		
Cost of products sold	$ 966,998	$827,481
Selling and administrative	111,092	94,878
Research and development	24,046	19,555
Interest	31,186	25,384
Shutdown of Painesville chemical works	5,000	—
	$1,138,322	$967,298

Financial Summary

(dollar amounts in tables are in thousands, except per share)

Shutdown of Painesville Chemical Works—On June 8, 1976, the Company announced the phaseout and December 31, 1976 shutdown of its Painesville, Ohio chemical works. The decision to shut down this facility reflects its loss of viability caused by the combination of an aging plant, increasingly stringent pollution control standards, escalating costs of the energy intensive synthetic soda ash process, and increasing competition from energy efficient natural soda ash (trona). All anticipated costs associated with the shutdown of this facility have been recognized.

Excise Taxes

ASHLAND OIL, INC. (SEP)

	1976	1975
	(Thousands of dollars)	
Income		
Sales and operating revenues*.	$4,348,169	$3,881,736
Equity income—Note C..........	13,796	16,224
Interest and other income.......	38,083	38,619
	4,400,048	3,936,579
Costs and expenses		
Cost of sales and operating expenses..........................	3,376,697	3,020,787
Excise taxes on products and merchandise..................	261,324	244,610
Selling, administrative and general expenses...............	282,975	260,148
Depreciation, depletion and amortization..................	106,528	92,320
Exploration expenses, including dry hole costs and lease amortization.................	58,746	46,136
Interest on long-term debt......	37,615	33,936
	4,123,785	3,697,937
Income before income taxes	$ 276,263	$ 238,642

*Includes excise taxes but excludes sales of crude oil.

Adjustment of Asset Values

CENTRONICS DATA COMPUTER CORP. (JUN)

	1976	1975
Costs and expenses:		
Cost of sales.....................	$29,109,713	$22,410,076
Selling	3,548,564	2,413,122
General and administrative	2,461,353	1,995,375
Research and product development..........................	2,849,530	2,024,424
Depreciation on leased equipment..........................	41,578	43,937
Interest	538,960	1,310,577
Write-off of accounts receivable due from former European distributors (Note 6).........	1,798,320	—
	$40,348,018	$30,197,511

Note 6: Write-off of Accounts Receivable Due from Former European Distributors—As a result of a dispute between the Company and two European distributors, the Company terminated a nonexclusive distribution agreement with them in June, 1975. At that time there was due to the Company from these distributors $1,798,320, substantially all of which was for goods sold and delivered during the fiscal year ended June 30, 1975. In light of information now available to the Company, it has been determined that the balance due is uncollectible (with no estimated recovery) and the accounts receivable have been written off by a charge against current year operations resulting in a reduction of consolidated net income of $1,115,000 ($.23 per share).

MORSE ELECTRO PRODUCTS CORP. (MAR)

	1976	1975
Net sales	$ 120,954,314	$ 142,970,694
Cost of goods sold..................	127,840,052	100,617,056
Selling and administrative expenses	21,056,382	27,284,528
Inventory write-downs and warehouse termination losses..	2,219,300	15,600,475
Interest expense....................	7,216,450	9,229,523
Provision for doubtful accounts.....	1,976,205	1,478,570
Other deductions net of (other income)............................	(390,582)	(81,780)
	159,917,807	164,228,372
Income (loss) before income taxes.	$ (38,963,493)	$ (21,257,678)

Notes to Financial Statements

Note 8: Inventory Write-Downs and Plant and Warehouse Termination Losses—For the year ended March 31, 1975 this item included 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 was written down to reflect the new costs of such merchandise. During the fiscal quarter ended December 31, 1974, and subsequently, costs of raw materials declined 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. The losses attributable to plant and warehouse terminations aggregated $2,005,907 and the inventory write-downs were $13,594,568, for a total of $15,600,475.

In the year ended March 31, 1976 the Company continued its closing of plants. The losses attributable to plant and warehouse terminations including the write-off of leasehold improvements and fixed assets was $2,219,300.

Employee Costs

CELANESE CORPORATION (DEC)

	Notes	1972	1973	1974	1975	1976
			(millions)			
Sales		$1,385	$1,609	$1,928	$1,900	$2,123
Operating expenses:						
Cost of goods sold		1,062	1,207	1,524	1,543	1,720
Selling and administration		138	155	181	183	177
Research and development		52	49	58	64	70
Cost reduction program		11	—	—	—	—
Total operating expenses	A	1,263	1,411	1,763	1,790	1,967

Note A: Operating Expenses

	1972	1973	1974	1975	1976
Raw materials and energy purchased	$ 618	$ 656	$1,041	$ 975	$1,149
(Increase)/decrease in inventories	(1)	48	(78)	12	(19)
Depreciation	131	148	166	177	186
Salaries and wages	321	342	366	370	389
Retirement income plans	14	15	24	23	21
Payroll taxes	12	16	19	19	20
Other employee benefits	30	32	41	42	49
Taxes, other than Federal income and payroll:					
Real and personal property	13	13	14	16	19
State income	6	8	6	5	9
Other	2	3	4	4	4
Rent	16	16	23	27	27
Advertising	19	17	17	15	14
Royalties	5	7	8	2	4
Other operating expenses.	77	90	112	103	95
Total	$1,263	$1,411	$1,763	$1,790	$1,967

GENERAL MILLS, INC. (MAY)

	1976	1975
	(in thousands)	
Costs and Expenses:		
Costs of sales, exclusive of items shown below	$1,654,169	$1,531,535
Depreciation expense	45,006	39,744
Amortization expense	1,701	2,043
Interest expense	29,400	36,219
Contributions to employees' retirement plans	17,903	11,465
Profit sharing distribution	3,527	3,129
Selling, general and administrative expenses	692,985	539,132
Total	$2,444,691	$2,163,267

PHOENIX STEEL CORPORATION (DEC)

	1976	1975
Cost and expenses:		
Employment costs:		
Wages and salaries	$ 33,031,000	$ 30,749,000
Pension, social insurance and other employee benefits—Note 12	11,037,000	9,722,000
Materials, services and other expenses	60,457,000	70,208,000
Provision for depreciation	5,235,000	4,792,000
Interest and amortization of debt discount and expense, net of gain on repurchase of debt obligations	4,002,000	3,850,000
Provision for abandonment of structural operations	10,168,000	
	$123,930,000	$119,321,000

Note 12: Pension Plans—The Company has noncontributory pension plans covering substantially all employees. Pension costs charged against income were $3,909,000 in 1976 and $3,284,000 in 1975. Vested benefits actuarially computed for all plans as of January 1, 1976 exceeded plan assets and pension accruals by approximately $22 million. Unfunded prior service costs of the plans as of December 31, 1976 were approximately $33 million.

Cost of Lawsuit Settlement

JOHNS-MANVILLE CORPORATION (DEC)

	1976	1975
	($000)	
Income from operations	$146,333	$87,996
Gain (loss) on dispositions of assets	(19,735)	732
Reduction of intangible assets	(6,124)	
Provision for Flextran claims	(4,100)	
Interest expense	(15,153)	(18,900)
Earnings before income taxes	$101,221	$69,738

Other Financial Information

Loss on Dispositions of Assets—The Company has been engaged in a continuing program of divesting operations which do not conform to the Company's future plans for growth. This program resulted in a management decision to dispose of or close down certain Company operations. Consequently, the Company provided for losses of $19.5 million before taxes in the fourth quarter of 1976.

Reduction of Intangible Assets—In the fourth quarter of 1976, the Company reduced the carrying value of certain purchased intangible assets relating to the Company's structural concrete business which were considered to have diminished in value as a result of current and anticipated operating results.

Provision for Flextran Claims—In April 1976, the Company reached an agreement with United Technologies Corporation to settle litigation with United, from whom the Company obtained technology for the manufacture of a reinforced plastic mortar pipe produced by the Company prior to the Fall of 1971 and sold under the name Flextran. As a consequence of this agreement, the Company recorded in the first quarter of 1976 a provision for the estimated cost of disposition of all claims and potential liabilities arising from the sale and installation of allegedly defective Flextran pipe.

Relocation Costs

ALLIS-CHALMERS CORPORATION (DEC)

	1976	1975
Costs and expenses		
Materials, labor and services	$1,176,059,804	$1,167,326,817
Depreciation	24,885,837	23,883,963
Selling, general and administrative	193,716,579	174,616,564
Finance charges on receivables sold to finance subsidiaries	21,165,050	18,044,835
Interest	14,322,664	18,678,658
Provisions for plant rearrangement, underutilized equipment and product discontinuance	10,659,842	19,044,720
	$1,440,809,776	$1,421,595,557

Notes to Consolidated Financial Statements

Provisions for Plant Rearrangement, Underutilized Equipment and Product Discontinuance—The pretax provision of $10.7 million in 1976 includes $2.7 million for costs associated with the relocation of manufacturing operations for certain products, $2.5 million for the transfer of service parts inventory to a newly constructed central parts distribution center, and $5.5 million for costs relating to in-plant rearrangement of machinery and production facilities.

During 1975, the Company recorded a special pretax provision of $19.0 million. The provision included $7.9 million for the write-off of under-utilized turbine-generator production equipment, $4.2 million for rearrangement of West Allis facilities, and $6.9 million for costs associated with ceasing manufacture of large power transformers at the West Allis, Wisconsin plant. Sales of the large power transformers approximated $44 million in 1975.

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

	1975	1976
	($000)	
Nonoperating Expense	$ 722	$1,580
Contribution to employee benefit plans (Note 8)	452	527
Interest expense	322	448
Currency exchange adjustments (Note 1)	(58)	159
Relocation expense (Note 12)		590
Other nonoperating expense (income)	6	(144)
Income before income taxes	$6,042	$6,900

Note 12: Relocation Expense—Relocation expense represents costs incurred in transferring the physical assets of the Company's Canadian subsidiary from Toronto, Canada to Washington and the moving and associated costs of relocating substantially all of the manufacturing facilities from Mountlake Terrace, Washington to South Everett facilities (approximately 10 miles), which were acquired in November 1975.

"Unusual" or "Non-Recurring" Expenses

GENERAL HOST CORPORATION (DEC)

	1976	1975
	($000)	
Costs and expenses:		
Cost of sales	$557,713	$575,621
Selling, general and administrative	76,491	69,369
Depreciation and amortization	7,256	7,677
Interest and debt expense	9,452	9,776
Provision for certain non-recurring costs (Note 2)	16,890	
	$667,802	$662,443

Note 2: Dispositions and Terminations of Businesses—In June 1976 the Company made a decision to close the Wichita, Kansas and San Antonio, Texas slaughtering and

processing plants and a number of related distribution centers, together with certain other unprofitable or marginal operations of Cudahy Foods Company. In connection therewith the Company established a $17,740,000 provision in the second quarter for estimated losses on disposal of assets, operating losses during phase-out periods and employee termination costs relating to the closings. The phase-out of these operations was largely completed during the third quarter when the plants and most of the other operations were closed, the Wichita plant was sold and a minor portion of the employee termination costs was finally established through binding arbitration. The original provision for estimated losses was reduced by $3,500,000 in the third quarter because costs incurred and future anticipated costs were lower than originally estimated. In addition, the Company made a provision of 12,650,000 in the third quarter for estimated losses on the disposal of certain other operations and facilities and for additional costs related to assets disposed of in prior years.

In the opinion of the Company's independent accountants, the operations which were discontinued in 1976 did not constitute segments of the Company's business and, accordingly under the provisions of Accounting Principles Board Opinion No. 30, the provisions for losses and related operating losses of these operations have been included in the determination of income or loss from continuing operations. The consolidated statement of income includes sales and operating losses through June 12, 1976 for the Cudahy operations which were discontinued, sales and operating losses through October 2, 1976 for other operations which were discontinued and provisions for losses as follows:

	Year Ended Dec. 25, 1976	Dec. 27, 1975
	(Dollars in thousands, except per share amounts)	
Sales	$ 40,356	$ 99,334
Operating losses before income taxes	$ (3,008)	$ (5,091)
Income tax benefit	1,738	1,932
	(1,270)	(3,159)
Provision for estimated losses on the disposal of certain operations and facilities	(16,390)	
Loss	$(17,660)	$ (3,159)
Loss per share	$ (10.85)	$ (1.93)

In February 1977 the Company sold its mink breeding operation for cash and notes approximating book value. In 1976 sales and income before interest and income taxes of this operation amounted to $2,718,000 and $382,000, respectively. The comparable amounts in 1975 were $1,534,000 and $185,000, respectively.

SEARS INDUSTRIES INC. (DEC)

	1976	1975
Loss before non-recurring losses and federal income taxes	$(20,301,202)	$(2,408,416)
Non-recurring losses (Note 3)	3,445,417	—
Loss before Federal income taxes	$(23,746,619)	$(2,408,416)

Note 3: Non-Recurring Losses—During 1976, a subsidiary of the Corporation consolidated certain manufacturing operations, distribution centers, and office facilities. This consolidation resulted in the closing of several plants, leased facilities, and distribution centers and in the establishment of a new central distribution unit. In addition, the Corporation wrote-off certain other idle equipment. These actions resulted in the write-off of closed facilities and idle equipment of $1,835,987 and certain additional costs of $209,430 during 1976.

In September 1976, based upon a review of unamortized deferred sample and design costs, the subsidiary determined that it was doubtful that such deferred costs would be recoverable from operations during the first six months of the following year. As a result of this determination, in September 1976, the unamortized deferred balance of $1,400,000 was charged to operations and no deferral of sample and design costs has been made as of December 31, 1976.

STERNDENT CORPORATION (DEC)

	1976	1975
Operating income	$ 2,723,617	$8,863,728
Other income (expense):		
Interest expense—on short-term bank loans	(1,521,549)	(1,359,886)
Interest expense—other	(155,493)	(132,970)
Interest income	530,557	612,659
Other income (expense), net (Note 4)	(370,015)	(195,799)
	1,207,117	7,787,732
Unusual or non-recurring expenses (Note 9)	(9,115,000)	(1,209,000)
Income (loss) before provision (credit) for income taxes	$(7,907,883)	$6,578,732

Note 9: Unusual or Non-Recurring Expenses—Unusual or non-recurring expenses include the following:

	1976	1975
Estimated loss on withdrawal from the domestic dental equipment manufacturing business (a)	$6,431,000	
Estimated loss on abandonment of dental sundries distribution business in Brazil (b)	2,084,000	
Loss on misappropriation of funds at the Company's dental subsidiary in Switzerland (c)	600,000	
Expenses incurred to defend against an unfriendly tender offer for the Company's common shares.		$ 502,000
Expenses related to flood damage at the Weber Consumable Products plant in Yonkers, New York		707,000
	$9,115,000	$1,209,000

a. In February, 1977, the Company decided to withdraw from the domestic dental equipment manufacturing business conducted by its Weber Dental Manufacturing Division ("Weber") in Canton, Ohio. Although the Company is actively seeking potential purchasers for this business, there is no assurance that a purchaser will be found, and the Company may have to liquidate the remaining assets of this division.

The loss includes a write-down of the Weber assets to estimated net realizable value as well as provisions for estimated operating losses subsequent to December 31, 1976 and liabilities for unfunded vested pension benefits. The consolidated balance sheet at December 31, 1976 includes $3,354,000 of assets, principally receivables and inventories, and $2,199,000 of current liabilities related to Weber.

b. Due principally to financial operating losses and changes in Brazilian law which imposed substantial financial restrictions on foreign companies operating in that country, the Company has decided to abandon its Brazilian dental sundries distribution business in February 1977. This business has been conducted by Dent'Art S/A Industria E Comercio ("Dent'Art"), a wholly owned subsidiary.

c. The Company is actively pursuing various potential recoveries of this loss; however, it believes that the prospects for any substantial recovery are not favorable.

During 1976, Weber and Dent'Art contributed $6,889,000 to net sales and increased the Company's loss before taxes and unusual or non-recurring expenses by $3,300,000, which includes a $2,000,000 write-down, principally relating to inventories, at Weber during the quarter ended September 30, 1976.

Unusual or non-recurring expenses increased the 1976 net loss by $5,627,000 ($2.82 per share) and reduced 1975 net income by $580,000 ($.29 per share).

Loss on Commodity Futures

GREAT WESTERN UNITED CORPORATION (MAY)

	1976	1975
	($000)	
Operating income from continuing operations	$ 38,610	$111,337
Other income (deductions):		
Gain (loss) on commodity futures activities, net (Note 2)	(29,617)	17,024
Interest	(11,476)	(5,441)
Other, net	1,686	(217)
	(39,407)	11,366
Earnings (loss) from continuing operations before income taxes	$ (797)	$122,703

Notes to Consolidated Financial Statements

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

Commodity Futures—Western Investment Company (Western Investment) engages in futures transactions in various commodities. Gains or losses on open futures contracts are calculated on a commodity by commodity basis. Unrealized losses on net unclosed positions are provided for whereas gains are recognized only when contracts are closed (see Note 2).

Commodity future transactions have been conducted on foreign commodity exchanges. Current assets and current liabilities resulting therefrom are translated at the rate of exchange in effect on the dates the transactions are closed. Exchange adjustments (charges of $966,000 in 1976) are charged or credited to earnings.

Note 2: Commodity Activities—Commodities activities during fiscal 1976 as discussed in Note 1 principally involved speculation in various commodity futures by Western Investment. Western Investment also assumed the hedging activities previously performed by Godchaux for a portion of fiscal 1976. These combined activities aggregated a net loss on commodity futures amounting to $19,967,000, which is net of $9,650,000 of gains credited to cost of sales, for the year ended May 31, 1976. In February 1976 Western Investment began taking delivery of silver bullion acquired in open market transactions and effecting an orderly liquidation of its open positions in commodities other than silver. Western Investment disposed of its silver bullion in May 1976 through deliveries in the open market (see Note 11).

Effective June 1, 1976 Western Investment entered into a $151,800,000 credit agreement with a group of five banks for financing of purchases of gold or silver bullion and for variation margin necessary to maintain a fully-hedged position. The financing is in the form of bankers acceptances and expires on February 28, 1977, unless extended. Western Investment expects that the agreement will be extended. The credit agreement requires Western Investment to maintain its commodity positions on a fully-hedged basis at all times. Western Investment must confine its activities to dealing in silver and gold bullion and related futures contracts, and is prohibited from the incurrence of any additional indebtedness. Obligations under the agreement are guaranteed by the Company and secured by substantially all of Western Investments' assets.

In June 1976, Western Investment utlized certain funds provided under the above credit agreement to acquire approximately 21,000,000 ounces of silver bullion inventory. Western Investment fully hedged its commodity futures position and the silver bullion acquired. As a result, Western Investment has approximately $24,000,000 in unrealized gains on unclosed positions in silver commodity futures at May 31, 1976, which gains will be realized in fiscal 1977. Prior to June 1, 1976, unrealized gains on commodity futures positions were not substantially hedged, and thus were not assured of realization.

Loss on Sale of Securities

MEREDITH CORPORATION (JUN)

	1976	1975
	(in thousands)	
Operating Costs and Other Expenses (Income):		
Production, distribution and editorial (Note 1)	$108,349	$ 91,827
Selling, general and administrative	60,247	51,668
Depreciation and amortization	4,260	4,235
Interest	1,962	1,891
Loss on sale of securities (Note 11)	2,185	391
Gain from sale of various operations (Note 11)	(7,796)	—
Net Operating Costs and Expenses.	$169,207	$150,012

Note 11: Disposition of Assets—During fiscal 1976, the Company sold three operating units and, in accordance with Opinion 30 of the Accounting Principles Board, these sales

are included in operating earnings. Also, in March 1976 the Company decided to dispose of its investments in marketable securities of other companies.

Results of these sales and their effect on 1976 earnings are summarized as follows:

Unit	Gain or (Loss) Before Tax	Net After Tax Provision	Net Earnings Per Share
WOW-TV	$5,660,000	$3,660,000	$1.20
Business Music	635,000	400,000	.13
WHEN-AM	1,501,000	860,000	.28
	7,796,000	4,920,000	1.61
Loss on securities sale	(2,185,000)	(1,530,000)	(.50)
	$5,611,000	$3,390,000	$1.11

Loss on Termination of Contract

ALLIED CHEMICAL CORPORATION (DEC)

	1976	1975
	($000)	
Income from operations	$232,078	$223,556
Other income—net	5,945	6,409
Gain on disposition of operating assets	92,619	—
Loss on termination of gas supply contract	(95,851)	—
Interest and other financial charges	(45,086)	(40,362)
Income before taxes on income	$189,705	$189,603

Notes to Financial Statements

Note 2: Gain on Disposition of Operating Assets and Loss on Termination of Gas Supply Contract—Gain on disposition of operating assets includes a gain of $4,995,000 (after-tax gain of $2,452,000, or $.09 per share) on the sale of a small condensate refinery, associated pipelines and terminals and retail gas service stations and a gain of $87,624,000 on the transfer to Mobil Oil Corporation of the Company's interest in certain West Texas natural gas reserves valued at $95,851,000 less book cost of $8,227,000.

In exchange for the gas reserves, Mobil agreed to terminate a gas supply contract under which the Company supplied gas to Mobil through its pipelines in Texas. The contract termination resulted in a pre-tax loss equal to the value of reserves of $95,851,000.

The after-tax gain on the gas reserves transferred to Mobil of $59,023,000 exceeds the after-tax loss on the contract termination of $47,101,000 by $11,922,000, or $.43 per share. See Natural Gas Business portion of Note 7 of Notes to Financial Statements for a further discussion of the Company's natural gas business.

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 $......

Examples of notes disclosing pension costs and policies follow.

ALAN WOOD STEEL COMPANY (DEC)

Notes to Consolidated Financial Statements

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

Pensions—Prior service costs are amortized over 30 to 40 years. All contributions prior to 1975 were funded as accrued. Contributions for 1975 have been deferred (see Notes 2 and 9).

Note 2: Continuing Operations—During 1976 and 1975 the Company experienced significant operating losses caused by a general decrease in the demand for its steel products and an increase in the costs of energy, raw materials, labor, and supplies without corresponding sales price increases in its steel products. As a result of these losses, the Company's working capital has been substantially reduced, short-term borrowings have significantly increased, required payments of long-term debt were postponed and pension plan liabilities were deferred (see Notes 4, 6 and 9). The Company's financial position has been significantly weakened and its ability to continue operations is dependent upon a return to a satisfactory level of operations which for the most part is dependent upon an increase in the demand for the Company's steel plate product. In addition, the Company must obtain sufficient funds to finance operations and to make required payments of long-term debt and other liabilities as they become due.

Note 9: Pension Plans—The Company has noncontributory pension plans covering substantially all employees. Total pension expense was $5,605,000 in 1976 and $5,572,000 in 1975.

The unfunded vested liability for pension benefits was $36,689,000 as of January 1, 1976, the most recent actuarial valuation date ($51,458,000 at January 1, 1975). The unfunded prior service cost on a single premium basis as of December 31, 1976 was $43,786,000 ($58,891,000 at December 31, 1975). The decreases in the unfunded vested liability and the unfunded prior service cost resulted primarily from changes in certain assumptions underlying the actuarial valuations. The changes were made to implement the requirements under the Employee Retirement Income Security Act of 1974 and to more clearly reflect expected rates of return on investments, expected employee compensation increases and other anticipated experience factors.

All Company current pension plan liabilities prior to 1975 were funded as accrued. The 1975 liability has not been funded but it is the Company's intention to do so. The Company does not intend to make the 1975 contribution during 1977 and accordingly the 1975 liability has been reclassified as noncurrent in the accompanying balance sheet.

ALLIED CHEMICAL CORPORATION (DEC)

Notes to Financial Statements

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

Pension Expense reflects the amortization of prior service costs, including vested benefits, principally over a 25-year period prior to 1976 and over a 30-year period, effective January 1, 1976. The Company funds amounts equal to pension expense plus a portion of the accrued pension obligations; accordingly, the existing accrued pension obligations provided in prior years are reduced concurrently with the amounts deposited with trustees.

Note 6: Pensions—The Company's non-contributory pension plans cover substantially all employees. Pension expense in 1976 and 1975 was $42,285,000 and $33,230,000, respectively. Effective January 1, 1976, the Company amended its pension plans and revised various actuarial assumptions to reflect current conditions. These changes decreased net income in 1976 by $5,583,000, or $.20 per share. The Company also changed the period for amortization of prior service costs from 25 years to 30 years, effective January 1, 1976, which increased net income in 1976 by $2,717,000, or $.10 per share. Based upon the latest actuarial study, the computed value of vested benefits exceeds the total amount held by trustees plus the accrued pension obligations at December 31, 1976, by $51,474,000, and the computed value of total prior service costs (including vested benefits) exceeds the total amount held by trustees plus accrued pension obligations at December 31, 1976, by $280,991,000.

TABLE 3-8: PENSION AND RETIREMENT PLANS

	1976	1975	1974	1973
Current Year Provision				
Normal cost and amortization of prior service cost	467	453	446	429
Normal cost and interest on unfunded prior service cost	24	41	43	48
Normal cost only	63	63	74	82
No reference to prior service cost	67	73	77	79
Number of pension plans	**621**	**630**	**640**	**638**

AMERICAN STORES COMPANY (MAR)

Notes to Financial Statements

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

Pension Costs—Pension costs are actuarially computed and include amortization of prior service cost over periods ranging to forty years. The company's policy is to fund pension costs accrued.

Note 7: Pension Plans—Substantially all employees of the company and its subsidiaries are covered by pension plans funded currently by payments to plan trustees or insurers. Employees who are members of bargaining units are covered by union-negotiated pension plans to which the company makes specified contributions based on hours worked. For other eligible employees, the company provides pension benefits through group annuity contracts with a life insurance company.

Effective January 1, 1976, the company amended the principal plans which are funded through group annuity contracts to comply with the provisions of the Employee Retirement Income Security Act of 1974. These changes increased fiscal year 1976 pension cost $175,000 and are expected to cost about $625,000 annually thereafter. In addition, the amount of vested benefits and past service cost were increased. At the January 1, 1976 actuarial valuation date, the computed value of vested benefits exceeded the applicable plan assets by $8,650,000. There was no such excess at the previous valuation date. Unfunded past service cost amounted to approximately $14,900,000 and $9,350,000 at the 1976 and 1975 valuation dates, respectively.

The total charge to earnings for all plans for the year ended April 3, 1976 was approximately $24,115,000 compared with $19,409,000 for the preceding fiscal year.

ANCHOR HOCKING CORPORATION (DEC)

Notes to Financial Statements

Note 1 (in part): Significant Accounting Policies

Retirement Plans—The company and its subsidiaries have retirement plans, principally non-contributory, covering substantially all employees. The costs charged to earnings include current service costs and amortization of prior service costs principally over 30 years. The company's policy is to fund retirement costs accrued.

Note 7: Retirement Plans—Retirement expense, including amortization of prior service costs, was $17,614,000 in 1976 and $12,622,000 in 1975. Effective for 1975, the company changed certain actuarial assumptions and the amortization period for prior service costs from principally 40 years to 30 years in determining annual pension expense. Neither the net effect nor the individual effects of these changes on 1975 earnings were significant.

Unfunded prior service costs amounted to $89,619,000 at December 31, 1976. The actuarially computed value of vested benefits under the retirement plans exceeded the total of the pension funds (based on their securities carried at market value) and balance sheet accruals by $68,436,000 at December 31, 1976.

Based on determinations made by the company's actuaries, no significant increases in pension expense or unfunded vested benefits will result from pension plan amendments required to comply with the Employee Retirement Income Security Act of 1974.

THE BABCOCK & WILCOX COMPANY (DEC)

Summary of Significant Accounting Policies

Pension Plans—The company has several noncontributory pension plans covering substantially all employees. Effective January 1, 1976, the method for funding and determining pension costs was changed to the accrued benefit method with projected final compensation. Prior to 1976, funding and pension costs were determined for some plans under the attained age method and for other plans under the entry age method. Prior service costs are amortized over a period not to exceed 40 years.

Notes to Consolidated Financial Statements

Note 8: Total pension expense charged to income was $33,400,000 in 1976 and $32,200,000 in 1975. Based upon the latest actuarial valuation, unfunded prior service costs at December 31, 1976 were approximately $205,600,000 (1975—$143,000,000). The actuarially computed value of vested benefits for all plans as of December 31, 1976 exceeded the total of the pension funds and balance sheet accruals by approximately $45,700,000 (1975—$93,600,000).

Effective January 1, 1976, the company changed the actuarial cost method it uses for determining pension costs for all its major plans to the acccrued benefit cost method with projected final compensation. Previously the company used the attained age method for some plans and the entry age method for other plans. In addition to conforming the actuarial method for all the company's major plans to a single actuarial method, the change was made to better relate pension costs to the period the benefits are earned by the participants and to be on a more comparable basis with other industrial companies. This change had the effect of reducing pension expense by approximately $3,500,000 and increasing net income by approximately $1,800,000 or $.15 per share. In addition, the change to the accrued benefit cost method reduced unfunded prior service cost by approximately $19,300,000.

During 1976, the company made modifications to its pension plans in order to comply with the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). These modifications principally related to the vesting and funding schedules. In addition, the increase in the amount of unfunded prior service costs in 1976 was primarily attributable to an actuarial determination of unfunded prior service costs performed under the provisions of ERISA. The effect of these items did not have a material effect on net income.

BAUSCH & LOMB INCORPORATED (DEC)

Accounting Policies

Retirement Plans—The company and its consolidated subsidiaries have several retirement plans covering substantially all employees, including certain employees in foreign countries. Retirement plan costs charged to expense include charges for current service and amortization of prior service cost over a 30-year period.

Notes to Financial Statements

Retirement Plans—Retirement plan expense was $2,274,000 for 1976 and $2,105,000 for 1975. In accordance with the most recent actuarial valuation, as of December 31, 1975, the liability for prior service cost exceeded the total of the fund assets by $11,935,000. Included in this amount are unfunded vested benefits of $9,264,000. Effective January 1, 1976, the company made improvements to the retirement plan which will increase the prior service liability by an estimated $10,000,000. The additional annual expense resulting from the amortization of this increase over thirty years will be approximately $665,000.

BEATRICE FOODS CO. (FEB)

Summary of Significant Accounting Policies

Pension Plans—The Company has pension plans which cover salaried employees and certain hourly-paid employees. Amounts charged to operations under the plans generally include the amortization of prior service liabilities on a 30-year basis. The Company contributes to other plans jointly administered by industry and union representatives. In general, the Company's policy is to fund pension costs currently.

Notes to Consolidated Financial Statements

Note 8: Pension Plans—The amounts charged to earnings for pension plans totaled $23,070,000 for 1976 and $20,490,000 for 1975, of which $8,280,000 and $7,240,000, respectively, pertained to plans jointly administered by industry and union representatives. As of the latest valuation dates, the actuarially computed value of vested benefits for the principal plans exceeded the total of the pension fund assets by $3,200,000.

DAN RIVER INC. (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of Significant Accounting Policies—Accrued pension and profit sharing costs are funded annually and include prior service costs being amortized principally over 30 years.

Note 7: Pension and Profit Sharing Plans—The Company and subsidiary companies have several pension plans covering substantially all of their employees and a profit sharing plan which is principally for salaried employees. The Company also has an executive incentive compensation plan which is essentially a deferred compensation arrangement related to consolidated net earnings.

To spread pension costs more evenly in future years, the actuarial cost method used for two plans was changed in 1976 from the unit credit method to the entry age normal method. Also, the accrued liability for another plan was reestablished as of January 1, 1976 to reflect all of the plan's experience through December 31, 1975. These changes had no material effect on 1976 pension costs. The vested benefits of the pension plans are fully funded since the assets of these plans exceed the actuarially computed value of the vested benefits.

Changes in the pension plans to comply with the provisions of the Employee Retirement Income Security Act had no material effect on pension costs in 1976.

Total pension expense charged to operations amounted to $2,912,000 in 1976 and $1,258,000 in 1975. The pension expense in 1975 was lower due principally to the previously over-funded positions of two of the plans. Profit sharing and executive compensation expense amounted to $2,198,000 and $219,000, respectively, in 1976. There was no expense under either the profit sharing or executive compensation plans in 1975.

DEL MONTE CORPORATION (MAY)

Notes to Consolidated Financial Statements

Retirement Plans—The Corporation and certain subsidiary companies maintain retirement plans for most of their regular employees. It is the Corporation's policy to fund pension costs currently—that is, to finance pension benefits as they are earned by our employees. With respect to the principal retirement plan, pension benefits arising from employment before the plan was started have been fully funded; and, according to the Corporation's actuary, the actuarial carrying value of the plan's assets exceeds vested benefits earned by employees presently covered under the plan. Charges to earnings for pension plan outlays of $5,554,000 in 1976 and $5,658,000 in 1975 are in accordance with the actuary's recommendations.

The Corporation is in the process of revising its plans to conform with the requirements of the Pension Reform Act of 1974; it anticipates that any such revisions will not have a significant effect on annual pension expense.

THE FIRESTONE TIRE & RUBBER COMPANY (OCT)

Notes to Financial Statements

(Dollars in Thousands, Except Per Share Amounts)

Pension Plans—The majority of the Company's employees are covered by trusteed contributory and non-contributory pension plans. Minor changes in these pension plans required by the Employee Retirement Income Security Act of 1974 became effective on November 1, 1976. These changes will not result in a material increase in annual pension cost.

The cost of these pension benefits was $60,056 in 1976 and $56,373 in 1975, including amortization of prior service cost over 25 years. Pension cost increased in 1976 principally as a result of a partial year's effect of improved benefits. Pension costs accrued are funded by payments to trustees. Based upon the latest actuarial report at December 31, 1975, adjusted to reflect the impact of improved benefits effective in 1976, the amount required to fund prior service cost of such major plans was $490,000 and the actuarially computed value of vested benefits for the plans exceeded pension fund assets by $274,000.

Changes in Pension Fund Assets
(At Cost)

(Unaudited)	(in millions)
Assets at October 31, 1974	$509.7
Company contributions	56.4
Employee contributions	1.7
Income from fund assets	27.7
Transfer from predecessor plans	1.2
Pension payments	(34.0)
Refunds to withdrawing employees	(.9)
Assets at October 31, 1975	$561.8
Company contributions	60.1
Employee contributions	1.9
Income from fund assets	34.9
Transfer from predecessor plans	1.6
Pension payments	(36.0)
Refunds to withdrawing employees	(.6)
Assets at October 31, 1976	$623.7

Pension Fund Assets
(At Market)

October 31, 1974	$347.4
October 31, 1975	462.9
October 31, 1976	600.2

FIRST NATIONAL STORES INC. (MAR)

Notes to Financial Statements

Note 2 (in part): Summary of Significant Accounting Policies

Pensions—The Company maintains a trusteed noncontributory pension plan for employees who are not covered by union pension plans. Actuarial gains, resulting principally from the transfer of employees to various union plans and appreciation in the fund, are being amortized over ten-year periods from the dates of occurrence (see Note 9).

Note 9: Pensions—The assets of the Company's pension fund exceed the actuarially computed value of plan liabilities. Since 1966, no charges have been required for pension costs, other than contributions to union pension plans, because recognized actuarial gains have exceeded the annual provisions for normal or current costs. Total pension costs charged to earnings, representing contributions to union plans, were $3,848,000 in 1976 and $3,342,000 in 1975.

Effective March 1, 1975, the Company made certain voluntary changes to its plan as well as certain other changes required by the Employee Retirement Income Security Act of 1974. The changes include improved employee benefits, a liberalization of eligibility requirements and accelerated vesting of plan benefits. It is estimated that the fund's assets were in excess of the actuarially computed value of vested benefits at March 27, 1976.

GENERAL ELECTRIC COMPANY (DEC)

Summary of Significant Accounting Policies

Pensions—Investments of the General Electric Pension Trust, which funds the obligations of the General Electric Pension Plan, are carried at amortized cost plus programmed appreciation in the common stock portfolio. Recognition of programmed appreciation is carried out on a systematic basis which does not give undue weight to short-term market fluctuations. This recognition of programmed appreciation is limited by a maximum ratio, calculated on a moving basis, of book to market values over a multiyear period.

The funding program for the Pension Trust uses 6% as the estimated rate of future income. This rate includes systematic recognition of appreciation in the common stock portfolio.

Unfunded liabilities of the Trust are being amortized over a 20-year period.

Costs of a separate, supplementary pension plan, primarily affecting long-service professional and managerial employees, are not funded. Current service costs and amortization of past service costs over a period of 20 years are being charged to Company operating costs currently.

Notes to Financial Statements

Note 4: Employee Benefits—General Electric and its affiliates have a number of pension plans, the total Company cost of which was $240.1 million in 1976 and $193.1 million in 1975. The most significant of these plans is the General Electric Pension Plan, in which substantially all employees in the U.S. are participating. Obligations of the Pension Plan are funded through the GE Pension Trust.

The limit described under Pensions on page 36 for recognizing programmed appreciation in the common stock portfolio was not reached at year-end 1976 or 1975.

Earnings of the Trust, including the programmed recognition of appreciation, as a percentage of book value of the portfolio were 6.4% for 1976 and 6.6% for 1975.

Unfunded liabilities of the Trust were estimated to be $707 million at December 31, 1976, compared with $581 million at the end of 1975, the increase resulting primarily from amendments to the Plan which became effective July 1, 1976. Unfunded vested liabilities included in these amounts were $568 million and $447 million at December 31, 1976 and 1975, respectively. Estimated market value of Trust assets at the end of 1976 was $3,636 million and $2,993 million at the end of 1975.

Financial statements of the Pension Trust are on page 38.

Costs of a separate supplementary pension plan, primarily affecting long-service professional and managerial employees, were $9.5 million in 1976 and $4.3 million in 1975. Unamortized liabilities for this supplementary plan were $74 million and $31 million at December 31, 1976 and 1975, respectively. The increase in costs and unamortized liabilities resulted principally from amendments to the plan effective January 1, 1976.

Utah has separate pension plans which are substantially fully funded and the costs of which are included in the total Company costs reported above.

Incentive compensation plans apply to over 3,000 key employees. Amounts included in costs and expenses for incentive compensation, including Utah's Bonus Program, were $40.1 million in 1976 and $35.2 million in 1975.

General Electric Pension Trust

(In millions)	1976	1975
Operating statement		
Total assets at January 1	$3,047.5	$2,762.0
Company contributions	204.5	170.2
Employee contributions	59.4	47.2
	263.9	217.4
Dividends, interest and sundry income	144.9	128.0
Common stock appreciation:		
Realized	11.7	16.7
Accrued	76.6	70.7
Total programmed	88.3	87.4
Pensions paid	(158.5)	(147.3)
Total assets at December 31	$3,386.1	$3,047.5
Financial position—December 31		
U.S. government obligations and guarantees	$ 103.6	$ 97.2
Corporate bonds, notes and mineral interests	318.0	335.5
Real estate and mortgages	672.3	589.2
Common stocks and convertibles	2,177.4	1,831.1
	3,271.3	2,853.0
Cash and short-term investments	57.4	123.1
Other assets—net	57.4	71.4
Total assets	$3,386.1	$3,047.5
Funded liabilities:		
Liability to pensioners	$1,265.9	$1,153.8
Liability for pensions to participants not yet retired	2,120.2	1,893.7
Total funded liabilities	$3,386.1	$3,047.5

GENERAL HOST CORPORATION (DEC)

Summary of Significant Accounting Policies

Employee Retirement Plans—Pension expense is accrued and funded based on the actuarially determined costs of the plans. Prior service costs are being amortized over periods ranging from thirty to forty years.

Notes to Consolidated Financial Statements

Note 12: Employee Retirement Plans—The Company has several pension plans covering substantially all salaried and certain hourly employees. Pension costs were approximately $3,290,000 in 1976 and $3,570,000 in 1975, including normal cost, interest on unfunded prior service costs and amortization of prior service costs over periods of thirty or forty years. As of December 25, 1976 the actuarially computed value of vested benefits under the plans exceeded the assets of the related funds and balance sheet accruals by approximately $27,000,000.

Although the closing of certain Cudahy Foods Company plants resulted in a reduction of total pension costs for 1976, union contracts negotiated during the year provide for increased benefit levels effective January 1, 1977. The increase in vested benefits resulting from these negotiated improvements was substantially offset by increases in the market value of the investments in the pension trust funds during the year.

While the Company has no contractual obligation for benefit payments or contributions to the trust funds beyond the terms of existing labor contracts, under provisions of the Employee Retirement Income Security Act (ERISA), the Company is liable for unfunded vested benefits if the pension plans are terminated. The cessation of operations at the Wichita plant resulted in the separation of more than 20% of the employees who are participants in a pension plan maintained by the Company's wholly owned subsidiary, Cudahy Company. As a result, under the provisions of ERISA the Pension Benefit Guaranty Corporation (PBGC) has discretion to require Cudahy to (1) make a payment into escrow of an amount no greater than the benefits guaranteed to the Wichita employees under ERISA to the extent they are determined to be unfunded, which amount would be returned to Cudahy in five years if the plan were not terminated within that period, (2) post a bond in the maximum amount of 150% of the unfunded guaranteed benefits for the five year period, or (3) execute an indemnity agreement in a form satisfactory to the PBGC. The Company has not as yet been advised as to what action the PBGC will take; however, because the Company intends to maintain the plan in effect and to continue to fund the unfunded vested benefits of the separated Wichita employees as part of its annual pension contributions, the Company has been advised by counsel that the above-described provisions of ERISA may not be invoked.

THE GILLETTE COMPANY (DEC)

Notes to Financial Statements

Pensions—The Company has noncontributory pension plans in effect for substantially all of its domestic employees. For the principal domestic plan, unfunded prior service costs of $39,900,000 are being amortized over a 30-year period. The actuarially computed value of vested benefits exceeded the market value of fund assets by approximately $7,400,000 as of the valuation date, September 30, 1976. Various pension plans are also in effect for certain subsidiaries operating in foreign countries.

The Company's general policy is to fund pension costs currently. Principal exceptions to this policy occur in the Company's subsidiaries in Germany where, under common local practice and enabling tax law, pension costs are accrued but unfunded.

The total amount charged to expense for all Company-sponsored pension plans, computed by independent actuaries, primarily under the entry age normal cost method, was $15,105,000 in 1976 ($12,595,000 in 1975). Vesting, eligibility and other changes in the principal domestic plan, in response to the Employee Retirement Income Security Act of 1974, increased both prior service and vested benefit actuarial liabilities. These changes and related revised actuarial assumptions had an immaterial effect on 1976 pension expense.

GULF OIL CORPORATION (DEC)

Notes to Financial Statements

Note 1 (in part): Summary of Accounting Policies

Pensions—Pension costs, which are determined by independent actuaries, are funded as accrued. Prior service costs are amortized and funded over varying periods for the different plans but generally for no more than 15 years.

Note 15: Pension Plans—The Company has various pension plans covering substantially all of its employees. The provisions for the cost of all the various pension plans charged to income for the years 1976 and 1975 were $136 and $113 million, respectively. The 1976 contribution to the Gulf Pension Plan, to be paid in 1977, is included in other current liabilities. At December 31, 1976, estimated unamortized prior service costs of all the various pension plans aggregated approximately $310 million.

Under the Gulf Pension Plan, covering the majority of U.S. employees, the market value of plan assets and balance sheet accruals exceeded the estimated value of vested benefits, based on the latest actuarial valuations projected to December 31, 1976.

A summary of changes in the fund investments, including receivables from the Company, for the Gulf Pension Plan during 1976 and 1975 follows:

	Millions of Dollars Year Ended December 31	
	1976	1975
Investments at January 1, at cost	$687	$600
Company contributions	115	99
Fund income	45	29
Benefits paid	(47)	(41)
Investments at December 31, at cost	$800	$687
Market value at December 31	$866	$693

JOY MANUFACTURING COMPANY (SEP)

Statement of Accounting Policies

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

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

Notes to Consolidated Financial Statements

Pensions—Pension expense amounted to $8,039,000 in 1976 and $5,644,000 in 1975. The increase in pension expense was principally attributed to improvements in benefits under certain major plans, higher compensation levels and an increase in the number of participants. Changes made in certain plans to comply with the Employee Retirement Income Security Act of 1974 (ERISA) also contributed to the increase in pension expense in the amount of $312,000.

Since enactment of the Employee Retirement Income Security Act of 1974, management has taken affirmative action, with respect to the retirement plans in the United States, to comply with its requirements. Additional amendments and changes will be made to the pension plans during fiscal 1977 which according to the Company's actuaries will not have a significant impact on the provision for pension expense, funding of pension costs or unfunded vested benefits.

The actuarially estimated value of vested benefits, based upon ERISA valuation guidelines adopted in 1976, exceeded, as of September 24, 1976, the total of the market value of pension funds and net balance sheet accruals by approximately $13,240,000.

In fiscal 1976, the Company elected to fund $2,044,000 in addition to pension costs accrued. This additional contribution, which had no effect on fiscal 1976 pension expense, is included in prepaid expenses and deposits at September 24, 1976.

THE MACKE COMPANY (SEP)

Notes to Consolidated Financial Statements

Note 9: Pension and Profit Sharing Plans—The Company has a pension plan ("The Macke Plan") which covers substantially all full-time employees who meet certain eligibility requirements as to age and length of service. Also, in certain of its divisions, the Company contributes to profit sharing or union pension funds in lieu of The Macke Plan. The aggregate cost of all pension and profit sharing plans reflected in the accompanying statements of consolidated income is $976,000 and $903,000 for 1976 and 1975, respectively, including amounts applicable to The Macke Plan of $870,000 and $823,000 in 1976 and 1975. Prior service cost amortization (over a period of 30 years) in 1976 was approximately $50,000 including interest on the unfunded balance. As of September 30, 1975 (the date of the latest actuarial valuation), the unfunded prior service cost was approximately $1,148,000.

The Company's policy is to fund accrued pension costs. As of Septemeber 30, 1976, the actuarially computed value of vested benefits does not exceed the market value of the pension fund at that date of $2,812,000. This fund was invested in various joint investment funds managed by an insurance company designated by the plan trustees.

The Employee Retirement Income Security Act of 1974 required the Company to amend its Pension Plan to conform with certain provisions of the Act. On November 10, 1976 an Application was made to the Internal Revenue Service for an advance determination on the qualification of the amended plan. The Company believes that the effect on annual pension costs and the funding of such costs for 1977 and subsequent years and the effect on unfunded vested benefits resulting from these amendments will not be significant.

MARHOEFER PACKING COMPANY, INC. (OCT)

Notes to Consolidated Financial Statements

Note 1 (in part): Significant Accounting Policies:

Pension and Retirement Plans—The Company and its subsidiary have pension plans covering substantially all union and non-union employees. Pension plan expense covers normal costs, interest on unfunded prior service costs and amortization of prior service costs over a forty-year period. See Note 4 for current funding policy.

Note 4: Retirement Plans—Pension expense for fiscal 1976 and 1975 amounted to $642,127 and $556,384, respectively. The increase is principally due to increased benefits granted hourly employees under the existing union agreement.

The actuarially computed value of vested benefits under the plans exceeded the plans' assets (at market) and balance sheet accruals on November 1, 1975, the date of the most recent actuarial report, by $3,979,000. The unfunded prior service costs exceeded the plans' assets (at market) and balance sheet accruals at that date by approximately $6,169,000.

Pension expense for 1972, 1974, 1975 and 1976 has not been funded. As a result, the plans do not currently meet an Internal Revenue Service funding guideline by approximately $1,517,000. The corresponding amount as of November 1, 1975 was classified as a current liability based on management's intention to fund the amount if sufficient funds are generated from 1976 operations. No contributions were made to the plans during fiscal 1976. On November 1, 1976 the company entered into an agreement with the union to correct this underfunding situation. By the terms of the agreement, beginning in fiscal 1977, the current year's normal cost and interest on the unfunded prior service costs will be funded annually in periodic instalments. In addition, the funding deficiency will be funded over 20 years and the remaining unfunded prior service costs over 40 years beginning in 1977. The company will similarly fund the nonunion plan. The portion of the 1977 payments representing funding of the October 30, 1976 balance sheet liability has been classified as a current liability.

The Employee Retirement Income Security Act of 1974 (ERISA) is not expected to increase pension costs by a significant amount; vested benefits, however, will be increased significantly. The funding arrangement entered into with the union on November 1, 1976 complies with ERISA funding requirements.

OSCAR MAYER & CO. INC. (OCT)

Financial Review

Pension Plans—Pensions are provided under company-administered trusteed plans covering substantially all employees. A limited number of employees are covered by collective bargaining agreements under which payments are made to union-administered funds. With respect to the trusteed plans, the actuarially determined approximate value of vested benefits and the market value of pension fund assets at the dates of the most recent actuarial valuations were as follows:

	January 1	
	1976	1975
Vested benefits	$110,700,000	94,700,000
Fund assets	70,300,000	51,700,000
Excess of benefits over assets	$ 40,400,000	$43,000,000

At October 30, 1976, the market value of pension fund assets plus accrued pension cost (which was paid on November 1, 1976) was approximately $92,000,000. Unfunded prior service cost was $54,800,000 at the 1976 valuation date.

Pension expense for the trusteed plan was $12,400,000 in 1976 and $10,800,000 in 1975. The increase resulted primarily from increases in benefits and number of covered employees.

Recently signed union contracts provide for a 50% increase in benefits over the three years beginning January 1, 1977. This will result in an increase in 1977 pension costs of approximately $4,000,000 and an increase in vested benefits of approximately $19,000,000.

SAFEWAY STORES, INCORPORATED (DEC)

Notes to Financial Statements

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

Employee Retirement Plans—The Company's practice is to contribute the full normal cost and there is no unfunded past service liability.

Note B: Employee Retirement and Profit-Sharing Plans—The Company and its Canadian subsidiaries have contributory, trusteed Retirement Plans which may be amended or terminated at any time, for eligible employees not covered by other plans to which the companies contribute. The assets of the trust funds are sufficient to fund vested benefits. Such contributions charged to income were $9,349,000 in 1976 and $8,489,000 in 1975. Contributions charged to income for various pension plans under Union contracts were $56,924,000 in 1976 and $46,174,000 in 1975.

Contributions charged to income for Safeway's U.S. and Canadian Employee Profit-Sharing Plans were $7,431,000 in 1976 and $12,564,000 in 1975.

Management believes that the Company's U.S. Retirement and Profit-Sharing plans meet the requirements of the Employee Retirement Income Security Act of 1974. Changes which will not materially affect future expense were made effective January 1, 1976 for the Profit-Sharing Plan and December 31, 1976 for the Retirement Plan.

THE TIMKEN COMPANY (DEC)

Notes to Consolidated Financial Statements

Note A (in part): 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.

Note F: Employee Retirement Plans—Charges to operations for the cost of these plans amounted to $33,274,000 for 1976 and $25,939,000 for 1975. Amendments to the major plans, effective September 1, 1975 and January 1, 1976, 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 30 (effective September 1, 1975), over which prior service costs are being amortized had the net effect of increasing annual costs of these plans by approximately $9,900,000. The effect of these changes on net income for the years 1976 and 1975 approximated $5,150,000 ($.46 per share) and $1,800,000 ($.16 per share), respectively.

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, 1976, by approximately $83,000,000.

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 noncompensatory plans are classified as compensatory plans. Since the major principles of Chapter 13B of *ARB No. 43* are not changed, classification as a compensatory plan does not necessarily require that compensation cost be recognized.
>
> 10. *Measuring Compensation for Services.* Compensation for services that a corporation receives as consideration for stock issued through employee stock option, purchase, and award plans should be measured by the quoted market price of the stock at the measurement date less the amount, if any, that the employee is required to pay. That is the principle in Chapter 13B 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.

TABLE 3-9: COMPENSATORY PLANS

	Number of Companies			
	1976	1975	1974	1973
Incentive compensation plan	138	145	93	117
Profit-sharing plan...........	90	130	118	83
Deferred compensation contract	50	56	88	61
Stock compensation plan....	41	N/C	N/C	N/C
Savings fund plan............	37	27	30	33

N/C — Not Compiled.

12. *Accruing Compensation Cost.* Compensation cost in stock option, purchase, and award plans should be recognized as an expense of one or more periods in which an employee performs services and also as part or all of the consideration received for stock issued to the employee through a plan. The grant or award may specify the period or periods during which the employee performs services, or the period or periods may be inferred from the terms or from the past pattern of grants or awards (*ARB No. 43,* Chapter 13B, paragraph 14; *APB Opinion No. 12, Omnibus Opinion – 1967,* paragraph 6).

14. If stock is issued in a plan before some or all of the services are performed, part of the consideration recorded for the stock issued is unearned compensation and should be shown as a separate reduction of stockholders' equity. The unearned compensation should be accounted for as expense of the period or periods in which the employee performs service.

16. *Accounting for Income Tax Benefits.* An employer corporation may obtain an income tax benefit related to stock issued to an employee through a stock option, purchase, or award plan. A corporation is usually entitled to a deduction for income tax purposes of the amount that an employee reports as ordinary income, and the deduction is allowable to the corporation in the year in which the amount is includable in the gross income of the employee. Thus, a deduction for income tax purposes may differ from the related compensation expense that the corporation recognizes, and the deduction may be allowable in a period that differs from the one in which the corporation recognizes compensation expense in measuring net income.

20. The 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.

Examples of compensation plan disclosures follow.

Incentive Compensation Plans

AIRCO, INC. (DEC)

Notes to Financial Statements

Note 10: Incentive Compensation Plans—Under the corporate incentive compensation plan, as approved by the stockholders in 1972, a committee of the Board of Directors may allocate to an incentive compensation account an amount for incentive compensation awards to officers and certain other key employees of Airco. The amount allocated, in the aggregate, is limited in any year to 7½% of the total of (i) the amount by which income before Federal and foreign taxes on income and (ii) the provision for such allocation exceed a 13% return on stockholders' equity at the end of the preceding year. No amount shall be available for allocation unless earnings per share, before extraordinary items, and cash dividends paid on common stock are $1.80 per share and $.80 per share, respectively. Under the provisions of the plan $3,632,000 could have been allocated to the incentive compensation account for the year ended December 31, 1976. The amount charged to expense for this purpose was $800,000 in both 1976 and 1975.

In addition to the corporate incentive compensation plan, Airco maintains other plans for key corporate and divisional employees. The provisions for payments under such plans were not material in either of the years ended December 31, 1976 or 1975.

AMERICAN HOME PRODUCTS CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 7: Management Incentive Plan—The Company's Management Incentive Plan provides for common stock awards to key employees which are limited in value each year to 12% of Incentive Earnings, as defined. Such common stock awards plus accrued dividends thereon, are generally distributable in the seventh year following the year for which each award is made provided the employee has remained in the Company's employ; otherwise such awards are distributable in ten approximately equal annual installments following each employee's termination of employment, subject to certain conditions. The maximum shares issuable under the plan is 3,000,000 common shares of which a total of 1,393,010 shares has been awarded. Awards plus accrued dividend equivalents for a total of 1,219,757 shares were outstanding at December 31, 1976. Provisions for Management Incentive Plan costs charged to expense were $5,416,000 in 1976 and $3,588,000 in 1975 (after taxes).

DYNALECTRON CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 14: Incentive Compensation Plans—The Company and its subsidiaries have established certain incentive compensation plans. The most significant plans, which generally cover officers and key employees, are:

Management Incentive Compensation Plan (Management Plan)

The Management Plan is administered by a committee composed of the Chairman of the Board and three outside directors. The maximum amount that can be distributed under the plan is equal to 10% of the Company's net earnings (as defined) during the year in excess of 12% of the Company's average capital investment (as defined), plus an additional amount not to exceed 0.5% of the Company's consolidated revenues. Individual awards are discretionary but may not exceed 80% of annual base compensation.

Profit Sharing Plan for Operating Divisions and Subsidiaries (Profit Sharing Plan)

The Profit Sharing Plan is administered by the President of the Company. The maximum amount that can be distributed under the Plan, unless otherwise approved by the Executive Committee of the Board, is equal to 5% of the earnings base (as defined) of each participating division or subsidiary. No participant under the Profit Sharing Plan is eligible to receive compensation thereunder in an amount in excess of 60% of said participant's base salary for the year.

In addition to the above, the Company has established incentive bonus plans for certain officers and key employees of recently acquired companies. These plans provide for payments in cash or stock at a future date depending upon attainment of earnings (as defined) in excess of stipulated base amounts over specified periods of time (generally three or four years). In addition, certain subsidiaries not covered under the Profit Sharing Plan have established their own individual profit sharing plans.

The aggregate amount of incentive compensation expense included in the consolidated statements of earnings was as follows:

	1976	1975
	(In thousands)	
Management plan	$ 547	$ 547
Profit sharing plan	415	342
Special plans for employees of recently acquired companies	571	391
Other plans	381	638
	$1,914	$1,918

EASCO CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of Accounting Policies

Incentive Plan—The Company has a cash and nonqualified stock option incentive plan for key employees. It is the Company's policy to accrue estimated benefits as earned under the plan.

Note 4: Incentive Plans—The Company has three qualified stock option plans which were established in 1964, 1968 and 1973. All plans are substantially the same and at December 31, 1976 provided an aggregate of 89,746 shares for the granting of options to officers and other key employees of the Company and its subsidiaries at not less than 100% of the fair market value of the stock on the date of grant. The options expire five years from the date of grant. The following tabulation summarizes the changes in qualified stock options during 1975 and 1976:

	Number of shares under option	Average price per share
Outstanding at December 31, 1974	78,467	$13.78
Granted	—	—
Exercised	(231)	16.31
Cancelled or expired	(6,679)	12.82
Outstanding at December 31, 1975	71,557	13.86
Granted	4,460	19.05
Exercised	18,347	13.08
Cancelled or expired	4,351	16.28
Outstanding at December 31, 1976	53,319	$14.36

At December 31, 1976, options of 50,350 shares were exercisable and options for 36,427 shares could be granted under the various plans.

The Company terminated its deferred compensation unit plan effective December 31, 1975 and, with stockholders' approval in April, 1975, adopted a new executive compensation plan consisting of two programs, an executive cash incentive compensation program and a nonqualified incentive stock option program. The plan is effective from January 1, 1975 until December 31, 1984.

Under the executive cash incentive compensation program, a cash bonus fund is established each year if adjusted net income equals at least 15% of average shareholders' equity. The amount of cash appropriated to the fund and available for distribution will vary from 20% to 80% of the aggregate base salaries of all participants in the program for that year, depending on the level of the ratio of adjusted net income to average shareholder' equity. The charges to income in 1976 and 1975 relating to the cash bonus fund were $202,000 and $137,000 respectively.

The nonqualified incentive stock option program provides for the granting of options to officers and other key employees for the purchase of 111,410 shares of common stock, plus 36,427 shares authorized but not issued under the third and fourth qualified stock option plans. The option price per share shall not be less than 100% of the fair market value of the stock on the date granted reduced by the excess of the fair market value of the stock at the time the option is exercised over the fair market value of the stock at the date granted, but in no event less than zero. The options expire six years from the date of grant and only 20% of the options granted can be exercised each year, commencing the year following the year granted provided a 5% improvement in earnings, a 15% return on average shareholders' equity and other conditions of the program are met.

At December 31, 1975, options for 107,950 shares were outstanding. During 1976, 1,200 options were granted, 5,420 options were cancelled and 13,590 options were exercised at an average price per share of $1.24. At December 31, 1976, options for 89,140 shares were outstanding of which 18,590 and 17,900 became exercisable in 1976 and 1977 respectively. Compensation expense of $324,000 in 1976 and $412,000 in 1975 was charged to income under the plan.

INTERNATIONAL HARVESTER COMPANY (OCT)

Notes to Financial Statements

Note 20: Management Incentive Programs—The parent Company's Management Performance Assurance Award Plan provides that a separate award determination be made at the conclusion of each fiscal year. Performance targets are established annually for selected employees having substantial responsibility in an executive or managerial capacity. Awards are based on the quality of performance toward the attainment of such targets. Under provisions of the Plan, $4.2 million in 1976 and $1.9 million in 1975 were charged to costs and expenses. Employees participating in this Plan are not eligible to participate in the Managerial Extra Compensation Plan.

The parent Company's Managerial Extra Compensation Plan provides that whenever International Harvester's pretax income, as defined in the Plan, exceeds a prescribed level an appropriation for extra compensation is made. Under provisions of the Plan, $9 million was charged to costs and expenses in 1976. No extra compensation was granted in 1975.

The plans are administered by the Committee on Compensation and Organization of the Board of Directors. Members of the Committee are not employees and are not eligible for participation in these plans. The Committee determines the managerial employees to whom awards of extra compensation shall be granted and the amount to be granted to each individual.

LYNCH CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 8: Incentive Plan—The Company's incentive plan for salaried employees, as amended in 1976, is designed to allow incentive awards to be made to employees of a division or subsidiary without regard to the performance of other divisions or subsidiaries. Under the Plan, an "Incentive Plan Base" is determined annually for each division or subsidiary. The "Incentive Plan Base" for a particular division or subsidiary consists of its earnings for that year before income taxes and before corporate office expenses, goodwill amortization, extraordinary and nonrecurring items and provision for incentive awards. A particular division or subsidiary qualifies for incentive awards in a given year if its "Incentive Plan Base" for that year equals or exceeds 40% of its defined tangible net worth as of the last day of the preceding year. An amount of not more than 12% of the "Incentive Plan Base" of each qualifying division or subsidiary may be available for incentive awards for that year.

Awards to employees must be approved by the Board of Directors and may be made only out of the amount available for awards by reason of the performance of the division or subsidiary for which they work. Corporate office executives and staff may receive awards out of sums available, regardless of which division's or subsidiary's performance made those sums available. Amounts available which are not awarded for any year may not be awarded for future years.

The charge to operations for incentive awards amounted to $100,000 in 1976 and $30,000 in 1975.

ST. REGIS PAPER COMPANY (DEC)

Notes to Financial Statements

Management Incentive Compensation—St. Regis' management incentive compensation plan provides for awarding each year to key employees, including directors who are officers, an aggregate amount not exceeding 10 percent of earnings before taxes, after deducting 6½ percent of shareholders' equity during the year and any unawarded incentive funds of previous years.The incentive compensation awards may be in cash (payable in full after the close of the year) or in deferred shares of St. Regis common stock (payable upon termination of employment) or both.

The provision amounted to $2,000,000 and $4,000,000 in 1976 and 1975, respectively. Awards were allocated as shown in the following table:

	1976	1975
Awards allocated	$2,906,000	$3,968,000
Payable in cash	$1,837,000	$2,312,000
Payable in deferred shares	$1,069,000	$1,656,000
Number of shares	29,374	53,947

At December 31, 1976 and 1975, there was an aggregate of 362,352 and 343,333 shares, respectively, of St. Regis common stock payable, subject to forfeiture, to key employees under the plan.

TEXASGULF INC. (DEC)

Notes to Consolidated Financial Statements

Note 7 (in part): Under a Career Incentive Stock Plan approved by stockholders, awards not to exceed 500,000 shares may be made out of treasury stock to officers and other key employees of the company and its subsidiaries. In 1976 awards of 61,700 shares were made, awards of 2,580 shares previously granted were cancelled, 500 shares of the 1976 awards were cancelled and 30,120 shares were transferred to the employees under the plan. In 1975, awards of 80,850 shares were made, awards of 1,920 shares previously granted were cancelled and 17,770 shares were transferred to the employees under the plan. Awards outstanding at December 31, 1976 and December 31, 1975 amounted to 221,405 shares and 192,905 shares respectively. An amount equal to the fair market value of the shares at the time of award is being charged to income over the period in which the awards will be earned. Accordingly, $1,273,081 was charged to income during 1976 ($863,000 in 1975). Shares are transferred 20% upon the second anniversary of the award and each anniversary thereafter.

Profit Sharing Plans

BELL & HOWELL COMPANY (DEC)

Notes to Financial Statements

Note D: Profit-Sharing Retirement and Pension Plans—Eligible employees of Bell & Howell Company and of its domestic and Canadian subsidiaries who elect to do so participate in a profit-sharing retirement plan. This plan provides for annual contributions ranging from 12% to 20% of earnings (as defined in the plan) of the companies specified by the plan. The plan also provides for a minimum $3,000,000 Company contribution ($3,500,000 annually after 1976) and for supplementary payments at retirement, or in the retirement years, to those retirees whose accounts have failed to meet minimum investment returns. The amounts charged to earnings for the plan in 1976 and 1975 were $3,000,000 and $2,861,000 respectively, including payments of $70,000 in 1975 related to minimum investment return requirements. The Company has no unfunded past service liability under the plan. Had all participants retired at the end of 1976, the Company would not have been obligated to make any additional payments to meet the minimum investment return requirements.

The Company also has funded pension plans covering certain employees who do not participate in the profit-sharing retirement plan. The cost of these plans was $920,000 and $844,000 for 1976 and 1975, respectively, including past service costs which are generally being amortized over 10 to 15 years. The unfunded past service cost of these plans was approximately $1,300,000 at the end of 1976 and $1,500,000 at the end of 1975. At the end of 1976, the value of the assets of the plans exceeded the vested benefits under the plans.

COLLINS & AIKMAN CORPORATION (FEB)

Notes to Consolidated Financial Statements

Note 6: Employees' Pension and Profit-Sharing Plans—The Company and its subsidiaries have several pension plans covering eligible salaried and hourly employees.

The accounting and funding policy with respect to the plans generally is to provide amounts sufficient to meet normal cost plus interest on unfunded prior service cost as computed by independent actuaries. Pension costs charged to income in 1976 and 1975 under the plans were $1,346,000 and $1,240,000, respectively. The actuarially computed value of vested benefits for all plans approximated the total of the pension funds at February 28, 1976.

Compliance with the Employee Retirement Income Security Act of 1974 is expected to increase fiscal year 1977 pension costs by approximately 20 to 25 percent over the amount otherwise expected to be incurred and will substantially increase the actuarially computed value of vested benefits.

The Company has an employees' profit-sharing plan which provides for contributions to a fund to be held in trust by a corporate fiduciary of a sum not in excess of 8% of income for the year, as defined, but not to exceed the amount permitted under the Internal Revenue Code as a deductible expense. A provision of $2,100,000 was charged to income during 1976; no provision was made in 1975.

COMPUGRAPHIC CORPORATION (SEP)

	1976	1975
	(in thousands of dollars)	
Operating costs and expenses:		
Cost of sales	$47,409	$40,067
Installation, service and warranty	8,314	6,964
Selling, general and administrative	20,575	13,880
Engineering, research and development	2,913	2,795
Employee profit sharing (Note 2)	1,794	1,264
Interest	714	1,170
Total operating costs and expenses	$82,719	$66,140

Note 2: Profit Sharing—The Company's profit sharing plan covers substantially all officers and employees who were employed by the Company for at least six months at the end of the fiscal year. The amount of distribution is based upon a percentage, as determined annually by the Board of Directors, of the pre-tax net income, as defined, for the year. Allocation of the distribution among officers and employees is based on length of service and amount of salary or wages earned.

HEUBLEIN, INC. (JUN)

Notes to Consolidated Financial Statements

Pension and Profit-Sharing Plans (in part)—Under the Company's profit-sharing plan for salaried employees, the Company's basic contribution is equal to the lesser of 5% of net income, as defined in the Plan, or 5% of participants' salaries plus a supplementary contribution equal to 4% of net income with the limitation of the total contribution equal to 8% of aggregate salaries. Contributions by the Company to the Plan amounted to $3,850,000 in 1976 and $3,151,000 in 1975.

SIGNODE CORPORATION (DEC)

Notes to 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 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 participant's account is not at a specified minimum balance upon the participant's retirement or other termination. Such minimum balance must be not less than a participant's January 1, 1975 vested amount, plus employee and Company contributions, less any partial withdrawals, all since January 1, 1975. Participants vest on the basis of 50% in the first year and 5% for each full year of service over 5 years. In addition, those participants with at least ten years of continuous employment are guaranteed a rate of interest on their net aggregate accounts at least equal to the prevailing regular passbook interest of a specified bank compounded annually. No supplemental contributions are required in 1975 or 1976. The Company's normal contributions were $5,865,000 for 1976 and $3,912,000 for 1975. Certain domestic and international subsidiaries also have profit sharing plans and their contributions under these plans were $2,180,000 for 1976 and $1,290,000 for 1975.

The parent company also has an incentive bonus plan for officers and certain key employees. The annual bonus is computed using a formula which considers the participant's annual salary and consolidated net earnings. The incentive bonus provision was $1,643,000 for 1976 and $917,000 for 1975.

Deferred Compensation Plans

GEARHART-OWEN INDUSTRIES, INC. (JAN)

Notes to Consolidated Financial Statements

Note 8: Employees' Deferred Compensation Agreements and Bonuses—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, except for six plans which provide for partial vesting at age 55. Total deferred compensation under the plans is to be $1,700,000 plus cost of living escalator clauses in six agreements, of which $260,607 has been provided at January 31, 1977. $110,954 was charged to operations during the year ended January 31, 1977. Anticipated expense for future years is approximately $11,052 per year plus any adjustments for the cost of living.

Two agreements with unpaid balances of $190,562 are earned and fully payable.

Two Companies have primarily discretionary bonus plans under which the Board of Directors may declare bonuses to certain key officers and employees. Generally these plans call for payment of 60% of the bonus in the year following declaration and 20% in each of the two succeeding years. The amounts provided under the plans for fiscal 1977 and 1976 were $497,558 and $515,881.

KOPPERS COMPANY, INC. (DEC)

Notes to Financial Statements

Note 9: Deferred Compensation Plan—The Company has a Deferred Compensation Plan approved by the Board of Directors and ratified by the shareholders for officers and other key employees under which an aggregate of 800,000 units (adjusted for the 2-for-1 stock split) may be outstanding at any one time. Operating expense has been charged with $1,225,000 and $810,000 in providing for the benefits accrued during 1976 and 1975, respectively.

ROWE FURNITURE CORPORATION (NOV)

Notes to Consolidated Financial Statements

Note 4: Deferred Compensation Plans—Under the 1971 Executive Incentive Compensation Plan, the Board of Directors may make awards, subject to certain limitations, to key employees of the Company, or of any of its wholly-owned subsidiaries. The plan is composed of two parts as follows:

Part 1 Incentive Stock Units—While common stock will not be issued, benefits are: (1) related to the increase of the market value of the common stock over the value of units at date of award, and (2) the market value of additional units (dividend equivalents credited on units and converted at year end). Awards amounted to 6,500 units at $4.91 per unit in 1976 (for November 30, 1975) and 10,000 units at $4.79 per unit in 1975 (for November 30, 1974).

Part II Deferred Compensation Awards—Awards under Part II are fully vested at date awarded and are payable over ten annual installments following the year of termination of employment. There were no awards made for 1976 or 1975.

The Company has deferred compensation agreements with key employees in amounts ranging from $50,000 to $250,000. The employees become 50% vested at age fifty-five and vest an additional 5% each year thereafter, except there is no vesting upon voluntary termination of employment. An employee is 100% vested upon involuntary termination if he has completed 15 years of service and his age plus years of service with the Company equals the sum of 60. Vested benefits are payable in 120 monthly installments. Life insurance contracts have been purchased which may be used to fund these agreements. The charges to expense are based on the present value method.

The following summarizes the charges to expense in connection with the above plans for the years ended November 30, 1976 and 1975:

	1976	1975
Part I Incentive Stock Units.........	($ 2,000)	$ 2,000
Part II Deferred Compensation Awards	—	—
Deferred Compensation Agreements	203,000	64,000
Total charged to expense...........	$201,000	$66,000

Stock Compensation Plans

AIR PRODUCTS AND CHEMICALS, INC. (SEP)

Notes to Consolidated Financial Statements

Note 7 (in part): Stock Option and Incentive Plans—Under a qualified stock option plan adopted in 1965, options have been granted to employees at not less than market value. No further options may be granted under this plan and the outstanding options will expire in 1979. The status of the options restated for stock dividends and the two-for-one stock split follows:

	No. of Shares		Av. Option Price	
	1976	1975	1976	1975
Options exercised............	16,058	12,434	$16.05	$13.77
Options outstanding..........	37,444	53,502	15.68	15.79

The expense for incentive compensation plans of the Company and its subsidiaries was $3,686,000 in 1976 and $3,288,000 in 1975.

Under a performance share plan adopted in 1973, awards in the aggregate of 865,946 performance shares may be made to officers and employees. Awards were made in 1973 and 1975 and further awards are expected to be made in 1977 and 1979. Awards will be paid in cash or shares of the Company's Common Stock four years after the date of grant subject to achievement of earnings objectives. The annual provision for the cost of these awards will vary depending on the changes in the market value of the Common Stock over the performance period and because of this factor the 1976 provision was $1,515,000 compared to $3,318,000 in 1975.

BEMIS COMPANY, INC. (DEC)

Notes to Consolidated Financial Statements

Note 5: Performance Share Plan—Effective January 1, 1974, the Company adopted a Performance Share Plan for certain key executive employees. The Plan authorizes issuance of up to 315,000 performance share units over a 10-year period. Each unit is equivalent to one share of Bemis Company common stock. Under the Plan, executives can earn their awards only if the Company meets specific performance targets.

Payments to participants are to be made four years after the date of the award in shares or cash, or both, in such proportion as the Compensation Committee shall determine. However, for the first award period only, a partial payment of up to 25% was permitted and a total of 18,374 shares were paid in 1976. A total of 73,500 performance shares were awarded in 1974 and 79,550 in 1976. The cost of the awards made under the Plan is being charged to income over the applicable four-year periods; $995,000 was expensed in 1976 and $267,000 in 1975.

CBS INC. (DEC)

Notes to Consolidated Financial Statements

Note 7: Performance Incentive Plan—In 1974 the shareholders approved the adoption of the Performance Incentive Plan, a long-term incentive compensation plan. Under the Plan, key employees of the Corporation and its subsidiaries may be granted "Units" consisting of two elements: (a) an option to purchase one share of common stock and (b) one "performance share" of common stock. The Plan provides that the value of the payment with respect to the performance share element shall not be higher than the closing market price of one share of common stock on the date of grant. The performance criteria and other conditions subject to which amounts may become payable with respect to the performance share elements of the Units are based upon such considerations as the Plan Committee of the Board of Directors deems appropriate and may be different for different classes of participants. The purchase price of each share of common stock under each stock option included in a Unit is determined by the Plan Committee, but shall not be less than 100% of the fair market value of such a share on the date of grant. The Plan Committee is authorized to grant a maximum of 750,000 Units. If payment is not made with respect to performance share elements of Units previously granted, the Committee's authority to grant Units would be augmented by the number of such lapsed performance share elements.

Further information with respect to the Plan is summarized below:

	Options		Performance
	Common Shares	Exercise Price	Shares
Outstanding December 31, 1975	505,246	$39.375 to $49.625	519,960
Granted	140,942		140,942
Exercised	(62,522)	$39.375 to $49.625	
Paid			(125,834)
Terminated	(61,432)		(34,705)
Outstanding December 31, 1976	522,234	$39.375 to $55.25	500,363

Outstanding options are exercisable during various specified periods through March 1980. At the discretion of the Plan Committee, performance share payments may be made in cash or in shares of common stock or any combination thereof. Based upon market price, the total outstanding performance shares at December 31, 1976 were equivalent to 388,167 common shares. The cost of the Plan, which is being charged to earnings over the period during which the right to receive payment is earned, approximated $6,248,000 and $7,211,000 in 1976 and 1975, respectively.

CPC INTERNATIONAL INC. (DEC)

Notes to Financial Statements

Executive Incentive Compensation Program—In 1976 the stockholders approved a revised Executive Incentive Compensation Program. The revised Program consists of an Annual Plan and a 1976 Stock Option and Performance Plan, both of which are administered by a Committee of the Board of Directors (consisting of only non-employee directors).

Awards in 1976 to participants in the Annual Plan, based on various criteria, including the overall performance of the Company for the year, the performance of individual operating units and the participants' individual performances, totaled $2.9 million as compared to awards in 1975 under the prior plan of $2.3 million. Under the Performance Plan, a four-year Performance Cycle was established and Performance Units totaling 37,750 units with a maximum fair market value of $45.25 per unit were contingently allotted to certain officers and key employees payable at the end of the Cycle, December 31, 1979, based upon the performance of the Company during the Cycle and during each year within the Cycle measured against criteria established by the Committee. The total accrual in 1976 for Performance Unit awards amounted to one quarter ($.4 million) of the maximum amount that could be payable at the end of the Cycle. Payments designated as "Performance Units" made under the Performance Plan will reduce the number of shares reserved for the 1976 Stock Option Plan which expires on April 28, 1986 and which replaces the 1970 Stock Option Plan. One million shares of common stock have been reserved under the 1976 Stock Option and Performance Plan for grants of options and for Performance Units (which may be paid in cash or in stock at the election of the Committee). Options granted to purchase common stock of the Company are generally non-qualified options, exercisable in installments and expiring 10 years from date of grant, except for options granted in conjunction with the allotment of Performance Units (34,750 in 1976) which are exercisable in whole or in part during the two-year period following the end of the Performance Cycle.

A summary of transactions during 1976 and 1975 under the 1976 and previous stock option plans is set forth below:

	1976		1975	
	Option Price Per Share	Number of Shares Under Option	Option Price Per Share	Number of Shares Under Option
Balance beginning of year	$21.75-40.125	239,253	$21.75-36.50	237,104
Granted	45.25	35,750	40.125	51,200
Exercised	21.75-40.125	(42,955)	21.75-36.50	(46,973)
Lapsed or cancelled	25.00-40.125	(2,126)	25.00-31.125	(2,078)
Balance end of year	23.34-45.25	229,922	21.75-40.125	239,253
Shares becoming exercisable		45,646		44,730
Total shares exercisable at end of year		124,379		122,406

At December 31, 1976, there were 926,500 shares available for future grants of stock options or performance units.

FMC CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 8 (in part): Capital Stock—Under FMC's Incentive Share Plan officers and key employees may be granted contingent rights to receive payments of cash or FMC common stock, or both. Such rights are designated as "Plan Shares," and each Plan Share has a value equal to the value of a share of FMC common stock. The maximum number of Plan Shares that may be awarded under the Plan may not exceed 900,000. Payment of Plan Shares is contingent on continued employment with FMC for a specified period (except for death, disability or retirement) and, as to senior management employees, on meeting earnings per share growth objectives and on other measures of performance. At December 31, 1976 awards for 401,017 Plan Shares were outstanding of which 14,415 shares were awarded during the year. The value of shares awarded is being charged to expense ($2,454,000 in 1976 and $2,486,000 in 1975) over earnout periods of four or five years.

KIMBERLY-CLARK CORPORATION (DEC)

Notes to Financial Statements

Note 14: 1976 Equity Participation Plan—Under the Equity Participation Plan approved by stockholders in 1976, eligible employees who have contributed or are determined to be in a position to contribute materially to the success of the company by managerial, scientific or other innovative means are awarded participation shares and/or granted stock options.

Each participant share is assigned a base value equal to the book value of one common share of the company as of the close of the fiscal year prior to the award. The participant is entitled to a cash payment equal to the increase in book value, but not in excess of book value, at the earlier of the close of the fiscal year in which (i) the seventh anniversary of the date of the award occurs or (ii) book value increases by 100 percent over base value.

Participants are not entitled to current dividends on the participation shares, but their accounts are credited with dividend shares. Each share in a participant's account is assigned a dividend rate equal to the rate declared on the company's common stock. At the close of each year, the amount of such dividends is converted into dividend shares on the basis of the then book value of one common share of the company. The book value of the dividend shares (equal to the current book value of an equivalent number of common shares of the company) is payable in cash to the participant at the same time the participant share award becomes payable. After a cash payment is made, the award terminates.

Stock options under the Plan are granted at no less than market value on the date of the grant. The shares under option become exercisable, 30 percent after the end of the first year, 30 percent after the end of the second year, and the remaining 40 percent after the end of the third year from date of grant. The period of each option is limited to no more than ten years from the grant date, subject to earlier expiration if employment is terminated.

The equivalent of 500,000 shares of the company's common stock is available in the aggregate for participation shares and shares granted as stock options under this Plan. Participation shares, however, never become outstanding common shares of the company. During 1976, 177,900 participation shares were awarded and options to purchase 177,900 shares of common stock were granted. The option price and market value at date of grant was $40.25 per share or $7.2 million in total. At December 31, 1976, none of the options were exercisable nor were any exercised during the year. In 1976 1,000 participation shares and 1,000 optioned shares were cancelled. In 1976, $836,000 was charged to expense with respect to future cash payments under the Plan.

LESLIE SALT CO. (DEC)

Financial Review

Capital Stock, Stock Compensation Plans, and Earnings Per Share (in part)—An additional 40,500 shares are reserved for issuance under an Executive Performance Share Plan approved by the shareholders during 1973. Under the Plan, the Board of Directors may award contingent deferred compensation in the form of performance shares to certain employees other than the President. Prior to 1975, 38,000 shares were awarded of which 9,500 became vested early in 1976. No shares will vest in 1977. Vesting of the awards is subject to future service requirements of three to nine years, and the attainment by the Company of various levels of operating earnings ranging from $.75 to $2.00 per common and equivalent share. The value of the awards, and accrual of related compensation, is two times the increase in the market price of Leslie stock over the award price ($14.45 for the 38,000 shares), with a maximum possible value of each performance share equal to one share of Leslie stock. Awards may be paid in Leslie stock or partly in stock and not exceeding 50% cash at the discretion of the Board of Directors. The 9,500 performance shares which became vested early in 1976 had a total value at vesting of $191,000 and resulted in the payment of $49,000 in cash and the issuance of 5,802 shares of stock (increasing the Company's "Capital stock" and "Additional capital" accounts by $58,000 and $84,000, respectively). The cost of the Plan ($249,000 in 1976 and $228,000 in 1975) has been accrued during the period the compensation was earned.

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

Notes to Consolidated Financial Statements

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

Capital Accumulation Plans—The cost of the Company's capital accumulation plans is accrued over the term of the performance periods. The cost of the Tandem Appreciation Plan is based on the greater of the increase in book value, as defined, or the increase in fair market value of the common stock at the end of the period. The cost of the Performance Share Unit Plan is based upon the fair market value of the common stock at the end of the period and on the performance objective level attained during the period. The annual provision for the cost of these awards will vary depending on the changes in the market value of the common stock during the performance periods.

Note 11: Capital Accumulation and Incentive Compensation Plans—On April 28, 1976, the shareholders of the Company approved the adoption of a Tandem Appreciation Plan and a Performance Share Unit Plan.

The Tandem Appreciation Plan provides for the granting of units to key employees at any time and from time to time prior to December 31, 1978. The units are deemed equivalent in value to one share of common stock. The amount to be received for each unit will be equal to the greater of the increase over a five-year period in the book value of the common stock plus the dividend equivalent or the increase over such period in the fair market value of the common stock. In no case may the payment exceed the book value or fair market value, as the case may be, at the beginning of the relevant period. The maximum number of units which may be awarded under the Tandem Appreciation Plan, subject to the anti-dilution provision, will be 200,000. Any payments may be made in cash or shares of common stock, or any combination thereof, at the discretion of the Board of Directors.

The Performance Share Unit Plan provides for the granting of units to key executive employees at any time and from time to time prior to December 31, 1980. The units are deemed equivalent in value to one share of common stock. The amount to be received for the units at the end of any five-year period will be determined by comparing the Company's actual return on investment performance to the predetermined return on investment performance objectives for the five-year period. The maximum amount of payment cannot exceed 140% of twice the market value of the common stock at the beginning of the relevant period. The maximum number of units which may be awarded under the Performance Share Unit Plan, subject to the antidilution provision, will be 60,000. Any payment may be made in cash or shares of common stock, or any combination thereof, at the discretion of the Board of Directors.

During 1976, there were 96,000 units and 15,000 units awarded under the Tandem Appreciation Plan and the Performance Share Unit Plan, respectively. The amounts charged to expense with respect to these plans for 1976 aggregated $281,000.

During 1976, the Company also adopted a new annual management incentive compensation plan applicable to certain officers and key employees. This plan provides for the payment of cash awards to participants based on the attainment of annual pretax profit levels and other established objectives for each operating unit and for the Company as a whole for each year, and for an incentive award guideline, expressed as a percent of base salary, for participants in considering individual incentive compensation payments. Expense for 1976 relating to this plan aggregated $683,000. During 1975, the Company granted discretionary bonus awards which aggregated $435,000.

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 cash and 50% in the Company's common stock, unless the Board of Directors requires a greater portion to be paid in cash. The last award period will end January 5, 1987.

The performance share unit award is payable approximately three years after grant based upon the Company's attaining cumulative earnings per share objectives, determined at the time of grant. The value of the performance units earned will depend on the market value of the shares at the end of the three-year period not to exceed an increase of 100% of the value at time of grant. No more than 108,000 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. At January 2, 1977 there were outstanding 13,080 performance shares, of which 5,880, were awarded on February 25, 1975 to five employees and 7,200 were awarded on April 25, 1976 to ten employees.

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 $155,000 in 1976 and $43,000 in 1975.

Savings Or Investment Plans

FAIRCHILD INDUSTRIES, INC. (DEC)

Notes to Financial Statements

Note 10: Savings Plan For Salaried Employees—Effective July 1, 1976, the Corporation adopted a Savings Plan for Salaried Employees which provides for basic and supplemental employee contributions and for the Corporation to match 50% of the employee's basic contribution, which may not exceed 5% of the employee's salary. The Company's contribution may be made either in shares of the common stock of Fairchild Industries, Inc. or in cash used to purchase such stock. The Corporation's 1976 contribution under the Plan amounted to $376,298. The Corporation has reserved 400,000 shares for issuance under the Plan of which 16,382 shares were contributed to satisfy a portion of the 1976 requirements.

GENERAL SIGNAL CORPORATION (DEC)

Notes to Financial Statements

Note 7: Employee Benefit Plans—The Company and its subsidiaries have in effect a number of pension plans for salaried and hourly-paid employees. Cost of the plans charged to operations, including amortization of the past service costs over a period not exceeding 30 years, amounted to $6,806,000 in 1976 and $6,880,000 in 1975. The Company's policy is to fund accrued pension costs.

The effect of the Employee Retirement Income Security Act of 1974 along with other plan amendments and a change in actuarial assumptions, effective January 1, 1976, is not significant to the Company's pension costs, funding of pension costs or unfunded vested benefits.

The actuarially-computed value of vested benefits for all plans exceeded the total of balance sheet accruals and the market value of pension fund assets at the most recent valuation date by approximately $6,000,000.

Effective January 1, 1976, the Company established a Savings and Stock Ownership Plan for certain eligible employees. Under the plan, the Company makes regular monthly contributions equal to a fixed percentage of certain defined amounts contributed by employees. Company contributions amounting to $1,495,000 in 1976 were invested in shares of the Company's common stock. At December 31, 1976, there were 271,029 shares of common stock reserved for issuance under the plan.

UNIROYAL, INC. (DEC)

Notes to Financial Statements

Employees' Savings Plan—The Uniroyal Savings Plan for Salaried Employees permits eligible employees to invest up to six percent of their current earnings in a combination of common stock of the Company, at market value, and U.S. Government securities or a fixed principal-income fund. The Company makes a matching contribution of 50% of these employee contributions which it invests in its common stock and which totaled $1,987,000 in 1976 and $1,984,000 in 1975.

The Plan also allows additional employee contributions of from one to six percent of compensation. These contributions are not matched by the Company and are invested in the fixed principal-income fund.

The Plan was amended in 1976, subject to Internal Revenue Service approval, to shorten, from 6 months to 3 months, the period of time an employee may not participate in the plan after a withdrawal of his savings.

VICTOR COMPTOMETER CORPORATION (DEC)

Notes to Financial Statements

Note 7: Employees' Trusts—The company has various profit-sharing and pension plans covering substantially all employees. The contributions were $1,470,537 and $1,089,091 in 1976 and 1975. The unfunded past service liability of the pension plans is approximately $3,950,000 at December 31, 1976. Past service liability of the pension plans is being amortized generally over a 30 year period. The actuarially estimated value of vested benefits for all pension plans as of the date of the last valuation exceeded the aggregate value of pension funds and balance sheet accruals by approximately $1,050,000. Pension costs increased in 1976 due to additional pension benefits and changes in the actuarial valuation resulting from the Employee Retirement Income Security Act of 1974. It is the policy of the company to fund retirement plan costs accrued.

The company has a thrift-incentive plan designed to supplement its other profit-sharing and pension plans. Under the plan, the company makes contributions of $1 for each $3 deposited by a participant. The deposits and contributions are invested generally in the common shares of the company. The company contributions for 1976 and 1975 were $166,761 and $187,578.

Bonus Plans

EXXON CORPORATION (DEC)

Notes to Financial Statements

Note 11: Bonus Plan—The 1973 Incentive Program makes provision for grants of bonuses in respect to each of the five years beginning with 1973 which are not to exceed 3 percent of the amount by which net income in a given year exceeds 6 percent of capital invested (as defined in the plan). Bonuses may be granted to eligible employees of the corporation and of those affiliates at least 95 percent owned. Bonuses may be granted in cash, shares of the corporation's stock or stock appreciation bonus units, which are rights entitling the grantee to receive on the settlement date, with certain limitations, an amount equal to the sum of (i) the appreciation, if any, in the market value of the corporation's stock between the date of grant and the date of settlement and (ii) the equivalent of dividends on the stock during this same period. Bonuses other than units may be paid in cash or shares of the corporation's stock in full at the time of allotment or retirement or in annual installments. Any unpaid amounts are subject to certain forfeiture provisions contained in the plan.

Grants in cash and shares of the corporation's stock are charged to earnings in the year of grant. Appreciation, if any, and dividend equivalents on outstanding stock appreciation bonus units are accrued as they occur. Total charges to earnings in 1976 and 1975 were $15,205,000 and $11,616,000, respectively, reflecting grants substantially less than the maximum permitted under the plan.

GETTY OIL COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 10: Pension and Bonus Plans—Getty and certain subsidiaries have several pension and retirement plans which provide for the funding of the costs of prior and current service through trust funds and insurance contracts. The funds are administered by independent trustees. The companies generally bear the entire cost of the plans and may modify or discontinue the plans at any time. Expenses related to retirement plans were as follows:

	1976	1975
	(In thousands)	
Getty and wholly owned subsidiaries	$16,830	$15,486
Mission, Skelly and certain affiliates	8,838	8,095
Getty consolidated	$25,668	$23,581

The total amount of prior service costs as of the most recent valuation date, December 31, 1975, of $100,182,000 (including $56,344,000 under the plans of Getty and wholly owned subsidiaries) is being amortized in accordance with the Employee Retirement Income Security Act of 1974 guidelines. The assets of the pension funds are sufficient to cover the actuarially computed value of vested benefits under the plans. Minimum funding requirements were established by ERISA for certain pension plans, which requirements are applicable to Getty's and certain subsidiaries' pension and retirement plans for plan years after December 31, 1975. The standards utilized by Getty and certain subsidiaries for funding the pension and retirement plans satisfy the minimum funding requirements prescribed by ERISA.

In 1976 the boards of directors of Getty and Skelly, respectively, adopted bonus compensation plans which authorize the payment of such cash bonuses to executives as the respective boards may determine. The aggregate amount of such bonuses as to each company cannot exceed three percent of the amount by which net income of that company (as defined in the plans) for the year exceeds seven percent of borrowed and invested capital employed by that company (as defined in the plans) during the year, and is further limited to 10 percent of dividends paid by that company. In 1976, awards of $3,487,000 (including Getty and wholly owned subsidiaries of $2,440,000) were paid and charged against 1976 earnings.

MAREMONT CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 6 (in part): Stock Option and Incentive Bonus Plans—Cash awards under the Company's Incentive Bonus Plan may be made to designated key employees (including key employees who are also directors or officers) who are deemed to be in a position to further substantially the profits and profitable growth of the Company. Participation is determined by the Compensation Committee of the Board of Directors, none of whom are participants. These awards are limited in any one year to an amount no greater than 50% of the total annual salary of each participant. Provisions for awards under the plan approximated $820,000 in 1976 and $1,260,000 in 1975.

DEPRECIATION EXPENSE

Paragraph 5 of *APB Opinion No. 12* stipulates that both the amount of depreciation expense and method or methods of depreciation should be disclosed in the financial statements or in notes thereto. Paragraph 5, Chapter 9C of *ARB No. 43* defines depreciation accounting (the process of allocating the cost of productive facilities over the expected useful lives of the facilities) as "a system of accounting which aims to distribute the cost or other basic value of tangible capital assets, less salvage (if any), over the estimated useful life of the unit (which may be a group of assets) in a systematic and rational manner. It is a process of allocation, not of valuation." If the depreciation methods used for tax purposes and, for financial statement reporting differ, *APB Opinion No. 11* requires that the income tax expense shown in a company's financial statements reflect the tax effects of such a difference.

Table 3-10 summarizes 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.

TABLE 3-10: DEPRECIATION METHODS

	Number of Companies			
	1976	1975	1974	1973
Straight-line	567	567	563	568
Declining balance	66	80	71	74
Sum-of-the-years digits	37	46	45	47
Accelerated method-not specified	71	73	74	76
Unit of production	41	38	35	40
Sinking fund	1	1	1	1

Straight Line Method

ALAN WOOD STEEL COMPANY (DEC)

	1976	1975
Costs and expenses:		
Cost of products sold and operating expense	$161,734,592	$139,859,008
Depreciation (Note 1)	7,830,375	8,031,315
Selling, general and administrative expenses	10,373,918	10,351,652
Interest, debt discount and debt expense	3,929,790	3,886,893
	$183,868,675	$162,128,868

Notes to Consolidated Financial Statements

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

Depreciation—Substantially all of the Company's depreciation is computed under the straight-line method for financial statement purposes and an accelerated method for income tax purposes.

CARRIER CORPORATION (OCT)

	1976	1975
Costs and Expenses:		
Costs of sales (excluding depreciation)	$ 833,817,000	$713,073,000
Other operating expenses (excluding depreciation)	169,935,000	155,028,000
Depreciation	24,534	22,798,000
Interest on long-term debt	14,206,000	14,364,000
Other charges—net	2,812,000	5,791,000
Total	$1,045,304,000	$911,054,000

Notes to Consolidated Financial Statements

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

Properties and Depreciation—Property, plant and equipment is carried at cost. Depreciation is provided over the estimated useful lives of the related assets, generally on 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.

DRESSER INDUSTRIES, INC. (OCT)

Summary of Significant Accounting Policies

Fixed Assets—Depreciable fixed assets are depreciated over the shortest practical service life. Accelerated depreciation methods are used for tax purposes whenever permitted. Accelerated depreciation is also used for financial statement purposes, except for U.S. fixed assets with a service life of ten years or less which are depreciated on a straight-line basis. All significant fixed assets are reviewed periodically and if determined to be excess, obsolete, or unsuitable for their intended use are reduced to values recognizing their impaired utility or are assigned shorter remaining useful lives for depreciation purposes. Due to the large number of asset classes, it is not practicable to state the rates used in computing the provisions for depreciation. Depletion of mineral properties is based upon estimates of economically recoverable tonnage. Maintenance, repairs, and renewals are expensed as incurred. Betterments are capitalized. The general policy of the Company is to relieve property accounts and related depreciation allowances for properties retired or otherwise disposed of at amounts included therein for such properties and the resulting profit or loss is reflected in earnings.

Notes to Consolidated Financial Statements

Note M (in part): Supplementary Income Statement Information—Depreciation, depletion and amortization charged to earnings amounted to $62.5 million in 1976 and $52.5 million in 1975.

GENERAL MILLS, INC. (MAY)

	1976	1975
	(in thousands)	
Costs and Expenses:		
Costs of sales, exclusive of items shown below	$1,654,169	$1,531,535
Depreciation expense (Note 1)	45,006	39,744
Amortization expense (Note 1)	1,701	2,043
Interest expense	29,400	36,219
Contributions to employees' retirement plans	17,903	11,465
Profit sharing distribution	3,527	3,129
Selling, general and administrative expenses	692,985	539,132
Total	$2,444,691	$2,163,267

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

Land, Buildings, Equipment and Depreciation—Land, buildings and equipment are stated substantially at cost.

Part of the cost of buildings and equipment is charged against earnings each year as depreciation expense. This amount is computed primarily by the straight-line method, which means that equal amounts of depreciation expense are charged against operations each year during the useful life of an item. For tax purposes, accelerated methods of depreciation are used which provide more depreciation expense in the early years than in the later years of the life of the item. The related tax effect for accelerated depreciation is reflected in "Deferred Federal income taxes."

The useful lives employed for computing depreciation on principal classes of buildings and equipment are:

Buildings	20-50 years
Machinery and equipment	5-25 years
Office furniture and equipment	5-10 years
Transportation equipment	3-12 years

General Mills' policy is to charge maintenance, repair and minor renewal expenses to earnings in the year incurred and to charge major improvements to buildings and equipment accounts. When major equipment items are sold or retired, the accounts are relieved of cost and the related accumulated depreciation. Gains and losses on assets sold or retired are credited or charged to results of operations

POTLATCH CORPORATION (DEC)

	1976	1975
Costs and expenses:		
Depreciation, amortization, and cost of fee timber harvested	$ 26,095,008	$ 21,487,999
Materials, labor, and other operating expenses	475,320,386	383,844,033
Selling, administrative and general expenses	46,404,851	43,357,029
	$547,820,245	$448,689,061

Summary of Principal Accounting Policies

Depreciation, Amortization, and Cost of Fee Timber Harvested—Depreciation of buildings, equipment, and other depreciable assets is provided on the straight-line method at rates based on the estimated useful lives of the assets being depreciated.

Logging roads and related facilities are depreciated over their useful lives or amortized as related timber is removed. Amortization expense is determined by multiplying the volume of timber removed by a rate calculated by dividing the cost of logging roads and related facilities by the estimated total timber volumes to be transported over such assets.

Cost of fee timber harvested is similarly provided when fee timber is harvested or otherwise disposed of. The applicable rate is calculated by dividing the cost of timber by the estimated existing recoverable volume.

Amortization expense is determined by multiplying the volume of timber removed by a rate calculated by dividing the cost of logging roads and related facilities by the estimated total timber volumes to be transported over such assets.

Notes to Financial Statements

Note 4: Buildings and Equipment—Buildings and equipment are summarized as follows:

	1976	1975
Lumber, plywood, and other wood products facilities	$114,334,169	$ 97,993,607
Paper products manufacturing and converting facilities	286,355,795	271,035,956
Other properties, including logging equipment and railroad facilities	33,401,719	32,481,545
Construction in progress	109,629,060	47,893,124
	$543,720,743	$449,404,232

Authorized but unexpended appropriations for property addition and improvements were approximately $88,236,000 at December 31, 1976, of which $54,961,000 represents the estimated cost to complete the new bleached kraft pulp and paperboard project in Arkansas, which is under construction and is expected to be completed during 1977.

Depreciation on buildings and equipment charged against income in 1976 amounted to $20,311,325 ($18,371,665 in 1975).

Note 5: Timber, Timberlands, and Related Logging Facilities—Timber, timberlands, and related logging facilities are stated at cost less amortization or depreciation and cost of fee timber harvested:

	1976	1975
Timber and timberlands	$45,590,585	$44,441,926
Related logging facilities	16,414,276	14,525,009
	$62,004,861	$58,966,935

Amortization expense or depreciation of logging facilities amounted to $3,460,829 in 1976 ($675,870 in 1975). Cost of fee timber harvested amounted to $1,939,391 in 1976 ($2,053,115 in 1975).

MASONITE CORPORATION (AUG)

Consolidated Statement of Changes in Financial Position

	1975	1976
Source of Funds:		
Net income	$ 1,880,000	$24,133,000
Expenses (income) not affecting working capital:		
Depreciation	17,734,000	18,298,000
Investment tax credits amortized	(920,000)	(1,127,000)
Depletion	551,000	703,000
Foreign equity (income), net of $755,000 in dividends in 1975	134,000	(2,019,000)
Deferred Federal income taxes	3,130,000	3,355,000
Working capital provided from operations	$22,509,000	$43,343,000

Notes to Consolidated Financial Statements

Note 1 (in part): Statement of Accounting Policies

Depreciation and Depletion—Provision for depreciation is made on a straight-line basis on the estimated service lives of the various classes of property. Buildings are depreciated over a 10 to 50 year period, and machinery and equipment are depreciated over a 3 to 20 year period.

Major replacements which extend the useful lives of units of equipment are capitalized and depreciated over the estimated remaining useful lives of the property. All other maintenance and repairs are expensed as incurred.

Costs of property retired or otherwise disposed of, and the related accumulated depreciation, are removed from the accounts; the net gain or loss on retirements is credited or charged to earnings.

Depletion of timberlands and roadways is computed on the cost of timberlands and roadways (less an allowance for land values) divided by the estimated recoverable timber to obtain overall average depletion rates.

SEARS INDUSTRIES. (DEC)

Notes to Financial Statements

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

Fixed Assets—Depreciation and amortization of fixed assets have been provided generally on the straight-line method at annual rates based upon their estimated useful service lives. Such rates are as follows: buildings 2% to 10%; machinery, equipment, and fixtures 6% to 34%; and linen in circulation 25%, 50% and 25% in the first, second and third years, respectively.

Fixed assets, except linen in circulation, are carried at cost. At the time such fixed assets are retired or otherwise disposed of, the assets and related accumulated depreciation accounts are relieved of the applicable amounts, and any profit or loss is credited or charged to income. Linen in circulation is carried at cost net of amortization.

Ordinary maintenance and repairs are charged to operations as incurred. Expenditures that materially improve properties or extend useful service lives are capitalized.

Note 4: Depreciation and Amortization of Fixed Assets—Depreciation expense for 1976 and 1975 was $3,153,952 and $2,817,644, respectively; amortization of linen in circulation was $8,617,965 and $8,333,407, respectively.

Declining-Balance Method

CLARK EQUIPMENT COMPANY (DEC)

Statement of Changes in Financial Position

	1976	1975
	($000)	
Financial resources were provided by:		
Net income for the year	$68,122	$46,618
Add charges (deduct) credits to income not affecting working capital in the year:		
Equity in unremitted earnings of unconsolidated subsidiaries and minority-owned associated companies	1,435	(11,305)
Provision for depreciation of properties	26,271	23,502
Reduction of deferred income taxes	(186)	(1,546)
Working capital provided by operations	$95,642	$57,269

Financial Review

Summary of Significant Accounting Policies (in part)

Property and Depreciation—Property, plant and equipment are carried at cost. Expenditures for maintenance and repairs are charged to income as incurred and expenditures for major renewals and betterments are capitalized. Depreciation is provided over the estimated useful lives of the assets, generally by the declining balance method of depreciation, which provides higher charges in early years of asset life. Depreciation rates used were 2.5% to 10% for land improvements, 2% to 12.5% for buildings and 4% to 33.3% for machinery and equipment. Properties retired or sold are removed from the property accounts, with gains or losses on disposal included in income.

AMERICAN MOTORS CORPORATION (SEP)

	1976	1975
	($000)	
Costs and Expenses		
Cost of products sold, other than items below	$2,028,152	$2,048,471
Selling, advertising, and administrative expenses	215,040	187,362
Amortization of tools and dies	39,811	35,151
Depreciation and amortization of plant and equipment	23,381	19,344
Cost of pensions for employees	37,036	28,666
Interest	17,673	15,872
	$2,361,093	$2,334,866

Notes to Financial Statements

Note A (in part): Summary of Accounting Policies

Depreciation and Amortization—Property, plant, and equipment, which is stated at cost, is depreciated over the estimated useful lives of the assets. Assets being depreciated by the straight-line method approximate 37% of the total depreciable assets. All other depreciable assets are depreciated by the declining balance method. Deferred costs of tools and dies are amortized ratably over the estimated production of the models to which such tools and dies relate.

GRUMMAN CORPORATION (DEC)

Notes to Financial Statements

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

Depreciation and Amortization—The declining-balance depreciation method is applied substantially to new properties acquired since January 1, 1954, except for automotive equipment, demonstrator aircraft and older properties which are depreciated on a straight-line basis. Depreciation and amortization for 1976 and 1975 amounted to $17,081,564 and $16,108,902, respectively. Maintenance and repair expense is charged to overhead as incurred.

MOTOROLA, INC. (DEC)

	1976	1975
	($000)	
Manufacturing and other costs of sales	$ 928,201	$ 850,370
Selling, service and administrative expense	345,522	311,998
Depreciation of plant and equipment	54,631	50,546
Interest and amortization of debenture discount, expense and premium, net	16,388	20,387
Total costs and other expenses	$1,344,742	$1,233,301

Notes to Consolidated Financial Statements

Note 1 (in part): Accounting Policies:

Plant and Equipment—Plant and equipment is stated at cost. The related cost and accumulated depreciation on property sold, retired or fully depreciated are cleared from the accounts with the net difference, less any amount realized from disposals, reflected in current operations. Depreciation is provided on the basis of the estimated useful lives generally by the declining balance method. For income tax purposes, the company has selected the provisions of the Class Life Asset Depreciation Range System (ADR) permitting accelerated depreciation. The tax effect of the difference between book and tax depreciation has been provided as deferred income taxes in the accompanying consolidated financial statements.

NORTHROP CORPORATION (DEC)

Consolidated Statement of Changes in Financial Position

	1976	1975
Factors increasing cash		
Net income	$36,252,000	$24,732,000
Add non-cash items		
Depreciation and amortization of property, plant, and equipment	15,026,000	14,642,000
Increase in deferred income taxes and deferred credit	6,810,000	8,113,000
From operations	$58,088,000	$47,487,000

Notes to Consolidated Financial Statements

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

Depreciable Properties—Property, plant, and equipment is depreciated over the estimated useful lives of the individual assets. A majority of such assets are depreciated by declining-balance methods (cost value of $173,862,000 at December 31, 1976; $158,186,000 at December 31, 1975), with the remainder by the straight-line method.

Expenditures for maintenance and repairs are included in costs and expenses, while costs of major renewals and replacements are capitalized. Costs of shop tools, included in machinery and other equipment, are written off over four-year periods without attempting to account for retirement, renewals, and replacements. When any item of property, plant, or equipment is retired or disposed of, applicable amounts are removed from the related asset and depreciation allowance accounts, and the resulting gain or loss is recognized in income.

Depreciation and amortization is computed using the following estimated useful lives:

	Years
Land improvements	10 to 20
Buildings	5 to 45
Machinery and other equipment	2 to 20
Leasehold improvements	Length of lease
Equipment leased to others	5 to 12

THE L. S. STARRETT COMPANY (JUN)

Statement of Changes in Financial Position

	1976	1975
Source of Funds:		
From Operations:		
Net income	$5,983,538	$5,611,525
Depreciation	1,098,816	970,872
Deferred income taxes	230,712	677,342
Deferred pension costs	758,260	514,502
Total funds provided from operations	8,071,326	7,774,241

Notes to Financial Statements

Significant Accounting Policies (in part):

Property, Plant and Equipment—Expenditures for maintenance, repairs and renewals are charged to expense as incurred whereas major betterments are capitalized. The cost of applicable assets is depreciated over their estimated useful lives. Depreciation for U. S. assets is computed generally on the 200% declining balance method and substantially all other assets are depreciated by the straight-line method.

THE UNITED PIECE DYE WORKS (DEC)

Notes to Consolidated Financial Statements

Note A (in part): Significant Accounting Policies:

Expenditures for maintenance and repairs of property, plant and equipment are charged to current operations; renewals and betterments are capitalized. At the time properties are sold, retired, or otherwise disposed of, the costs and accumulated depreciation are eliminated from the accounts, and the net gain or loss is reflected in operations.

Depreciation is provided on the straight-line and declining balance methods and is designed to amortize the cost of various classes of depreciable assets over their estimated useful lives. Leasehold costs are amortized over the shorter of the life of the related asset or the term of the related lease.

For federal income tax purposes, accelerated methods of depreciation are used with respect to most assets, and deferred income taxes are provided on the resultant difference between depreciation expense for financial accounting purposes and for income tax purposes.

Note D: Property, Plant and Equipment:

(1) Major classes of property, plant and equipment are summarized as follows:

	January 2, 1977	December 28, 1975
Land and improvements	$ 138,818	$ 184,059
Buildings and improvements	3,378,622	3,922,998
Machinery and equipment	9,468,735	11,322,806
Furniture and fixtures	433,351	509,921
Automotive equipment	191,893	194,361
Construction in progress	132,520	143,248
Total	13,743,939	16,277,393
Less accumulated depreciation	6,994,048	7,032,036
Balance	$ 6,749,891	$ 9,245,357

(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 $1,277,551 in 1976 and $1,339,521 in 1975 (including obsolescence factors of $127,825 on certain equipment in 1976 and $239,633 on certain other equipment in 1975). For income tax purposes, the Company uses accelerated depreciation methods for most assets irrespective of their acquisition dates.

Sum-Of-The-Years-Digits Method

ANHEUSER-BUSCH, INCORPORATED (DEC)

Statement of Changes in Financial Position

	1976	1975
	($000)	
Financial resources were provided by:		
Operations—		
Net income for the year	$ 55,433	$ 84,723
Charges to income not involving working capital—		
Depreciation	53,105	51,089
Deferred income taxes	18,371	14,484
Deferred investment tax credit	18,881	3,136
Loss on disposition of assets—Los Angeles Gardens	7,328	—
Other, net	2,294	1,847
Working capital provided by operations	$155,412	$155,279

Notes to Consolidated Financial Statements

Plant and Equipment—Plant and equipment is carried at cost and includes expenditures for new facilities and those which substantially increase the useful lives of existing plants and equipment. Maintenance, repairs and minor renewals are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any profit or loss on disposition is credited or charged to income.

The Company provides for depreciation of plant and equipment on methods and at rates designed to amortize the cost of such equipment over its useful life. Depreciation is computed principally on the sum-of-the-years-digits method for property acquired between January 1, 1954 and December 31, 1974, and the straight line method is used for property acquired prior to and after this period.

A portion of the land held by the company is for investment purposes and is not an integral part of the company's primary operations. This land has been classified in the balance sheet as investment properties.

GENERAL ELECTRIC COMPANY (DEC)

	1976	1975
	(in millions)	
Operating costs		
Employee compensation, including benefits	$ 5,849.9	$ 5,136.8
Materials, supplies, services and other costs	7,726.0	7,038.9
Depreciation, depletion and amortization	486.2	470.5
Taxes, except those on income	258.8	162.1
Decrease (increase) in inventories during the year	(151.5)	110.2
	$14,169.4	$12,918.5

Summary of Significant Accounting Policies

Property, Plant and Equipment—Manufacturing plant and equipment includes the original cost of land, buildings and equipment less depreciation, which is the estimated cost consumed by wear and obsolescence. An accelerated depreciation method, based principally on a sum-of-the-years digits formula, is used to record depreciation of the original cost of manufacturing plant and equipment purchased and installed in the United States subsequent to 1960. Acquisitions prior to 1961, and most manufacturing plant and equipment located outside the United States, are depreciated on a straight-line basis. If manufacturing plant and equipment is subject to abnormal economic conditions or obsolescence, additional depreciation is provided. Expenditures for maintenance and repairs of manufacturing plant and equipment are charged to operations as incurred.

The cost of mining properties includes expenditures which substantially increase the useful lives of existing assets. The cost of mining properties is depreciated, depleted or amortized over the useful lives of the related assets by use of unit-of-production, straight-line or declining-balance methods. Maintenance and repairs on major mining equipment and facilities are provided for principally over useful lives of the assets. Minor maintenance and repairs and minor replacements of mining equipment and facilities are charged to operating costs as incurred. Maintenance and repairs associated with development of new mining projects are capitalized.

Mining exploration costs are expensed until it is determined that the development of a mineral deposit is likely to be economically feasible. After this determination is made, all costs related to further development, including financing costs of identifiable new borrowings associated with the development of new mining projects, are capitalized and amortized over the lesser of 10 years or the productive life of the property.

Oil and gas properties are accounted for by use of the full cost method.

INTERNATIONAL BUSINESS MACHINES CORPORATION (DEC)

Notes to Consolidated Financial Statements

Significant Accounting Policies (in part)

Depreciation: With minor exceptions, depreciation of U.S. properties is computed using the sum of the years-digits method. Depreciation of non-U.S. properties is computed using either accelerated methods or the straight-line method.

Depreciation—Depreciation of plant, rental machines and other property charged to costs and expenses amounted to $1,717 million in 1976 and $1,680 million in 1975.

RAYBESTOS-MANHATTAN, INC. (DEC)

Statement of Changes in Financial Position

	1976	1975
Working Capital Provided		
Operations		
Net income	$ 8,779,815	$ 7,755,599
Charges not requiring the outlay of working capital		
Depreciation (Note A-4)	6,994,261	6,650,221
Working capital provided from operations	$15,774,076	$14,405,820

Notes to Consolidated Financial Statements

Note A4: 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 (Note D).

Note D: Property, Plant and Equipment—The property, plant and equipment carried at cost less accumulated depreciation are summarized as follows:

	1976	1975
Land	$ 2,236,044	$ 2,262,070
Buildings	31,981,594	31,066,195
Machinery and equipment	74,812,902	70,227,623
Construction in progress	5,786,357	3,484,178
	114,816,897	107,040,066
Accumulated Depreciation	66,665,092	61,808,972
	$ 48,151,805	$ 45,231,094

Unit of Production Method

DAY MINES, INC. (DEC)

Statement of Changes in Financial Position

	1976	1975
Source of Funds		
From operations:		
Net income (loss)	$1,566,905	$(736,333)
Add: Items not requiring funds:		
Deferred income tax—noncurrent portion	—	28,315
Depreciation and depletion	350,762	155,279
Total funds from operations	$1,917,667	$(552,739)

Notes to Consolidated Financial Statements

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

Depreciation and Depletion—Asset depreciation and depletion on producing properties are computed on a "unit of production" method and are based on estimated ore reserves. Depreciation of office equipment and approximately 33% of buildings and equipment is computed on the declining-balance method and on the "unit of production" method on plant and equipment related to producing properties. Building and equipment costs in connection with nonproducing properties are being depreciated over a ten-year life.

THE SUPERIOR OIL COMPANY (DEC)

	1976	1975
Operating Expenses		
Operating costs	$ 86,252,000	$ 76,955,000
Geological and geophysical	29,158,000	29,885,000
Intangible development costs	101,128,000	85,325,000
Nonproductive leases and other properties abandoned	15,684,000	18,158,000
Depletion, depreciation and amortization	36,272,000	33,120,000
General and administrative	26,668,000	24,819,000
Taxes (other than income)	21,531,000	19,289,000
	$316,693,000	$287,551,000

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 (excluding offshore production platforms) is calculated on a composite basis using the declining balance method at a thirty percent rate. Depreciation of offshore production platforms and gas plants and related facilities is calculated on a composite basis using the declining balance method at a ten percent rate. 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.

TEXASGULF INC. (DEC)

Notes to Consolidated Financial Statements

Note 1 (in part): Summary of Accounting Policies

Depreciation and Amortization—The company's policy is to depreciate and amortize producing property, plant, and equipment over the estimated lives of such assets by the application of the unit-of-production method in the case of mine properties and facilities and the straight-line method in the case of manufacturing facilities. In arriving at rates under the unit-of-production method, commercially recoverable product reserves are estimated by the company's geologists and engineers. Such estimates are revised as data becomes available to warrant revision. Under the straight-line method, the annual rates applied to the cost of the assets give effect to wear and tear, deterioration from natural causes and normal obsolescence.

Note 3: Depreciation and amortization of producing property, plant and equipment was $28,758,000 in 1976 compared with $25,495,000 in 1975.

Depletion

HOUDAILLE INDUSTRIES, INC. (DEC)

Changes in Consolidated Financial Position

	1976	1975
Working Capital was Provided by:		
Operations:		
Net income for the year	$24,821,391	$17,360,760
Add (deduct) items not requiring outlay of working capital in the current period:		
Depreciation, depletion, and leasehold amortization (Notes A and F)	9,544,480	9,097,955
Amortization of intangibles	198,589	100,802
Deferred income taxes	1,020,383	582,466
Total from operations	$35,584,843	$27,141,983

Note A (in part): Accounting Policies:

Depreciation and Depletion—Depreciation is recorded in the accounts using both accelerated and straight-line methods applied to individual property items.

Depletion is provided for book purposes at rates per ton calculated to amortize the residual cost of aggregate reserves over the remaining tons estimated to be recoverable.

The Corporation and subsidiary companies charge maintenance and repairs to income; renewals and betterments are capitalized. Upon the sale or retirement of property, the accumulated depreciation or depletion allowances are adjusted accordingly; any profit or loss is credited or charged to income.

Note F: Depreciation—The estimated useful lives established by the Corporation and subsidiary companies with respect to the various asset classes of property, plant, and equipment and used in the computation of depreciation generally are as follows:

Land-Aggregate reserves	—See Note A regarding depletion
Land improvements	—5 to 20 years
Buildings	—5 to 30 years
Machinery and equipment	—8 to 12 years
Office furniture and fixtures	—5 to 10 years
Mobile equipment and motor vehicles	—4 to 8 years

THE PITTSTON COMPANY (DEC)

Notes to Consolidated Financial Statements

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

Property, Plant and Equipment—Expenditures for maintenance and repairs are charged to expense, and the costs of renewals and betterments are capitalized. Depreciation is provided principally on the straight line method at varying rates depending upon estimated useful lives. Depletion of bituminous coal lands is provided on the basis of tonnage mined in relation to the estimated total of recoverable tonnage in the ground. Mine development costs, including deficits at mines in the development stage, are capitalized and amortized over the estimated useful life of the mine. A mine is considered under development until all of the planned production units have been placed in operation.

Note 3: Property, Plant and Equipment—The amount of depreciation, depletion and amortization charged to expense in 1976 was $41,863,000 compared with $37,178,000 in 1975.

Deficits incurred at mines in the development stage amounted to $7,400,000 in 1976 and $4,800,000 in 1975. These amounts were capitalized, in accordance with Company policy.

TABLE 3-11: FEDERAL INCOME TAX EXPENSE

	1976	1975	1974	1973
Description Terms				
Income taxes	440	391	396	426
Federal income taxes	102	157	163	140
United States (U.S.) income taxes	31	48	36	33
	573	596	595	599
Other or no caption for expense	27	4	5	1
Total Companies	**600**	**600**	**600**	**600**

TABLE 3-12: TIMING DIFFERENCES — REASONS

	Number of Companies			
	1976	1975	1974	1973
Depreciation	469	504	477	459
Unremitted earnings	146	156	122	92
Installment sales	77	68	72	66
Inventory valuation	69	88	56	35
Other employee benefits	67	60	66	50
Pensions	53	55	62	43
Long-term contracts	47	40	35	22
Warranties and guaranties	21	30	26	20

INCOME TAXES

PRESENTATION OF INCOME TAXES

APB Opinion No. 11 states in part:

60. In reporting the results of operations the components of income tax expense for the period should be disclosed, for example:

a. Taxes estimated to be payable.

b. Tax effects of timing differences

c. Tax effects of operating losses

These amounts should be allocated to (a) income before extraordinary items and (b) extraordinary items and may be presented as separate items in the income statement or, alternatively, as combined amounts with disclosure of the components parenthetically or in a note to the financial statements.

61. When the tax benefit of an operating loss carry forward is realized in full or in part in a subsequent period, and has not been previously recognized in the loss period, the tax benefit should be reported as an extraordinary item in the results of operations of the period in which realized.

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.

AMERICAN AIR FILTER COMPANY, INC. (OCT)

	1976	1975
Earnings before income taxes	$16,384,000	$14,125,000
Provision for income taxes:		
Current	2,629,000	1,852,000
Deferred	5,254,000	4,737,000
	7,883,000	6,589,000
Net earnings for the year	$ 8,501,000	$ 7,536,000

Notes to Consolidated Financial Statements

Summary of Significant Accounting Policies (in part)

Income Taxes—Provisions for deferred income taxes reflect the effects of timing differences in computing income for financial reporting and income tax purposes. Investment credits are treated as direct reductions of income taxes in the year the credits arise.

Income Taxes—The provision for income taxes is summarized as follows:

	1976	1975
Paid or currently payable:		
United States	$ —	$ —
Foreign	2,629,000	1,852,000
State	—	—
Total	2,629,000	1,852,000
Deferred related to current assets or current liabilities:		
United States	4,125,000	3,096,000
Foreign	1,202,000	1,379,000
State	288,000	234,000
Total	5,615,000	4,709,000
Deferred related to non-current assets or non-current liabilities:		
United States	(118,000)	(230,000)
Foreign	(243,000)	258,000
Total	(361,000)	28,000
Total deferred provision.	5,254,000	4,737,000
Total provision	$7,883,000	$6,589,000

The provision for deferred income taxes resulting from timing difference is comprised of the following:

	1976	1975
Accelerated depreciation	$ 275,000	$ 395,000
Inventory valuation adjustments approved in foreign tax jurisdictions	722,000	1,189,000
Long-term contract accounting	4,903,000	3,971,000
Accrued employee benefits	(525,000)	(488,000)
Other, net	(121,000)	(330,000)
Total	$5,254,000	$4,737,000

A reconciliation of provision for income taxes to the United States Federal tax rate of 48% of earnings before income taxes is as follows:

	1976	1975
Tax computed at 48% of earnings before income tax	$7,864,000	$6,780,000
Variation due to translation of financial statements denominated in foreign currencies	(773,000)	(102,000)
Variation in effective rate applicable to net results of operations of subsidiaries	1,059,000	(192,000)
Effect of state and local taxes	150,000	122,000
Investment tax credit	(225,000)	(218,000)
Other, net	(192,000)	199,000
Provision for income taxes	$7,883,000	$6,589,000

It is not expected that the cash outlay for income taxes with respect to any of the succeeding three years will substantially exceed the provision for income taxes for such year.

Undistributed earnings of subsidiaries and associated companies, which totaled approximately $21,869,000 and $16,616,000 at October 31, 1976 and 1975, respectively, have been reinvested for the future growth of the business. Dividends from this segment of foreign earnings and any residual U.S. taxes in excess of credit for the substantial foreign taxes already paid are considered to be indefinitely postponed.

The Company and its subsidiaries have available operating tax loss carry-forwards of approximately $5,050,000 which are available to offset against future taxable income. These tax loss carry-forwards expire as follows:

Fiscal Year	Amount
1977	$ 28,000
1978	299,000
1979	202,000
1980	2,349,000
1981	2,172,000

ARMCO STEEL CORPORATION (DEC)

	1976	1975
	($000)	
Cost and Expenses		
Cost of products sold	$2,760,310	$2,641,167
Selling and administrative expenses	259,913	231,157
Interest expense	46,297	39,515
Equity in net income of associated companies	(8,143)	(6,646)
Sundry other—net	(2,140)	(2,021)
Federal, state and foreign income taxes before investment tax credits (Note 6)	38,774	67,409
Investment tax credits (Note 6)	(42,586)	(12,019)
Total	$3,052,425	$2,958,562

Note 6: Income Taxes—The total provision for income taxes consists of the following:

	1976	1975
Current		
Federal	$(5,884,000)	$ 6,234,000
State and Foreign	28,655,000	34,761,000
Total	22,771,000	40,995,000
Deferred	(26,583,000)	14,395,000
Total	$(3,812,000)	$55,390,000

The differences between the provision for income taxes at the statutory rate of 48% and that shown in the statement of consolidated income are summarized as follows:

	1976 Amount	Percent	1975 Amount	Percent
Tax at statutory rate	$ 55,662,000	48.0	$82,585,000	48.0
Investment tax credits	(42,586,000)	(36.7)	(12,019,000)	(7.0)
Effect of percentage depletion allowance	(13,360,000)	(11.5)	(11,778,000)	(6.8)
Equity in net income of unconsolidated subsidiaries and associated companies	(6,377,000)	(5.5)	(5,119,000)	(3.0)
Tax deferred portion of Domestic International Sales Corporations' earnings	(4,204,000)	(3.6)	(5,501,000)	(3.2)
Other	7,053,000	6.0	7,222,000	4.2
Total	$ (3,812,000)	(3.3)	$55,390,000	32.2

The provision for deferred income taxes results from reporting the following items in different years for financial accounting purposes and income tax purposes:

	1976	1975
Special item (see below)	$(36,000,000)	—
Excess of tax over book depreciation	30,581,000	$12,382,000
Investment tax credits	(25,216,000)	—
Other	4,052,000	2,013,000
Total	$(26,583,000)	$14,395,000

During 1976, a significant amount of foreign tax credits was created by dividends received from foreign subsidiaries and other foreign source income earned by Armco. These credits are available as a reduction of Federal income taxes currently payable. Armco has not decided among the several alternatives available for creating sufficient taxable income in 1976 to utilize the foreign tax credits in Armco's 1976 Federal income tax return. A decision will be made prior to filing the 1976 Federal income tax return. Accordingly, $36,000,000 has been included in the provision for deferred income taxes for this item.

Armco uses the flow-through method to account for investment tax credits. Through investment in qualified property, Armco generated investment tax credits totaling $42,586,000 of which $17,370,000 is available for reduction of taxes currently payable, or can be carried back. Armco has an investment tax credit carry-forward of the remaining $25,216,000 for income tax purposes (expiring in 1983) which has been recorded for financial accounting purposes as a reduction of previously recorded deferred tax credits that will reverse in the investment tax credit carry-forward period.

Federal income tax returns of Armco and its subsidiaries for the years 1962 through 1972 have been examined by the Internal Revenue Service and adjustments proposed, a major portion of which Armco is contesting. Armco believes that it has made adequate provision for final settlement of the proposed adjustments arising from such examinations. Tax returns for 1973 and 1974 are currently under examination. See Note 12 for a discussion of possible additional tax liability.

BATES MANUFACTURING COMPANY, INCORPORATED (DEC)

	1976	1975
Earnings from continuing operations before income taxes	$ 2,020,252	$15,813,613
Provision for income taxes (Note 5)	1,000,000	8,831,000
Earnings from continuing operations	1,020,252	6,982,613
Discontinued operation (Notes 2 and 5):		
Earnings from operations of home furnishings subsidiary, sold on December 31, 1976 (net of income tax benefit of $16,000 in 1976; net of income taxes of $669,000 in 1975)	68,218	832,676
(Loss) on sale of home furnishings subsidiary (net of income tax benefit of $1,314,000)	(1,762,731)	—
	(1,694,513)	832,676
Net earnings (loss)	$ (674,261)	$ 7,815,289

Note 5: Income Taxes—The Company and its subsidiaries file a consolidated Federal income tax return. Tax benefits resulting from losses of subsidiaries in the consolidated group are recorded on the books of the Company. Amounts provided for income taxes are set forth as follows:

	1976	1975
Federal income taxes:		
Current	$ (173,570)	$6,465,398
Deferred	(571,720)	1,914,348
	(745,290)	8,379,746
State and local income taxes	415,290	1,120,254
	$ (330,000)	$9,500,000
Provision on continuing operations:		
Federal income taxes:		
Current	$ 1,092,430	$5,731,398
Deferred	(507,720)	1,979,348
	584,710	7,710,746
State and local income taxes	415,290	1,120,254
	1,000,000	8,831,000
Provision on discontinued operation:		
Federal income taxes:		
Current	(1,266,000)	734,000
Deferred	(64,000)	(65,000)
	(1,330,000)	669,000
	$ (330,000)	$9,500,000

The provision for Federal income taxes includes deferred tax expense resulting from timing differences in the recognition of revenue and expense for tax and financial statement purposes. The sources of these differences and the tax effect of each were as follows:

	1976	1975
Differences between tax and book depreciation	$(135,894)	$ (17,788)
Deferred royalty income	(99,116)	(100,786)
Loss on sale of land, building and equipment	(324,012)	—
Undistributed coal export earnings of DISC subsidiary	—	2,112,185
Other-net	(12,698)	(79,263)
	$(571,720)	$ 1,914,348

Income tax expense on earnings from operations differs from the amount determined by applying the U.S. Federal income tax rate of 48% to earnings from both continuing and discontinued operations before provision for income taxes due to the following factors:

	1976 Amount	1976 % of pre-tax Income	1975 Amount	1975 % of pre-tax income
Continuing Operations:				
Computed "expected" tax expense	$ 969,721	48.0	$7,590,535	48.0
Benefit from investment tax credit (carry-back in 1976)	(88,933)	(4.4)	(140,720)	(.9)
Investment tax credit recapture	34,086	1.7	—	—
Benefit from income taxed at capital gains rate	—	—	(1,130,458)	(7.2)
Benefit from deferral of taxes on 50% of earnings of DISC subsidiary	—	—	(315,500)	(2.0)
Undistributed coal export earnings of DISC subsidiary	—	—	2,112,185	13.4
Excess of percentage depletion over book depletion	(195,428)	(9.7)	(204,394)	(1.3)
State income taxes, net of Federal income tax benefit	215,951	10.7	582,532	3.7
Other—net	64,603	3.2	336,820	2.1
	$ 1,000,000	49.5	$8,831,000	55.8
Discontinued Operation:				
Computed "expected" tax expense (benefit)	$(1,451,765)	(48.0)	$ 720,804	48.0
Benefit from investment tax credit (carry-back in 1976)	(20,466)	(.7)	(12,070)	(.8)
Benefit from income taxed at capital gains rate	—	—	(17,481)	(1.2)
Excess of book loss over tax loss on sale of home furnishings subsidiary	164,262	5.4	—	—
Other—net	(22,031)	(.7)	(22,253)	(1.5)
	$(1,330,000)	(44.0)	$ 669,000	44.5

Consolidated operations of the company in 1976 resulted in a net tax loss. The 1976 estimated Federal income tax payments, together with prior year's recoverable state income taxes, are shown on the accompanying consolidated balance sheets as "Refundable income taxes".

Undistributed coal export earnings of the Company's Domestic International Sales Corporation subsidiary are set forth in the following table:

1973	$ 357,017
1974	3,386,076
1975	657,292
	$4,400,385

The Tax Reduction Act of 1975 has discontinued, for sales made after March 18, 1975, the benefits previously provided to Domestic International Sales Corporations for the export of coal. Due to the uncertainties of the Company's continued ability to maintain the status of its coal export DISC subsidiary, Bates recorded a deferred Federal income tax provision of $2,112,185 in June 1975 applicable to undistributed coal export earnings.

Federal income tax returns of Bates Manufacturing Company, Incorporated have been audited and settled through 1969. The consolidated Federal income tax returns for 1970, 1971 and 1972 have been under examination by the Internal Revenue Service. In October 1976, the Company received a proposed deficiency from the District Director's office of the Internal Revenue Service for approximately $5 million exclusive of interest, relating to disallowances of certain loss carry-forwards utilized by the Company. Potential adjustments in subsequent years could result in additional deficiencies of approximately $500,000. The disallowances are based on the IRS assertion that the October 31, 1969 merger of Virginia Iron, Coal and Coke Company into Bates was entered into primarily for the purpose of tax avoidance. In the opinion of the management of Bates and its tax counsel, the position of the Company in utilizing the tax loss carry-forwards is correct in that such position is supported by the applicable provisions of the Internal Revenue Code and the regulations promulgated thereunder.

Furthermore, the facts underlying the merger of Virginia Iron, Coal and Coke Company into Bates do not support the Internal Revenue Service assertion. The Company is protesting the proposed deficiency and will oppose this claim.

CONTINENTAL OIL COMPANY (DEC)

	1976	1975
	(Thousands of Dollars)	
Costs, expenses and taxes:		
Costs and operating expenses..	5,214,985	4,893,185
Selling, general, and administrative expenses	458,827	396,951
Income and other taxes (Note 6)	1,708,775	1,527,527
Depreciation, depletion, and amortization	307,976	285,549
Dry hole costs	66,522	74,724
Loss on long-term natural gas sales contract (Note 9)	—	29,635
Interest and debt expense	97,169	94,253
Minority interest in subsidiaries' net income	38,663	34,091
	7,892,917	7,335,915

Accounting Policies

Income Taxes—Continental follows the deferred method of inter-period income tax allocation, under which deferred income taxes are provided on all material timing differences between financial and taxable income, including intangible development and certain other costs related to successful oil and gas wells. Deferred income taxes are provided on Continental's equity in undistributed earnings of affiliates and certain corporate joint ventures. No provision is made for the remaining corporate joint ventures or for subsidiaries which are not consolidated for U.S. federal income tax purposes, since earnings of these joint ventures and subsidiaries have been or are intended to be permanently reinvested. Investment tax credits are accounted for under the flow-through method as offsets against current and deferred U.S. federal income taxes.

Notes to Consolidated Financial Statements

Note 6: Income and Other Taxes

	1976	1975
	($000)	
U.S. federal and state gasoline and oil excise taxes (recovery thereof included in revenues from sales and services)	$ 246,379	$ 246,506
Income taxes:		
U.S.—federal	194,999	138,407
U.S.—state	7,029	4,385
Foreign	623,672	517,908
	825,700	660,700
Operating taxes:		
Import duties and excise taxes—foreign	498,783	501,848
Ad valorem taxes	32,364	30,333
Production taxes	56,975	47,185
Payroll and other taxes	48,574	40,955
	636,696	620,321
	$1,708,775	$1,527,527

Income taxes of $800,604,000 in 1976 and $588,192,000 in 1975 are estimated to be currently payable, including U.S. federal income taxes of $184,836,000 and $87,561,000, respectively. The tax effect of timing differences giving rise to the provision for deferred income taxes is as follows:

	1976	1975
	($000)	
Excess of tax over financial depreciation	$26,147	$19,145
Intangible development costs of successful oil and gas wells deducted in tax return as incurred	16,425	11,331
Mining and lifting costs applicable to production payments which were deducted in tax return as incurred	(7,881)	34,963
Costs of nonproductive petroleum acreage amortized for financial purposes and deducted in tax return when surrendered	(1,686)	(6,940)
Employee benefits expense deducted in tax return when paid	(17,640)	(6,732)
Gains on property sales included in tax return on installment basis.	6,517	11,864
Other	3,214	8,877
	$25,096	$72,508

The provision for income taxes exceeds the amount of income tax determined by applying the U.S. federal statutory income tax rate of 48% to pre-tax income (income before deducting income taxes and minority interest in subsidiaries' net income) as a result of the following differences:

	1976 Amount ($000)	1976 Percent of pre-tax income	1975 Amount ($000)	1975 Percent of pre-tax income
Computed "expected" provision	$635,691	48.0%	$492,310	48.0%
Increases (reductions) in taxes resulting from:				
Net effect of foreign tax rates	257,018	19.4	207,682	20.3
Excess tax depletion on domestic production:				
Coal	(34,892)	(2.6)	(21,517)	(2.1)
Petroleum	(6,319)	(.5)	(10,032)	(1.0)
Investment tax credits	(22,343)	(1.7)	(17,576)	(1.7)
Other	(3,455)	(.3)	9,833	.9
Actual provision	$825,700	62.3%	$660,700	64.4%

Continental's equity in undistributed earnings of subsidiaries and corporate joint ventures, exclusive of amounts which if remitted in the near future would result in little or no tax because of available tax credits, for which deferred income taxes have not been provided approximated $289,000,000 at December 31, 1976.

CULBRO CORPORATION (DEC)

	1976 ($000)	1975 ($000)
Costs and expenses		
Cost of goods sold	$325,747	$298,563
Selling, administrative and general expenses	73,180	56,956
Interest expense, net of interest income of $752 (1975-$802)	8,346	7,729
Income taxes (Note 2)	1,209	1,141
Minority Interest (Note 1)	—	101
	$408,482	$364,490

Summary of Significant Accounting Policies

Income Taxes—Provision is made for deferred income taxes which result primarily from the use of different methods of computing depreciation for tax and financial statement purposes as well as from differences relating to profit sharing and deferred compensation. Investment tax credits are recorded by the flow-through method of accounting whereby, in the year available for utilization, the credits are applied as a reduction of income tax expense. The Corporation has four subsidiaries operating in Puerto Rico which have been granted tax relief expiring in 1979 through 1991. Additionally, the Corporation has a subsidiary operating in Jamaica which has been granted tax relief expiring in 1978. Under present tax laws earnings may be transferred tax free upon liquidation of these subsidiaries. Under a 1976 tax law, the operating income of the Puerto Rican subsidiaries would not be subject to the payment of United States income taxes if paid as a dividend to the parent company. To the extent such income is paid out as a dividend to the parent company, a Puerto Rican tax would become payable of up to ten percent of any amounts remitted. There is no present intent to pay such dividends and no tax is currently being provided.

Notes to Consolidated Financial Statements

Note 2: Income Taxes—The provision for income taxes consists of:

	1976	1975
Current tax expense		
U.S. Federal	$ 7	$ (81)
Foreign	271	236
State and local	938	874
Sub-total	1,216	1,029
Deferred tax expense	(7)	112
	$1,209	$ 1,141

The 1976 tax relief relating to the Corporation's subsidiaries operating in Puerto Rico and Jamaica amounted to approximately $2,591,000 or $.96 per share (1975-$1,755,000 or $.74 per share). The portion of consolidated income before tax so relieved, including benefits of an industrial incentive program, amounted to approximately $5,512,000 (1975-$3,253,000). Of the total tax relief approximately 95% is applicable to two subsidiaries (94% in 1975 related to one subsidiary) whose exemptions expire in 1991.

At year-end the cash balance of Puerto Rican subsidiaries in time deposits amounted to $3,650,000 (1975-$14,013,000). Under prior tax laws, transfer of these funds to the parent company, other than through a tax-free liquidation, would have been subject to United States income taxes. A change in the tax law in 1976 now permits the transfer of these funds without the payment of United States income taxes although a Puerto Rican tax of up to ten percent may become payable. There is no present intent to make such transfers to the extent taxes have not previously been provided. At the end of 1976 a dividend of $15,000,000 was declared by one Puerto Rican subsidiary and transferred to the parent company and a tax of $645,000 will become payable in 1977 to be charged against the existing tax liability.

Examinations of the Corporation's federal income tax returns for 1969 to 1972 are currently being completed by the Internal Revenue Service. The examinations of the federal income tax returns of Helme from 1970 through 1974 are also being completed. The Corporation believes that adequate provision has been made for any assessments which may result from these and subsequent years' examinations.

The reasons for the differences between the United States statutory income tax rate and the effective rates are shown in the following table:

	1976 Amount	1976 % of Pretax Income	1975 Amount	1975 % of Pretax Income
Tax at statutory rates	$4,488	48.0%	$3,342	48.0%
Decrease due to foreign operations*	(3,484)	(37.3)	(2,417)	(34.7)
Increase due to state and local taxes	488	5.2	455	6.5
Permanent difference related to relocation of subsidiary	—	—	(244)	(3.5
Other increase (decrease)	(283)	(3.0)	5	0.1
	$1,209	12.9%	$1,141	16.4%

*Principally Puerto Rican and Jamaican tax exemptions.

The Corporation has available as benefits to reduce future federal income tax liability, subject to applicable limitations, foreign tax credits of $726,000 ($123,000 expiring in 1977; $250,000 in 1978; $181,000 in 1979; $172,000 in 1980) and investment tax credits of $667,000 ($59,000 expiring in 1978; $95,000 in 1979; $68,000 in 1980; $110,000 in 1981; $160,000 in 1982; $175,000 in 1983).

J. P. STEVENS & CO., INC. (OCT)

	1976	1975
	($000)	
Income before taxes on income	$73,743	$36,498
Estimated taxes on income—Note G	32,600	16,600
Net income	$41,143	$19,898

Note G: Estimated Taxes on Income—Estimated taxes on income consist of:

	1976	1975
Income taxes currently payable:		
Federal and foreign	$31,440,000	$13,060,000
State	4,400,000	2,100,000
Investment tax credits	(5,000,000)	(2,170,000)
	30,840,000	12,990,000
Deferred Federal income taxes	1,760,000	3,610,000
	$32,600,000	$16,600,000

A reconciliation of the consolidated effective tax rate with the statutory 48% Federal income tax rate follows:

	1976	1975
Consolidated effective tax rate	44.2%	45.5%
Investment tax credits	6.8	5.9
State income taxes, net of Federal income tax benefit	(3.1)	(3.0)
Other, net	.1	(.4)
	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 $2,430,000 (1976) and $2,868,000 (1975).

JOHNSON & JOHNSON (DEC)

	1976	1975
	($000)	
Earnings before provision for taxes on income	$361,544	$318,822
Provision for taxes on income (Note 5)	156,168	135,004
Net earnings	$205,376	$183,818

Notes to Consolidated Financial Statements

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

Income Taxes—Domestic investment tax credits and certain international tax incentives are deferred. The deferred amount is amortized as a reduction of the provision for taxes on income over the estimated lives of the related assets.

The Company intends to continue to reinvest its undistributed international earnings to expand its international operations. Therefore no tax has been provided to cover the repatriation of such undistributed earnings. At January 2, 1977, the cumulative amount of undistributed international earnings for which the Company has not provided United States income taxes was approximately $200,000,000.

Note 5: Income Taxes—Income tax expense consists of:

(Dollars in Thousands)	U.S.	International	Total Provision For Taxes on Income
Year 1976			
Federal and international			
Currently payable	$63,728	78,902	142,630
Net tax effect—timing differences	(2,356)	4,079	1,723
Net deferred investment tax credit	2,139	—	2,139
Domestic state and local	9,676	—	9,676
	$73,187	82,981	156,168
Effective tax rate	40.5%	45.9%	43.2%
Year 1975			
Federal and international			
Currently payable	$54,760	64,246	119,006
Net tax effect—timing differences	(683)	4,749	4,066
Net deferred investment tax credit	3,255	—	3,255
Domestic state and local	8,677	—	8,677
	$66,009	68,995	135,004
Effective tax rate	42.2%	42.5%	42.3%

Domestic state and local income taxes are included in the provision for taxes on income. Prior to 1976, domestic state and local income taxes were included in selling, distribution and administrative expenses. A reclassification of 1975 amounts has been made to conform to the 1976 presentation.

A comparison of the federal statutory rate of 48% to the Company's effective tax rate is as follows:

	% of Pre-Tax Income	
	1976	1975
Statutory tax rate	48.0%	48.0%
Tax exempt Puerto Rico operations	(3.5)	(2.5)
Difference in effective tax rate of international operations	(3.2)	(3.4)
Losses on translation of assets and liabilities into U.S. dollars	2.2	.6
Domestic state and local income taxes	1.4	1.4
Tax exempt income on marketable securities	(.7)	(.6)
Amortization of deferred investment tax credit	(.6)	(.6)
All other	(.4)	(.6)
Effective tax rate	43.2%	42.3%

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 *AICPA Professional Standards-Accounting* 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.

TABLE 3-13: INVESTMENT TAX CREDIT

	1976	1975	1974	1973
Flow-through method	502	518	504	496
Deferral method	76	60	72	78
No reference to investment credit	22	22	24	26
Total Companies	**600**	**600**	**600**	**600**

Flow-Through Method

AMSTED INDUSTRIES INCORPORATED (SEP)

Notes to Consolidated Financial Statements

Accounting Policies (in part)—Investment tax credits are accounted for on the "flow-through" method, which recognizes the benefit in the year the assets which gave rise to the credit are placed in service.

Income Taxes—The provisions for taxes on income from continuing operations consist of the following:

	1976	1975
Current federal taxes, less investment tax credits of $1,357,000 in 1976 and $733,000 in 1975	$26,854,000	$30,268,000
Foreign income taxes	2,635,000	3,043,000
State income taxes	2,522,000	2,964,000
Deferred taxes	968,000	907,000
Provision for taxes on income	$32,979,000	$37,182,000

COLGATE-PALMOLIVE COMPANY (DEC)

Notes to the Consolidated Financial Statements

Note 2 (in part): Summary of Significant Accounting Policies:

Income Taxes—The accompanying consolidated balance sheet reflects prepaid and deferred tax accounts resulting from the differences between income tax provisions charged against income for financial reporting purposes and income taxes currently payable. Such differences are due largely to accelerated depreciation and nondeductibility of certain liabilities, including staff-leaving payments, until such costs are incurred.

The Company uses the "flow through" method to account for the investment tax credit under which the income tax provision is reduced in the year the credit is allowed for tax purposes.

Note 10: Income Taxes—Deferred and prepaid income taxes result from timing differences between the reporting of transactions for financial statement and tax purposes. The tax effect of major timing differences, amounting to a reduction of $9,644,000 in 1976 and an increase of $2,023,000 in 1975, are detailed below (Thousands of Dollars):

	1976	1975
Excess of installment over accrued income	$(4,347)	$(1,290)
Excess of tax over book depreciation	2,696	1,920
Net changes in accruals charged against income for book purposes but deductible for tax purposes when paid	(2,369)	2,022
Difference between provision and payment of foreign withholding taxes	(5,624)	(629)
	$(9,644)	$ 2,023

The investment tax credit amounted to $3,366,000 in 1976 and $2,778,000 in 1975.

GENERAL SIGNAL CORPORATION (DEC)

Notes to Financial Statements

Note 3: Income Taxes—The Company has provided for income taxes as follows:

	1976	1975
Current:		
Federal	$21,127,000	$14,609,000
Foreign	1,761,000	2,706,000
State and local	4,162,000	3,371,000
	27,050,000	20,686,000
Deferred (principally Federal)	2,277,000	1,156,000
Total taxes	$29,327,000	$21,842,000

A reconciliation of income tax expense to the U.S. statutory rate of 48 percent follows:

United States income tax at statutory rate	$29,116,000	$22,259,000
State and local taxes, net of Federal benefit	2,322,000	1,826,000
Investment tax credits	(1,310,000)	(1,144,000)
All other items, none of which exceeded 5% of computed tax	(801,000)	(1,099,000)
Total taxes	$29,327,000	$21,842,000

Investment tax credits are accounted for by the flow-through method for both financial and income tax purposes.

Undistributed earnings of certain consolidated and non-consolidated affiliates are not expected to be paid to the Company as dividends, since future investment requirements are in excess of these earnings. However, if such earnings were remitted, the applicable income taxes payable would not be significant.

Deferred income taxes result primarily from the use of different methods for financial and tax purposes in recording depreciation, long-term construction contract revenues and deferred compensation.

Current and non-current deferred tax liabilities amounted to $3,302,000 and $5,915,000 in 1976 and $2,864,000 and $5,022,000 in 1975.

W. F. HALL PRINTING COMPANY (MAR)

Notes to Financial Statements

Summary of Significant Accounting Policies (in part)—Deferred income taxes are recorded in the Company's accounts to reflect transactions recognized in one period for financial reporting purposes and in another period for income tax reporting purposes (accelerated depreciation methods for income tax purposes, instalment sales and pension costs). Investment tax credits are accounted for under the "flow-through" method.

Federal and State Income Taxes—This year's federal income tax provision reflects investment credit of $722,000 which compares with $333,000 last year. The aggregate tax provisions were comprised as follows:

	1976	1975
Current:		
Federal	$2,624,000	$4,118,000
State	312,000	396,000
Deferred Federal and State	122,000	(659,000)
	$3,058,000	$3,855,000

MOSINEE PAPER CORPORATION (DEC)

Notes to Consolidated Financial Statements

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

Investment Tax Credit—The Companies adopted the full flow-through method for investment tax credit accounting beginning with the year ended May 31, 1967, and elected to continue to amortize accumulated prior years' credits in accordance with the deferral method previously in effect. The credits, reflected as a reduction in the provision for Federal income taxes, totaled $2,375,901 for 1976 and $63,956 for 1975. For 1976, the total credits include the additional 1% credit, or $198,414, which the Company has elected to contribute to a newly established TRASOP (employee stock ownership plan) under provisions of the Tax Reduction Act of 1975.

Deferral Method

FREEPORT MINERALS COMPANY (DEC)

Notes to Financial Statements

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

Income Taxes—Investment tax credits are reflected in income over the estimated average productive lives of the assets to which they relate.

Note 4: Income Taxes and Deferred Investment Tax

Credits—Income taxes charged to income were as follows:

	1976	1975
Federal and state income taxes currently payable	$ 8,652,000	$ 1,091,000
Future income taxes and deferred investment tax credits	9,678,000	7,413,000
	$18,330,000	$ 8,504,000

The Company files a consolidated federal income tax return which includes the revenues and deductions of Freeport Indonesia, Incorporated, and Freeport Queensland Nickel, Incorporated, subsidiaries which are not consolidated in the Company's financial statements.

Future income taxes include the following approximate amounts attributable to:

	1976	1975
Freeport Queensland Nickel, Incorporated:		
Mine development, preoperating and start-up costs	$ (2,081,000)	$ 8,448,000
Interest costs	699,000	5,634,000
Accelerated depreciation	2,422,000	7,559,000
Currency translation	1,321,000	—
Net loss from operations	5,306,000	—
Freeport Minerals Company and consolidated subsidiaries:		
Accelerated depreciation	(352,000)	1,112,000
Deferred investment tax credits:		
Decreasing (increasing) taxes currently payable	4,671,000	(2,545,000)
Reflected in income	(1,030,000)	(899,000)
Valuation allowance against equity investment in Freeport Queensland Nickel, Incorporated	—	(12,000,000)
State and local taxes	(2,502,000)	—
Other	1,224,000	104,000
	$ 9,678,000	$ 7,413,000

The difference between the statutory federal income tax rate of 48 percent and the Company's effective tax rate, as reflected in the financial statements, is as follows:

	1976	1975
Statutory federal income tax rate	48%	48%
Increase (decrease) attributable to:		
Statutory depletion	(19)	(24)
Equity in income after taxes of Freeport Indonesia, Incorporated	(3)	(7)
Valuation allowance against equity investment in Metals Exploration Limited for which tax benefit is not assured	—	6
Other	1	(3)
Effective tax rate	27%	20%

At December 31, 1976, approximately $5,800,000 of deferred investment tax credits remained to be reflected in future years' income.

GENERAL ELECTRIC COMPANY (DEC)

Summary of Significant Accounting Policies

Investment Tax Credit—The investment tax credit is recorded by the "deferral method." Under this method the credit is amortized as a reduction of the provision for taxes over the lives of the facilities to which the credit applies, rather than being "flowed through" to income in the year the asset is acquired.

Notes to Financial Statements

Note 7: Provision for Income Taxes

(In millions)	1976	1975
U.S. federal income taxes:		
Estimated amount payable	$407.2	$229.3
Effect of timing differences	(21.7)	15.4
Investment credit deferred—net	13.4	13.6
	398.9	258.3
Foreign income taxes:		
Estimated amount payable	253.5	208.4
Effect of timing differences	(0.8)	(17.3)
	252.7	191.1
Other (principally state and local income taxes)	17.0	10.4
	$668.6	$459.8

Effect of Timing Differences on U.S. Federal Income Taxes

(In millions) Increase (decrease) in provision for income taxes	1976	1975
Undistributed earnings of affiliates and associated companies	$ 4.3	$11.2
Tax over book depreciation	7.8	12.7
Margin on installment sales	2.1	28.3
Provision for warranties	(21.6)	(21.6)
Other—net	(14.3)	(15.2)
	$(21.7)	$15.4

The cumulative net effect of timing differences has resulted in a deferred-tax asset which is shown under Other assets.

Reconciliation of Statutory and Effective Income Tax Rates

	1976	1975
U.S. federal statutory rate	48.0%	48.0%
Reduction in taxes resulting from:		
Consolidated affiliate earnings (including DISC) subject to aggregate effective tax rates generally less than 48%	(3.9)	(5.7)
Inclusion of earnings of the Credit Corporation in before-tax income on an "after-tax" basis	(1.7)	(2.1)
Investment credit	(1.2)	(1.3)
Income taxed at capital gains rate	(0.9)	(0.4)
Other—net	0.8	0.7
Effective tax rate	41.1%	39.2%

Provision has been made for federal income taxes to be paid on that portion of the undistributed earnings of affiliates and associated companies expected to be remitted to the parent company. Undistributed earnings intended to be reinvested indefinitely in affiliates and associated companies totaled $579 million at the end of 1976 and $512 million at the end of 1975.

All U.S. federal income tax returns have been settled through 1971 except for the year 1970.

Investment credit amounted to $31.4 million in 1976, compared with $28.7 million in the prior year. In 1976, $18.0 million was added to net earnings, compared with $15.1 million in 1975. At the end of 1976, the amount still deferred and to be included in net earnings in future years was $112.2 million.

GRUMMAN CORPORATION (DEC)

Notes to Financial Statements

Note 1 (in part): Federal Income Taxes—The Company and its subsidiaries have agreed to file a consolidated Federal tax return. Each subsidiary's Federal income tax liability or credit is determined as if it were filing a separate Federal income tax return with a payment to be made to or a refund received from the Company as appropriate.

Investment tax credits are deferred and amortized over the expected lives of the related facilities through reduction of the provision for Federal taxes on income. Net investment credits added in 1976 applicable to facilities acquired or leased during 1976 totaled $1,542,000. Amortization included in income for 1976 was $1,108,000 and $850,000 in 1975.

Federal income tax expense is included in the consolidated statement of income at the statutory rate applied to income per books less permanent differences between book and taxable income and reduced by the amortization of the deferred investment credit. The following reconciles the United States statutory rate with the effective rates.

	1976	1975
United States statutory rate	48.0%	48.0%
Less: Amortization of investment tax credit	(2.4)	(2.0)
Tax benefit on income relating to Domestic International Sales Corporations	(3.9)	(3.8)
Other	(.4)	(.2)
Effective rate	41.3%	42.0%

MARSHALL FIELD & COMPANY (JAN)

Notes to Financial Statements

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

Investment Tax Credit—Investment tax credits of $1,516,000 and $1,868,000 for 1976 and 1975, respectively, have been deferred and are being amortized as a reduction of the income tax provisions over the depreciable lives of the related equipment. Such amortization was $471,000 and $319,000 for 1976 and 1975, respectively.

PENNWALT CORPORATION (DEC)

Pennwalt Accounting Policies

Investment Credit—Investment credit is recognized for financial reporting purposes as a reduction of the Federal income tax provision over the life of applicable assets. The unamortized accumulated investment credit is included in accumulated depreciation.

Notes to Consolidated Financial Statements

Income Tax and Investment Credit—The provision for Federal and other income taxes includes:

	1976	1975
	(Thousands of Dollars)	
Federal	$17,873	$10,531
Foreign	7,370	6,008
State and local	3,088	1,375
Total current provision	28,331	17,914
Deferred	5,017	4,292
Investment tax credit, net	1,019	1,939
	$34,367	$24,145

Total income tax expense of $34,367,000 in 1976 and $24,145,000 in 1975, were different than the amounts at the statutory Federal income tax rate due to the following reasons:

	1976	1975
Statutory Federal income tax rate	48.0%	48.0%
Income taxes of foreign subsidiaries	5.8	(0.2)
All other items, net	(4.2)	(4.5)
Effective income tax rate	49.6%	43.3%

Deferred income tax expense is primarily related to the excess of tax over book depreciation. Deferred taxes are not provided on the undistributed earnings of foreign subsidiaries because of the Company's intention to reinvest such undistributed earnings. At December 31, 1976, the cumulative amount of such undistributed earnings was $49,000,000

Amortization of the investment credit amounted to $989,000 in 1976 and $860,000 in 1975, and the unamortized accumulated investment credit is $6,881,000 at December 31, 1976.

TABLE 3-14: TAXES ON UNDISTRIBUTED EARNINGS

	1976	1975	1974	1973
Taxes accrued on all undistributed earnings	44	33	35	41
Taxes accrued on a portion of undistributed earnings	119	108	140	142
Taxes not accrued on undistributed earnings	236	227	223	189
No mention of undistributed earnings	201	232	202	228
Total Companies	**600**	**600**	**600**	**600**

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 inverstor, 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 *AICPA Professional Standards-Accounting* discusses disclosure of untaxed undistributed earnings of subsidiary. The Interpretation states in part:

> Care should be exercised in drafting the footnote required by paragraph 14-b of *APB Opinion No. 23* so that readers may be fully apprised of tax implications of unremitted earnings of subsidiaries. The following is illustrative.
>
> "It is the policy of the company to accrue appropriate U.S. and foreign income taxes on earnings of subsidiary companies which are intended to be remitted to the parent company in the near future. Unremitted earnings of subsidiaries which have been, or are intended to be, permanently reinvested (disclosure of purpose), exclusive of 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.

Accrual For Taxes

BLUE BELL, INC. (SEP)

Notes to Financial Statements

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

Income Taxes—Deferred United States income taxes are provided on undistributed earnings of subsidiaries located outside the United States except on earnings the Company intends to continue investing in operations outside the United States or to remit to the Company by means of tax-free liquidations. Deferred income taxes are also provided on other timing differences in reporting income and expenses for financial statement and income tax purposes, principally depreciation and certain inventory costs. Investment tax credits, which have not been material, are recorded as a reduction of current United States income tax expense in the year such credits are utilized.

Note 9: Income Taxes—The consolidated effective income tax rate, computed on the basis of income before income taxes, for the years ended September 30, 1976 and 1975 was less than the United States statutory rate of 48%. Significant causes of such rate difference for each year were as follows:

	1976		1975	
	In Thousands			
United States statutory rate	$51,627	48.0%	$22,056	48.0%
Puerto Rican and foreign operations exempt or partially exempt from income taxes or taxed at rates different from and not expected to be subject to United States tax	(3,528)	(3.3)	(5,557)	(12.1)
Losses of subsidiaries for which no tax benefit was recognized	166	.2	1,950	4.3
State income taxes	1,495	1.4	553	1.2
Other, net	1,214	1.1	1,167	2.5
Income tax provision	$50,974	47.4%	$20,169	43.9%

The reduction in both years in the effective income tax rate attributable to operations outside the United States arises principally from exemptions from income taxes which expire at various dates from 1984 to 1991.

The provision for deferred income taxes in 1976 includes $6,126,000 of United States income taxes on undistributed earnings of subsidiaries located outside the United States. The cumulative amount of undistributed earnings of these subsidiaries at September 30, 1976 on which the Company has not provided income taxes which may become due if such earnings were distributed to the Company, exclusive of those amounts which if remitted in the near future would result in little or no such tax by operation of relevant statutes currently in effect, is approximately $27,950,000. Under existing income tax laws utilizing available foreign tax credits or deductions, if all undistributed earnings of these subsidiaries were distributed to the Company, additional income taxes of approximately $7,830,000 would be payable on earnings accumulated to Sepetember 30, 1976. Such taxes have not been provided since the Company intends to continue investing the related accumulated earnings outside the United States.

BAKER INTERNATIONAL CORPORATION (SEP)

Notes to Consolidated Financial Statements

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

Income Taxes—Deferred income taxes arise from timing differences between financial and income tax reporting. United States investment tax credits are accounted for on the flow-through method. The Company accrues United States income taxes on foreign earnings expected to be repatriated in the foreseeable future.

Note 5: Income Taxes—The expected provision for income taxes, computed by applying the United States statutory income tax rate to income before income taxes, is reconciled to the provision for income taxes as follows:

	1976		1975	
	Amount	% of Income Before Taxes	Amount	% of Income Before Taxes
Computed expected provision for income taxes ..	$40,287,000	48.0	$38,946,000	48.0
State taxes based on income—net of United States income tax benefit	864,000	1.0	792,000	1.0
United States taxes not provided on foreign earnings	(2,885,000)	(3.4)	(894,000)	(1.1)
Unites States investment tax credits	(2,704,000)	(3.2)	(2,881,000)	(3.6)
Other—net	(477,000)	(.6)	(233,000)	(.3)
Actual provision for income taxes	$35,085,000	41.8	$35,730,000	44.0

The sources of deferred income taxes for 1976 and 1975, and the tax effect of each were as follows:

	1976	1975
Depreciation expense	$4,596,000	$2,732,000
Deferred compensation	642,000	(1,055,000)
United States income tax on:		
Foreign earnings	2,796,000	2,294,000
DISC earnings	2,559,000	1,780,000
Provisions for inventory obsolescence	(1,715,000)	(842,000)
Other—net	(394,000)	(828,000)
Total deferred tax provision	$8,484,000	$4,081,000

Full repatriation of all foreign earnings, excluding DISC earnings on which full United States income taxes have been provided, accumulated at September 30, 1976 and 1975, would have resulted in tax liabilities of $14,317,000 and $9,068,000, respectively, for which the Company had provided deferred tax liabilities of $8,096,000 and $5,300,000, respectively.

CORNING GLASS WORKS (DEC)

Statement of Accounting Policies

Taxes on Income—Certain charges, primarily provisions for furnace repairs, employe benefits, inventories and depreciation, are not deductible in the tax return for the period in which they are recognized as expenses in the financial statements; certain income from equity basis companies and foreign subsidiaries is included in net income when it is earned but is not taxed until received by Corning (timing differences). In computing income tax expense for a period, the company deducts these charges and includes this income in the periods in which they are recognized in the financial statements rather than in the period in which they are included in the tax return (deferred tax accounting).

Corning and its subsidiaries and associated companies provide income taxes on their earnings at applicable rates. Additional U.S. federal income taxes which would be payable by Corning upon remittance of subsidiaries' earnings to the parent company are provided to the extent that future remittance is anticipated. In general, it is expected that 50% of Corning's share in the earnings of subsidiaries and associated companies will be remitted and 50% will remain invested indefinitely.

Investment tax credits are deferred for financial statement purposes and used to reduce income tax expense in equal installments over the lives of the related properties.

Notes to Consolidated Financial Statements

Note 3: Taxes on Income—Income tax expense is reported in the Consolidated Statements of Income and Retained Earnings in these segments:

Dollars in thousands	1976	1975
Taxes on income	$51,874	$7,723
Taxes provided on equity in earnings of associated companies	1,109	1,471
Tax expense for the year	$52,983	$9,194

The 1975 effective tax rate varies from the U.S. statutory rate of 48% because of the relative importance of investment tax credits, earnings of the company's domestic international sales corporation, dividend income and other permanent differences between book and taxable income.

Income tax expense for the year is provided for current or future payment to the following taxing authorities:

Dollars in thousands	1976	1975
U. S. federal	$40,999	$5,435
Foreign governments	6,018	2,416
State and municipal	5,966	1,343
	$52,983	$9,194

Income tax expense for the year is reconciled to taxes payable in the tax returns as follows:

Dollars in thousands	1976	1975
Tax expense for the year	$52,983	$9,194
Timing differences (See Statement of Accounting Policies)	(5,067)	(1,102)
Investment credits allowed in the current tax return (more) less than amortization of credits allowed in prior years	224	(1,752)
Taxes payable in the tax returns	$48,140	$6,340

Corning provides U. S. federal income tax on the earnings of subsidiaries and associated companies to the extent they are expected to be remitted. Taxes have not been provided on accumulated unremitted earnings of $69,500,000 at January 2, 1977 and $47,000,000 at December 28, 1975, which are expected to remain invested indefinitely. It is estimated that U.S. federal income taxes (after foreign tax credits and dividend exclusions) which would be payable if these earnings were remitted were $15,000,000 at January 2, 1977, and $11,152,000 at December 28, 1975. Changes in the two years in net deferred tax timing differences related to taxes other than U.S. federal were minor.

GENERAL MILLS, INC. (MAY)

Notes to Consolidated Financial Statements

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

Income Taxes—Investment tax credit is accounted for by the "flow-through" method; taxes on income are thus reduced by the amount of credit arising during the year.

Deferred income taxes result from timing differences between income for financial reporting purposes and tax purposes. These differences relate principally to depreciation, deferred compensation and discontinued operations.

The company's policy is to accrue appropriate U.S. income taxes on earnings of foreign subsidiary companies which are intended to be remitted to the parent company.

Note 11 (in part): Taxes on Income—As of May 30, 1976, management has designated $56,917,000 of the undistributed earnings of foreign subsidiaries as permanently invested. Such earnings have already been taxed once by foreign governments. As a result, no extra U.S. taxes have been accrued on these earnings. However, extra U.S. taxes have been accrued on undistributed foreign earnings in excess of the $56,917,000, because of the policy stated in Note 1. The additional U.S. taxes so accrued were not material in either fiscal 1976 or 1975.

ST. JOE MINERALS CORPORATION (DEC)

Summary of Significant Accounting Policies

Income Taxes—Deferred Federal and Canadian income taxes are provided for the tax effects of items reported in different periods for financial and income tax reporting purposes relating principally to accelerated depreciation, and write-off for tax purposes of mineral and oil and gas exploration and development expenditures as incurred.

Deferred Federal income taxes ($3,456,000) on the accumulated earnings of a Domestic International Sales Corporation ("DISC") ($7,200,000 at December 31, 1976) were provided in 1976, since the Corporation no longer intends to postpone indefinitely the remittance of such earnings. In 1975 deferred Federal income taxes were provided only on the portion of the income of the DISC considered distributable for income tax purposes.

Deferred Federal income taxes on the accumulated undistributed earnings ($20,526,000 at December 31, 1976) of consolidated foreign subsidiaries are not provided because it is expected that such earnings will be reinvested by such subsidiaries.

Investment tax credits are applied as reduction of Federal income tax provisions in years in which they arise.

CUMMINS ENGINE COMPANY, INC. (DEC)

Notes to Financial Statemnets

Note 9: Income Taxes—The provision for income taxes includes:

(thousands)	United States 1976	1975	Foreign 1976	1975	Total 1976	1975
Current	$47,314	$(3,878)	$2,156	$9,044	$49,470	$ 5,166
Deferred	3,503	8,072	5,339	(601)	8,842	7,471
Investment credit	(3,074)	(2,856)	—	—	(3,074)	(2,856)
State and local	4,345	1,871	—	—	4,345	1,871
	$52,088	$ 3,209	$7,495	$8,443	$59,583	$11,652

Deferred taxes result from timing differences in the recognition of certain revenue and expense items for tax and financial statement purposes. The tax effects of these differences were:

(thousands)	1976	1975
Excess of tax over book depreciation	$7,516	$2,944
Deferral of income taxes payable by U.K. subsidiaries—tax relief for inventory carrying value	2,955	—
Provision on tax deferred earnings of a Domestic International Sales Corporation	1,086	—
Unrealized foreign currency translation gain, net	811	501
Product warranty cost provided in advance of payment, net	(2,834)	2,932
Intercompany profit in inventory	(1,858)	1,337
Reserve for loss on future commitments	(809)	(2,631)
Other, net	1,975	2,388
	$8,842	$7,471

Differences between the effective tax rate and the U.S. Federal income tax rate were:

	1976	1975
U.S. Federal income tax rate	48.0%	48.0%
Increases (reductions) in tax rate resulting from:		
Investment tax credit	(2.6)	(14.5)
Western Hemisphere Trade Corporation deduction	(1.2)	—
Taxes not provided on the tax deferrable earnings of a Domestic International Sales Corporation	—	(4.6)
Foreign subsidiaries' losses carried forward	.5	11.4
Translation adjustments on earnings from foreign sources	2.5	11.9
Foreign rate differences	.6	5.6
State and local income taxes, net of Federal income taxes	1.9	4.9
Other, net	.7	(3.5)
Effective tax rate	50.4%	59.2%

In 1976, income taxes of approximately $1,086,000 were provided on the 1976 tax deferred earnings of a Domestic International Sales Corporation (DISC) because management is not certain that it will be able to permanently defer the 1976 earnings from taxation. Taxes of $3,100,000 on pre-1976 DISC earnings have not been provided, as it is intended that these earnings will be permanently deferred.

ZENITH RADIO CORPORATION (DEC)

Notes to Consolidated Financial Statements

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

Income Taxes—The Company records expense for financial reporting in the year in which the expense relates, although for income tax purposes certain expenses are deductible only in subsequent accounting periods. Accordingly, the applicable prepaid income taxes have been recorded and included in current assets in the accompanying consolidated financial statements.

The Company provides deferred income taxes on undistributed earnings of DISC and foreign subsidiaries (see Note 6). Deferred income taxes are also provided for timing differences arising from (a) claiming accelerated depreciation for Federal income tax purposes for certain plant and equipment additions which are depreciated using the straight-line method for financial reporting purposes, and (b) deferring tax payments on income arising from a change in the method of determining overhead costs in inventory (see Note 2).

Note 6: Income Taxes—The provisions for income taxes consist of the following:

	1976	1975
	(in thousnads)	
Currently payable		
Federal	$23,042	$13,707
Foreign	1,673	240
State	2,488	1,916
Deferred taxes relating to undistributed earnings of DISC and foreign subsidiaries and accelerated depreciation	3,563	3,730
Prepaid taxes arising primarily from product warranty, co-op advertising and merchandising programs	5,334	1,766
Investment tax credit benefits (including, in 1975, utilization of $900 carried forward from prior years)	(1,904)	(2,082)
Other	(746)	(77)
Total provision for income taxes	$33,450	$19,200

In addition to the above, $4.8 million of income taxes was provided in 1975 applicable to the cumulative effect of the change in inventory overhead costing, of which $3.0 million and $3.7 million was deferred at December 31, 1976 and 1975, respectively.

In 1976 and 1975, the provisions for income taxes are less than the 48% statutory Federal income tax rate for the following reasons:

	1976	1975
Statutory Federal income tax rate	48.0%	48.0%
State income taxes payable	2.0	2.2
Investment tax credit benefit	(2.6)	(4.6)
Other	(1.0)	(3.1)
Effective rate	46.4%	42.5%

At December 31, 1975, the cumulative amount of indefinitely reinvested earnings of a foreign subsidiary for which deferred income taxes had not been provided was $1.6 million. During 1976, a revision in U.S. tax laws resulted in a change in the amount of undistributed earnings considered to be indefinitely reinvested. Consequently, the Company has provided U.S. income taxes on all undistributed earnings of a foreign subsidiary, at capital gain rates, based upon the Company's intention to repatriate such earnings in a capital transaction.

No Accrual For Taxes

GLOUCESTER ENGINEERING CO., INC. (JUN)

Notes to Consolidated Financial Statements

Note 3: Income Taxes—The Company follows the comprehensive method of income tax allocation which recognizes the tax effects of all income and expense transactions included in each year's consolidated statement of income regardless of the year the transactions will be reported for tax purposes, except with respect to the earnings of its Domestic International Sales Corporation (DISC). Under the Internal Revenue Code, approximately 50% of the DISC income is not subject to Federal income taxes if certain conditions are maintained and the earnings are not distributed to the Company. The Company does not presently intend to distribute these earnings or perform any other act that would cause these taxes to become due and payable. Accordingly, as of June 30, 1976, the Company has not provided income taxes on approximately $373,000 of undistributed DISC income.

The Company does not provide taxes which would be payable if undistributed earnings of its foreign subsidiary were remitted because the Company considers these earnings to be invested in the subsidiary for an indefinite period. In addition, the Company anticipates that if such earnings were distributed, the U.S. income taxes payable would be substantially offset by foreign tax credits. As of June 30, 1976, the Company's foreign subsidiary had undistributed earnings of approximately $1,573,000.

THE HOOVER COMPANY (DEC)

Notes to Consolidated Financial Statements

Note G: Income Taxes—The effective income tax rates for 1976 and 1975 were 82.5% and 72.8% respectively. Such rates were higher than the Federal statutory rate of 48% due principally to unrealized exchange losses not allowed as a tax deduction, higher foreign income tax rates, and operating losses of certain subsidiaries for which no tax benefit is recognized. Such loss carryovers at December 31, 1976 for financial reporting purposes approximate $4,000,000, of which $2,050,000 expires in various years through 1981 and $1,950,000 is available indefinitely.

Because the Company plans to continue to finance foreign expansion and operating requirements by reinvestment of undistributed earnings of its foreign subsidiaries, United States income taxes have not been provided on such earnings. The amount of undistributed earnings that would incur income taxes if distributed at December 31, 1976, but which are considered to be indefinitely reinvested, is approximately $6,000,000 after reduction for foreign tax credits which are assumed to be available to offset taxes incurred on any remittances. Income taxes have been provided for all currently planned distributions.

The tax liability of Hoover Limited is under review by the local taxing authorities. In the opinion of the Hoover Limited management, their independent international taxation advisors, and their auditors, the Company has complied with the requirements of the United Kingdom Taxes Act. Full provision has been made for all known taxation liabilities.

LEAR SIEGLER, INC. (JUN)

Summary of Significant Accounting Policies

Income Taxes—Current federal income taxes are reduced by the investment tax credit using the flow-through method.

Deferred income taxes result principally from the effect of timing differences between financial statement and income tax accounting, primarily because of differences in depreciation methods, the cost of deferred compensation plans and real estate carrying costs.

U.S. income taxes are provided on the unremitted earnings of foreign subsidiaries which are not considered to be permanently invested or restricted. No provision has been made for income taxes on the remaining unremitted net earnings since these earnings are considered to be permanently invested.

Notes to Consolidated Financial Statements

Note 3: Income Taxes—Income taxes consist of:

	1976	1975
Current		
Federal	$13,309,000	$ 8,795,000
Foreign	6,731,000	5,005,000
State	2,078,000	1,879,000
	22,118,000	15,679,000
Deferred	(984,000)	(1,336,000)
	$21,134,000	$14,343,000

The reasons for differences between total income tax expense at effective tax rates and the amount computed by applying the U.S. Federal income tax rate of 48% are as follows:

	1976	1975
Computed "expected" income tax expense at U.S. Federal income tax rate of 48%	$22,342,000	$16,160,000
Increases (reductions) in income taxes resulting from:		
Investment and other income tax credits	(459,000)	(694,000)
State and local income taxes net of Federal income tax benefit	1,081,000	977,000
Income tax benefits on DISC earnings	(1,208,000)	(938,000)
Other	(622,000)	(1,162,000)
Actual income tax expense	$21,134,000	$14,343,000

Cumulative undistributed earnings of foreign subsidiaries which have been, or are intended to be reinvested for an indefinite period of time, exclusive of those amounts which if remitted would result in little or no tax by operation of relevant statutes currently in effect, aggregate approximately $25,000,000 at June 30, 1976. Such amounts, if distributed, would incur income tax expense at substantially less than the U.S. income tax rate as a result of previously paid foreign income taxes which would become available as foreign tax credits.

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

Notes to Consolidated Financial Statements

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

Taxes on Income—Provision is made annually for taxes on income including provision for deferred taxes on differences between financial statement income and taxable income. Such provision recognizes additional United States taxes on income attributable to the Company's share of undistributed earnings of investee companies in which the Company cannot control investment policies. No provision is made for United States taxes on income on the Company's share of undistributed earnings of consolidated subsidiaries and investee companies in which the Company can control investment policies since such earnings have been invested or are expected to be invested for the indefinite future.

Investment tax credits are recognized currently as a reduction of taxes on income.

Note 6 (in part): Taxes on Income—The Company's share of undistributed earnings of consolidated subsidiaries and investee companies on which deferred United States taxes on income have not been provided aggregated $17,440,000 and $18,060,000 at December 31, 1976 and 1975, respectively.

OUTBOARD MARINE CORPORATION (SEP)

Notes to Consolidated Financial Statements

Note 16: Income Taxes—Deferred income taxes are recognized for income and expense items which are reported for tax purposes in different years than for financial statement purposes. In addition, deferred U.S. income taxes are provided on earnings of the Company's domestic international sales corporation (DISC) and on undistributed foreign subsidiary earnings which are not considered to be permanently invested. U.S. income taxes estimated at $9,800,000 have not been provided on $59,300,000 of retained earnings of foreign subsidiaries which are permanently invested.

The provision for income taxes for the years ended September 30, 1976 and 1975 consists of the following components:

	1976	1975
Current—		
Federal	$ 9,138,000	$ (92,000)
State	1,458,000	227,000
Foreign	9,297,000	11,201,000
Deferred	2,287,000	2,809,000
Total provision	22,180,000	14,145,000
Tax benefit allocation to discontinued business (Note 11)	—	2,266,000
	$22,180,000	$16,411,000

The provision for deferred income taxes reflects the following timing differences:

	1976	1975
DISC earnings	$ 931,000	$ 781,000
Excess of tax over book depreciation and tooling amortization	2,110,000	1,440,000
Foreign earnings	912,000	720,000
Other	(1,666,000)	(132,000)
	$ 2,287,000	$ 2,809,000

THE PARKER PEN COMPANY (FEB)

Notes to Consolidated Financial Statements

Income Taxes—Income taxes are provided for the estimated amounts to be assessed in the countries and states in which the Company or its subsidiaries operate. Provision is made for United States taxes and local withholding taxes on the unremitted earnings of foreign subsidiaries where such earnings are not considered to be permanently invested, and can vary from year to year as circumstances change. The provision for taxes on earnings includes the following:

	1976	1975
Current:		
United States	$ 4,462,034	$ 4,609,696
Foreign	4,849,161	4,997,507
State	701,151	288,566
Total current	10,012,346	9,895,769
Deferred:		
United States	(133,400)	386,400
Foreign	318,326	255,100
State	400	(23,400)
Total deferred	185,326	618,100
Total provision	$10,197,672	$10,513,869
Effective tax rate	49.0%	51.1%

The differences between the United States federal income tax rate of 48% and the effective tax rates are as follows:

	Per Cent of Earnings Before Taxes 1976	1975
Federal statutory tax rate	48.0%	48.0%
Variation of tax on foreign earnings, net of deferred U.S. taxes provided	(3.5)	1.7
Unrealized (gain) or loss from translation of foreign financial statements	3.2	(1.3)
State taxes, net of Federal tax benefit	1.8	.7
Other, net	(.5)	2.0
	49.0%	51.1%

Deferred income taxes are provided for timing differences in the recognition of revenue and expense for tax and financial reporting purposes. The deferred tax provision consists of the following:

Timing Differences	1976	1975
Tax on earnings of Domestic International Sales Corporation less tax on prior earnings transferred to the current provision	$449,300	$319,100
Net provision on unremitted earnings of foreign subsidiaries	(583,400)	348,100
Depreciation	627,983	460,900
Accrued employe compensation	(160,814)	(326,400)
Other, net	(147,743)	(183,600)
	$185,326	$618,100

Included in earnings retained for use in the business is approximately $24,480,000 in 1976 ($16,732,000 in 1975) of undistributed net earnings of consolidated foreign subsidiaries which are considered to be permanently invested. Income taxes of approximately $4,077,000, which would be payable if these earnings were remitted, have not been provided. Because of changes in circumstances during 1976, including working capital and other expansion requirements, the total accumulated earnings believed to be available for dividend remittances at the end of the year was $4,189,000 less than the amount at the beginning of the year. This amount is now considered to be permanently invested by the subsidiaries and results in the $583,400 net reduction in deferred tax for 1976 as shown above. The Company uses the flow-through method of accounting for the investment credit. The amounts have not been significant.

TRANSLATION OF FOREIGN CURRENCY ACCOUNTS

During 1975, the Financial Accounting Standards Board issued *Statement of Financial Accounting Standards No. 8* which, effective for fiscal periods beginning after December 31, 1975, is the authorative pronouncement on accounting for translation of foreign currency accounts.

Of the 406 survey companies having foreign operations, 343 disclosed details as to their translation policies. Examples of such translation disclosures follow.

APCO OIL CORPORATION (DEC)

	1976	1975
Costs and expenses:		
Cost of sales and operations	$263,061,232	$232,505,544
Selling and general expenses	17,508,425	18,255,998
Gross production and ad valorem taxes	2,291,207	2,138,551
Interest and debt expense	7,088,616	6,373,137
Depreciation, depletion and amortization	10,808,886	25,447,977
Exploration expense	1,622,342	6,555,444
Foreign currency translation (gains) losses, net (Note 1).	(2,570,734)	3,487,622
Unrealized (gains) losses on marketable securities	(2,818,865)	2,818,865
	$296,991,109	$297,583,138

Notes to Consolidated Financial Statements

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

Foreign Exchange—The general policy followed in the translation of foreign currency amounts into United States dollars is that all assets, other than property, plant and equipment, and all liabilities are translated at the rates of exchange in effect at the end of each year. Property, plant and equipment, including depreciation, is translated generally at the rate in effect at date of acquisition. Revenue and other expense items are translated at a weighted average rate of exchange during the year. Net translation gains or losses are included in operations.

Note 9: Foreign Operations—Contributions to earnings from domestic and foreign sources before corporate overhead, income taxes and extraordinary charge are summarized as follows:

	1976	1975
Domestic	$24,150,000	$16,001,000
Foreign (1)	7,024,000	(9,714,000)
	$31,174,000	$ 6,287,000

(1) Net translation gains aggregated $2,570,734 in 1976 and losses aggregated $3,487,662 in 1975. The translation gains in 1976 resulted principally from Argentine loan transactions (essentially forward exchange contracts) which were substantially completed at December 31, 1976. Such gains may not recur in the future.

A summary of net assets (liabilities) of domestic and foreign subsidiaries operating substantially in foreign countries and the direct investment of the parent company in assets located in foreign countries is as follows:

	1976	1975
Current assets	$14,104,000	$13,174,000
Net property, plant and equipment	10,834,000	12,153,000
Other assets	6,490,000	4,093,000
	$31,428,000	$29,420,000
Current liabilities	$ 7,747,000	$ 7,149,000
Other liabilities	22,307,000	24,408,000
	$30,054,000	$31,557,000
Net assets (liabilities)	$ 1,374,000	$(2,137,000)

The net assets (liabilities) reflected above are located in various countries as follows:

	1976	1975
Argentina (see Note 5)	$12,759,000	$ 8,600,000
Canada	4,357,000	4,274,000
France (see Note 4)	3,237,000	3,237,000
Others (1)	(18,979,000)	(18,248,000)
	$ 1,374,000	$(2,137,000)

(1) Consists primarily of the outstanding principal ($19,954,000) of the 6% convertible debentures set forth in Note 6.

Subsequent to December 31, 1976, and through February 9, 1977, the exchange rate of the Argentine peso decreased. The effect of this decrease was not material to the financial position of the Company; however, the economic instabilities in Argentina may cause additional changes in the rate of exchange which could result in further currency translation losses.

BAUSCH & LOMB INCORPORATED (DEC)

Accounting Policies

Translation of Foreign Currencies—The financial statements of consolidated subsidiaries operating outside the United States are translated into U.S. dollar equivalents at rates of exchange applied as follows: inventory, properties and accumulated depreciation at rates effective at the time such assets were acquired; the remaining net assets at the rate of exchange in effect at year end. Other than cost of sales and depreciation, which are translated at historical rates, income and expense items are translated at the applicable rates of exchange during the year. Translation gains and losses are reflected in the consolidated statement of earnings as they occur.

Notes to Financial Statements

Foreign Operations—Condensed financial data of the consolidated foreign subsidiaries are shown below:

	1976	1975
Current assets	$ 88,896,000	$87,064,000
Properties, less depreciation	12,436,000	12,645,000
Total assets	101,332,000	99,709,000
Current liabilities	40,264,000	41,903,000
Liabilities due after one year	5,829,000	5,364,000
Total liabilities	46,093,000	47,267,000
Bausch & Lomb equity and advances	$ 55,239,000	$52,442,000
Net earnings for the year	$ 3,511,000	$ 4,929,000

The effects of foreign currency fluctuations were net charges of $1,738,000 in 1976 and $945,000 in 1975. Included in these amounts are costs of $1,831,000 and $2,925,000 in 1976 and 1975, respectively, relating to the historical translation of inventories sold during the years, and net credits to selling, administrative and general expense of $93,000 and $1,971,000 in 1976 and 1975, respectively, arising from gains and losses from foreign currency transactions and from translation of foreign balance sheets exclusive of the inventory effect.

CAMPBELL SOUP COMPANY (JUL)

Summary of Significant Accounting Policies

Translation of Foreign Currencies—Foreign currency assets and liabilities are translated at year-end rates of exchange except for inventories, plant assets and related depreciation which are translated at rates in effect at the time of acquisition. Income and expense accounts, except depreciation, are translated at the average exchange rates in effect during the year. All foreign exchange gains and losses are included in income.

In fiscal 1976, the Company changed its method of accounting for foreign currency translation to comply with FASB Statement No. 8, Accounting for the Translation of Foreign Currency Transactions and Foreign Currency Financial Statements. The effect of adopting this statement was not significant and accordingly prior period accounts were not restated.

Notes to Consolidated Financial Statements
(000 omitted from dollar amounts)

Note 1 (in part): Consolidation—Net assets of domestic and foreign companies were:

	1976	1975
Companies in:		
United States	$603,012	$571,917
Foreign countries	101,870	94,483
	$704,882	$666,400

Foreign exchange amounts recorded in earning were the following:

	1976	1975
Exchange gains (losses)	$ (580)	$ 762
Unrealized gains (losses) from currency translation	826	(1,775)
	$ 246	$ (1,013)

Income taxes have not been accrued on $77,039 of undistributed earnings of foreign subsidiaries ($69,361 in 1975) which are invested in operating assets and are not expected to be remitted or if remitted will not result in significant tax amounts after considering the effect of available tax credits and adjustments.

Included in Payable to suppliers and others are bank overdrafts of $33,721 in 1976 and $10,984 in 1975.

EX-CELL-O CORPORATION (NOV)

Notes to Consolidated Financial Statements

Note 1 (in part): Significant Accounting Policies

Foreign Currency Translation—The balance sheet accounts of the consolidated foreign subsidiaries are translated at the approximate rates of exchange in effect at the balance sheet dates, except as to inventories and plant and equipment and related depreciation which are translated at the approximate rates of exchange at dates of acquisition. Income and expense accounts, except depreciation, are translated at a weighted average of exchange rates which were in effect during the year. The Company's share of net earnings of a foreign non-consolidated majority-owned subsidiary and other affiliated companies is translated at the approximate rates of exchange in effect at the balance sheet dates.

Note 2: International Business—At November 30, 1976 and 1975, the total assets of the consolidated foreign subsidiaries combined with the investments in the non-consolidated foreign subsidiaries and affiliates (Note 1) were less than 10% of consolidated total assets; and the revenues and the sum of the related net earnings and equity in earnings for each year were less than 10% of total revenues and net earnings, respectively.

Sales and operating revenues of domestic companies related to products shipped outside the United States approximated $79,000,000 in 1976 and $65,000,000 in 1975. Of these amounts, management estimates that approximately $43,000,000 and $39,000,000 were obtained through the services of sales representatives to whom commissions of approximately $3,300,000 and $3,700,000 were paid or accrued in 1976 and 1975, respectively.

Exchange gains (losses) amounting to $129,000 in 1976 and ($18,000) in 1975 have been included in the consolidated statements of earnings.

THE FIRESTONE TIRE & RUBBER COMPANY (OCT)

Significant Accounting Policies

Translation of Foreign Currencies—Foreign currency amounts are translated into U.S. dollars, generally at remittance exchange rates, as follows: inventories, prepaid and deferred items, properties, plant and equipment and related cost of goods sold, amortization and depreciation—rates in effect at acquisition dates; all other assets and liabilities—rates in effect at the end of the year; income and all other expenses—rates in effect at the end of each month. Net gains and losses arising from translation of foreign currencies are included in income.

In order to comply with Financial Accounting Standards Board Statement No. 8, the company began translating inventories and prepaid and deferred items at historical rather than current rates effective November 1, 1975. The effect of this change on 1976 and prior years is not material and no restatement of prior financial statements is required.

Notes to Financial Statements

Dollars in Thousands, Except Per Share Amounts

Foreign Operations—Net income of foreign subsidiaries was $30,124 in 1976 and $47,341 in 1975. The consolidated balance sheet includes net assets in foreign countries of $585,701 and $561,822 at October 31, 1976 and 1975, of which net current assets were $211,350 and $216,397, respectively. Accumulated undistributed earnings after taxes of foreign subsidiaries amounted to $288,882 and $276,352 at October 31, 1976 and 1975, respectively, for which no provision for foreign withholding or United States federal income taxes is necessary because these earnings have been reinvested in properties, plants, equipment and working capital. Losses from translation and exchange of foreign currencies, including foreign denominated debt of the Company, amounted to $16,724 in 1976 and $12,932 in 1975.

JOY MANFUACTURING COMPANY (SEP)

Notes to Consolidated Financial Statements

Accounting Change and Restatement of Financial Statements—In fiscal 1976, the Company adopted Statement of Financial Accounting Standards No. 8 (FAS No. 8)—"Accounting for the Translation of Foreign Currency Transactions and Foreign Currency Financial Statements." Under a provision of this statement, translation gains and losses are to be included in the determination of net income for the year in which a rate change occurs. Prior to fiscal 1976, the Company's translation losses in excess of current and deferred translation gains were charged to income currently and foreign currency translation gains in excess of losses for the period were deferred to offset future translation losses. The change in method of accounting for translation gains and losses had no effect on net income in fiscal 1976 since no net translation gains were deferred at September 26, 1975.

Adoption of FAS No. 8 required the Company to include translation gains and losses retroactively in the appropriate periods and therefore fiscal 1975 financial information, including net income, net income per share and the beginning balance of retained earnings, has been restated for this change in accounting method. The retroactive application of the change resulted in a decrease in 1975 net income of $1,158,000 ($.11 per share). The beginning balance of fiscal 1975 retained earnings was increased $1,158,000 to reflect the net cumulative effect of this change on net income, as previously reported, for years prior to 1975.

Adoption of other provisions of FAS No. 8 did not have a material effect on fiscal 1976 and prior years.

International Operations—Summarized financial information of non-U.S. subsidiaries included in the consolidated financial statements is presented below:

	1976	1975
Current assets	$ 89,139,000	$ 88,585,000
Current liabilities	51,832,000	46,996,000
Net assets	44,926,000	47,294,000
Net sales	137,581,000	127,719,000
Net income	1,621,000	4,551,000

Net currency translation losses charged to income amounted to $2,031,000 in 1976 and $1,713,000 in 1975. Of these amounts $1,582,000 and $2,588,000 were recorded in the fourth quarter of fiscal 1976 and 1975, respectively.

Subsequent to September 24, 1976, fluctuations in certain non-U.S. currencies indicate that a potential translation loss of between $800,000 and $1,600,000 may be recorded early in fiscal 1977.

LEAR SIEGLER, INC. (JUN)

Summary of Significant Accounting Policies

Foreign Operations and Translation of Foreign Currencies—The accounts of certain foreign subsidiaries have been consolidated on a May 31 fiscal year basis. During the year the Company adopted the method of accounting for currency translation of the financial statements of foreign subsidiaries required by Financial Accounting Standards Board Statement No. 8. Under these requirements monetary assets and liabilities have been translated into U.S. dollars at exchange rates prevailing at the fiscal year-end; nonmonetary assets and liabilities, principally plant and equipment and inventories, have been translated at historical exchange rates approximating those at transaction dates. Operating accounts, except for depreciation and amortization and cost of inventory sold, have been translated into U.S. dollars at average exchange rates prevailing during the year. Restatement of years prior to June 30, 1976 is not required since the result obtained from using the new translation method would be substantially the same as that obtained under the former method used by the Company. Net foreign exchange gains and losses which have been included in current operations consist of net unrealized translation losses of approximately $1,420,000 and net realized conversion gains of approximately $800,000 net of taxes. Net foreign exchange gains and losses included in operations of the prior year were not material.

NATIONAL DISTILLERS AND CHEMICAL CORPORATION (DEC)

Summary of Accounting Policies

Translation of Foreign Currency Accounts—Foreign currency cash and amounts receivable or payable are translated at current exchange rates. All other balance sheet accounts are translated at rates in effect at the time acquired (i.e., historical rate).

Revenue and expense transactions, except for depreciation and amortization, are translated at the average of exchange rates in effect during the period. Provisions for depreciation and amortization are translated at the same rates as the assets to which they apply.

Resulting translation gains or losses are included in income for the year.

Notes to Financial Statements

Note 6: Foreign Currency Exchange Adjustments—Foreign currency exchange adjustments charged or credited to income comprised:

	1976	1975
Realized (gain) loss on transactions during the year	$1,883,000	$(232,000)
Unrealized (gain) loss on translation of assets and liabilities denominated in foreign currencies	3,013,000	(528,000)
	$4,896,000	$(760,000)

In the Consolidated Statement of Income realized gains or losses are included in divisional expenses. Unrealized gains or losses on translation are included in other income—net.

PPG INDUSTRIES, INC. (DEC)

Summary of Accounting Policies

Translation of Foreign Currencies—The financial statements of foreign subsidiaries and equity affiliates are translated to United States dollars, based on the official or free rates of exchange applicable in the circumstances. Current assets, except inventories, and all liabilities, except future income taxes are translated at the rates of exchange in effect at year-end. Inventories, property, other assets and future income taxes are translated at the historic exchange rates which prevailed when the assets were acquired or the taxes were provided. Revenue and expense accounts are translated at the weighted average exchange rates in effect during the year, except that historic rates are used to translate those expense items related to inventories, property and future income taxes. Translation gains and losses arising from exchange rate fluctuations are reflected in current earnings.

Notes to Financial Statements

Note 12: Other matters—Reference is made to the Information for Our Investors section regarding Impact of Inflation (unaudited), Translation of Foreign Currencies, Pensions, and capital Expenditures as to amounts required to complete capital projects approved prior to December 31, 1976.

Information for Our Investors

Translation of Foreign Currencies—All foreign currency translation gains and losses are included in current earnings. Fluctuations of foreign currency exchange rates during 1976 resulted in a net gain of $3.6 million, after deducting minority interest of $1.6 million. This compares with a net gain of $100,000 in 1975. The net gain in 1976 results primarily from translating financial statements of Italian subsidiaries from Italian lire to United States dollars.

SCHLUMBERGER LIMITED (DEC)

Notes to Consolidated Financial Statements

Summary of Accounting Policies (in part)

Translation of Non-U.S. Currencies—Balance sheet items recorded in currencies other than U.S. dollars are translated at current exchange rates except for oilfield inventories, fixed and intangible assets and long-term investments which are translated at historical rates. Revenue and expenses are translated at average current rates of exchange except that depreciation of fixed assets and amortization of intangible assets are translated at historical rates. Translation adjustments and gains or losses on forward exchange contracts are taken up in income currently. See note under "Supplementary Information" for comments on translation principles regarding nonoilfield inventories maintained in other than U.S. dollars (Financial Accounting Standards Board Statement Number 8).

Supplementary Information (in part)—Foreign exchange losses in 1976 and 1975 were $1.9 million and $10.3 million, respectively.

Under provisions of Financial Accounting Standards Board Statement Number 8, commencing January 1, 1976 nonoilfield inventories maintained in other than U.S. dollars should be translated at historical exchange rates rather than current exchange rates and, if practicable, prior period earnings restated on the same basis. Substantially all of these inventories are owned by a French subsidiary engaged in the manufacture and sale of measurement and control equipment, primarily in France and other countries of Western Europe.

While it is impracticable for the Company to restate periods prior to 1976, it is apparent that the cumulative effect of this change to January 1, 1976 would not be significant on consolidated earnings or financial position. Current exchange rates were used to value nonoilfield inventories at December 31, 1976. A detailed study on 1976 accumulation and turnover of these inventories indicated that translation at historical exchange rates rather than current rates would have had a negligible effect on the consolidated statement of income for the year ended December 31, 1976 and the consolidated financial position at that date.

STANDARD PRESSED STEEL CO. (DEC)

	1976	1975
Costs and expenses:		
Cost of goods sold	$115,529,949	$113,697,582
Selling, general and administrative expenses	28,998,774	30,408,035
Depreciation and amortization	5,932,847	5,449,763
Interest expense	3,628,133	3,820,452
Foreign exchange adjustments (Note 3)	848,730	1,033,415
	$154,938,433	$154,409,247

Note 3: Translation of Foreign Currency Financial Statements—Current assets, excluding inventories, and generally all liabilities of non-United States subsidiaries and affiliates are translated into United States dollars at rates of exchange in effect at the balance-sheet dates and the remaining accounts generally are translated at appropriate historical exchange rates. Income and expense accounts are translated at average exchange rates effective during the years covered, except for inventory costs, depreciation, and amortization, which are based on historical exchange rates. Foreign exchange adjustments consist of unrealized exchange losses of $1,215,457 and realized exchange gains of $366,727 in 1976; and unrealized exchange losses of $761,647 and realized exchange losses of $271,768 in 1975.

In 1975, the aforementioned method of accounting for the translation of foreign currency financial statements was adopted in accordance with Statement No. 8 of the Financial Accounting Standards Board. The new method of accounting was applied retroactively, the effect of which increased 1975 earnings by $355,000 ($.07 per share).

THE L. S. STARRETT COMPANY (JUN)

Notes to Financial Statements

Significant Accounting Policies (in part)

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

Foreign subsidiary assets and liabilities are translated into United States dollars at rates of exchange prevailing at the subsidiaries' fiscal year-end dates, except for inventories and property, plant and equipment which are translated at rates prevailing at dates of acquisition. Revenues and expenses are translated at average rates of exchange prevailing during the year, except that those items relating to assets and liabilities translated at historical rates are also translated at historical rates. The net assets of the foreign subsidiaries, included in the consolidated balance sheet of the Company at June 30, 1976, amounted to $14,473,000 and $12,521,000 at June 30, 1975. The effect of foreign currency exchange rate changes is as follows:

	1976	1975
Exchange (gain) loss	$ (189,000)	$322,000
Exchange rate changes on inventories	1,939,000	330,000
Effect of foreign currency exchange rate changes charged against income	$ 1,750,000	$652,000

The effect of exchange rate changes on inventories is determined by computing the difference between inventories translated at average rates of exchange prevailing during the year and at historical rates.

STRUTHERS WELLS CORPORATION (NOV)

Notes to the Financial Statements

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

Foreign Translation—In accordance with the Financial Accounting Standards Board Statement No. 8, the Company changed its method of accounting for foreign exchange translation. The principal changes to the Company's accounting policy as a result of this Standard is in the translation of inventories and the recognition of unrealized translation gains in the year they arise. The previous year's financial statements have not been restated as the effect of the change thereon would not be significant.

Note 2: Foreign Subsidiary—A summary of the net assets and operations of the French subsidiary of Struthers Scientific and International Corporation (Note 8) follows:

	1976	1975
Current assets	$3,502,592	$3,961,748
Properties and other assets	52,496	30,587
	3,555,088	3,992,335
Current liabilities (includes $504,784 in 1976 and $486,827 in 1975 of intercompany accounts—Eliminated in consolidation)	2,656,741	3,550,620
Net assets	$ 898,347	$ 441,715
Net sales	$9,274,210	$5,653,158
Net profit	$ 456,632	$ 187,332

Foreign currency transactions resulted in a realized gain of $5,900 in 1976 and $115,000 in 1975. The net unrealized translation gain included in income during 1976 amounted to $70,163, including a cumulative unrealized gain of $42,000 ($.02 per share) deferred at November 30, 1975.

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

	1976	1975	1974	1973
Percentage-of-completion	75	56	50	66
Completed contract	12	9	11	10
Not determinable	9	8	10	10
Referring to long-term contracts	**96**	**73**	**71**	**86**
Not referring to such contracts	504	527	529	514
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 represent 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. The Company reports income from long-term contracts on the completed contract method for income tax purposes.

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, 1976 and 1975:

	1976	1975
Retainage	$ 6,878,000	$ 7,083,000
Recoverable costs and estimated earnings relating to contracts not complete and not billed	25,790,000	27,502,000
Total	$32,668,000	$34,585,000

Retainage is billable periodically according to the terms of the contracts. Approximately $4,810,000 of retainage at October 31, 1976, is expected to be billed and collected within one year.

Approximately $23,605,000 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.

THE AMERICAN SHIP BUILDING COMPANY (SEP)

Notes to Consolidated Financial Statements

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

Contract Revenue Accounting—Revenues and costs applicable to long-term construction contracts are included in the consolidated statements of income as work progresses on the percentage-of-completion accounting method.

Revenues and costs have been restated in all periods to reflect the recognition of material costs as revenue based on labor percentage of completion. Previously, material costs for vessels under construction were recorded as revenue when the material was received. The effect of this revision will be to distribute revenue more consistently over the life of a contract, and in closer timing with profit recognition, which is keyed to labor percentage of completion. The revenues and costs previously reported for 1975 on the basis of actual receipts of material have been reduced by $20,457,596 to reflect revenues as described above. This restatement has no effect on the operating income as previously reported.

The performance of such contracts may extend over several years and revisions in the contract estimates during performance and upon final contract settlements have the effect of including in subsequent accounting periods adjustments necessary to reflect the results of these revised estimates and final contract settlements.

CORNING GLASS WORKS (DEC)

Statement of Accounting Policies

Long-Term Contracts—Corning has contracts, extending over several years, to provide know-how, technical assistance, equipment and construction management services. Income under these contracts is recognized on the percentage of completion method. Funds received in excess of costs incurred and income recognized are recorded as current liabilities. When costs incurred and income recognized on any contract exceed funds received, the net amount is included in current assets.

CURTISS-WRIGHT CORPORATION (DEC)

Notes to Consolidated Financial Statements

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

Accounting for Long-Term Contracts—The Corporation records sales on its long-term contracts generally on a percentage-of-completion basis, based upon current estimates of manufacturing and engineering costs to complete such contracts. General and administrative expenses are accounted for as period charges and, therefore, are not included in the calculation of the estimates to complete. Sales and estimated earnings for the year are generally accrued and reflected as unbilled charges based on the percentage of actual costs for the year to total estimated cost of completion. The estimated contract costs at completion of the Nuclear Division's existing contracts do not include the benefit of projected new contract awards. Projected losses are provided for in their entirety without reference to the percentage-of-completion. As contracts can extend over one or more years, revisions in earnings estimated during the course of the work are reflected prospectively over the remaining life of the contract.

Note 3: Progress Payments—Progress payments received under U.S. Government prime contracts and subcontracts have been deducted from applicable balance sheet captions as follows:

	1976	1975
Receivables	$ 421,000	$ 930,000
Unbilled charges on long-term contracts	$24,456,000	$40,092,000
Inventories	$ 5,349,000	$ 5,848,000

The Government has a lien on all materials and work-in-progress applicable to the foregoing items, to the extent of these progress payments.

FLUOR CORPORATION (OCT)

Financial Review

Major Accounting Policies (in part)

Engineering and Construction Contracts—The company recognizes revenues on engineering and construction contracts on the percentage-of-completion method based on the ratio of costs incurred to date on the contracts to total estimated contract costs. Changes to total estimated contract costs and losses, if any, are recognized in the period they are determined. Revenues recognized in excess of amounts billed are classified as current assets under contract work in progress. It is anticipated that substantially all contract work in progress at October 31, 1976, will be billed and collected in 1977. Amounts received from clients in excess of revenues recognized to date are classified as current liabilities under advance billings on contracts.

SPARTON CORPORATION (JUN)

Notes to Consolidated Financial Statements

Note 1 (in part): Statement of Accounting Policies

Contract Accounting—Long-term contracts relate principally to government defense contracts and are accounted for on the completed units shipped method, based on estimated average contract cost per unit.

Note 3: Long-Term Contracts—Inventories include costs related to long-term contracts of approximately $14,317,000 and $16,145,000 at June 30, 1976 and 1975 respectively, reduced by progress billings of approximately $4,640,000 and $6,166,000, respectively.

Completed Contract Method

CHICAGO BRIDGE & IRON COMPANY (DEC)

Consolidated Statements of Income and Retained Earnings

	1976	1975
Income:		
Contracts closed	$577,055,000	$564,410,000
Costs of contracts closed	432,255,000	452,119,000
	$144,800,000	$112,282,000

Consolidated Balance Sheets

	1976	1975
Current assets:		
Contracts in progress with accumulated billings		
Accumulated costs	$131,871,000	$123,851,000
Progress billings	(96,479,000)	(89,307,000)
Current liabilities:		
Contracts in progress with progress billings exceeding related accumulated costs		
Progress billings	$516,906,000	$500,362,000
Accumulated costs	(357,122,000)	(362,747,000)

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 charged to income as period costs and are not allocated to contracts in progress.

DISCONTINUED OPERATIONS

Paragraph 8 of *APB Opinion No. 30* states:

Discontinued Operations of a Segment of a Business. For purposes of this Opinion, the term discontinued operations refers to the operations of a segment of a business as defined in paragraph 13 that has been sold, abandoned, spun off, or otherwise disposed of or, although still operating, is the subject of a formal plan for disposal (see paragraph 14). The Board concludes that the results of continuing operations should be reported separately from discontinued operations and that any gain or loss from disposal of a segment of a business (determined in accordance with paragraphs 15 and 16) should be reported in conjunction with the related results of discontinued operations and not as an extraordinary item. Accordingly, operations of a segment that has been or will be discontinued should be separately reported as a component of income before extraordinary items and the cumulative effect of accounting changes (if applicable) in the following manner:

Income from continuing operations before income taxes	$xxx	
Provision for income taxes	xxx	
Income from continuing operations		$xxx
Discontinued operations (Note —):		
Income (loss) from operations of discontinued Division X (less applicable income taxes of $---)	$xxx	
Loss on disposal of Division X, including provision of $--- for operating losses during phase-out period (less applicable income taxes of $---)	xxx	xxx
Net income		$xxx

Amounts of income taxes applicable to the results of discontinued operations and the gain or loss from disposal of the segment should be disclosed on the face of the income statement or in related notes. Revenues applicable to the discontinued operations should be separately disclosed in the related notes.

An *Accounting Interpretation* published in the November 1973 issue of the *Journal of Accountancy* and reprinted in Section U 2012 of *AICPA Professional Standards-Accounting* provides illustrations of transactions which should and should not be accounted for as a business segment disposal.

In 1976, 37 survey companies discontinued the operations of a business segment, and 18 survey companies disposed of assets of a business segment whose operations management had decided to discontinue in a prior year. Examples of discontinued operations accounted for as a disposal of a business segment follow.

ABERDEEN MANUFACTURING CORPORATION (DEC)

	1976	1975
Income from continuing operations	$1,496,744	$1,491,370
Discontinued Operations—Note 10:		
Loss from operation of discontinued division, after income tax credits of $627,700	—	(592,005)
Loss on disposal, including provision for operating losses during phase-out period, lease settlements, severance pay and loss on disposal of assets, after income tax credits of $403,000 in 1976 and $867,000 in 1975	(362,401)	(833,000)
Loss from discontinued operations	(362,401)	(1,425,005)
Net income	$1,134,343	$ 66,365

Note 10: Discontinued Operations—The Company discontinued the redwood furniture manufacturing division, which had 1975 sales of $6,995,000 and a loss from operations of $592,000, after income tax credits of $627,000. Provision was made in the 1975 financial statements for the operating losses during the phase-out period, as well as for the loss on disposal of assets, which were estimated at $833,000, after income tax credits of $867,000.

The actual losses exceeded the anticipated loss previously provided by $362,000, net of income tax credits, which is included in discontinued operations in 1976.

AMERICAN SEATING COMPANY (DEC)

	1976	1975
Income from continuing operations	$2,941,506	$2,642,243
Losses relating to discontinued operations (Note 8):		
Operating losses, net of income tax credits	(308,659)	(217,330)
Provision for loss on disposal of assets and close-down costs, net of income tax credits	(1,083,000)	—
Total	(1,391,659)	(217,330)
Net income	$1,549,847	$2,424,913

Note 8: Discontinued Operations—In December 1976, the Company offered for sale the business of E. H. Sheldon and Company in Muskegon, Michigan, and decided to terminate operations of Art Laboratory Furniture, Ltd. in Montreal, which together constituted the laboratory furniture segment of the Company's business.

The consolidated statement of income has been restated to reflect continuing operations. Net sales and all operating costs and expenses of discontinued operations have been excluded from the statement of income. Amounts relating to the discontinued operations are as follows:

	1976	1975
Net sales	$12,223,105	$9,817,834
Cost of sales	10,900,483	8,554,396
Selling and administrative expenses	1,982,109	1,722,267
Other (income) expenses—net	(25,828)	(14,499)
Taxes on income (credit)	(325,000)	(227,000)
Net loss	$ (308,659)	$ (217,330)

The 1976 statement of income includes a provision for estimated losses on disposal made up of the following:

Loss on sale of property and equipment	$ 405,000
Loss on sale of inventories	100,000
Operating losses during phase-out period	522,000
Accruals for sundry other obligations and expenses	778,000
	1,805,000
Income tax credits	722,000
Net provision for loss on disposal of assets and close-down costs	$1,083,000

Assets of the discontinued operations are expected to be sold or realized during 1977. The accompanying consolidated balance sheet includes the following amounts, at net realizable value, relating to operations of the laboratory furniture segment:

	1976	1975
Current assets:		
Accounts receivable	$3,833,642	$2,825,521
Inventories	2,444,831	3,046,544
Other	178,659	148,840
Total current assets	6,457,132	6,020,905
Property, plant and equipment:		
Land	168,149	168,149
Buildings and improvements	1,969,416	1,973,502
Machinery and equipment	1,194,875	1,265,905
Total	3,332,440	3,407,556
Less accumulated depreciation:	1,362,375	1,266,360
Less provision for loss on sale	405,000	—
Net property and equipment	1,565,065	2,141,196
Total assets	$8,022,197	$8,162,101

THE ANSUL COMPANY (DEC)

	1976	1975
Earnings (loss) from continuing operations before extraordinary gain	$(4,863,337)	$2,513,487
Discontinued Operations (Note 2):		
Loss from discontinued operations (less applicable income tax benefits of $200,000 in 1976 and $245,000 in 1975)	(186,000)	(310,000)
Loss on disposal of discontinued operations, including provision of $875,000 for operating losses during phase-out period (less applicable income tax benefits of $3,711,000)	(4,771,501)	—
Earnings (loss) before extraordinary gain	(9,820,838)	2,203,487
Extraordinary gain (less related income tax of $604,000)	—	848,000
Net earnings (loss)	$(9,820,838)	$3,051,487

Note 2: Discontinued Operations—Effective September 30, 1976, we made the decision to discontinue the operations of our Agricultural Chemical business. The results of operations of this business are included in the consolidated statement of earnings under the caption "Loss from discontinued operations" and include:

	1976	1975
Net sales	$10,550,000	$14,676,000
Costs and expenses	(10,936,000)	(15,231,000)
Income tax benefit	200,000	245,000
Loss from discontinued operations	$ (186,000)	$ (310,000)

The caption "Loss on disposal of discontinued operations" includes a provision of $5,345,300 ($3,006,800 after tax) for estimated costs and expenses including the disposal or abandonment of plant and equipment ($1,420,000), estimated losses on the realization of inventories and receivables ($1,812,800), and other operating and close-down costs during the phase-out period. In addition, we have provided $3,137,200 ($1,764,700 after tax) for the off-site disposal of salt waste, a by-product of our Agricultural Chemical business. Included in this provision is the cost of removal and hauling of the salt waste to the off-site disposal location. During 1975, we initiated a program to move the salt waste into approved storage buildings in order to bring us into compliance with environmental orders and regulations. One of these storage facilities was completed in 1975 and is currently being used to store salt waste. Construction of a second building has been halted. In view of the fact that we have discontinued our Agricultural Chemical business and will no longer produce this salt waste material, we feel that it is in our best interest to dispose of this material in the permanent off-site disposal location, thereby eliminating the ongoing problem of maintaining the facilities and monitoring the waste. Also, on-site storage does not guarantee that we will be free from future obligations to treat or otherwise dispose of this material.

The estimated expense of constructing these storage buildings was provided for in prior years. Since we have no further business use for these buildings, they have been abandoned.

SAV-A-STOP INCORPORATED (AUG)

	1976	1975
Earnings (loss) from continuing operations before cumulative effect of change in accounting principle	$1,359,384	$ (357,245)
Discontinued operations (Note 2):		
Operating losses, net of income tax benefits of $128,000 in 1976 and $678,000 in 1975	(322,894)	(747,275)
Loss on disposal, less income tax benefit of $35,000	(71,213)	—
Loss from discontinued operations	(394,107)	(747,275)
Earnings (loss) before cumulative effect of change in accounting principle	$ 965,277	$(1,104,520)

Note 2: Discontinued Operations—In 1969 the Company acquired the common stock of McDuff Appliances, Inc. (McDuff) in exchange for 170,000 shares of the Company's common stock. McDuff operated unprofitably since 1973. In an effort to minimize losses, several of the stores were closed during 1974 and 1975. In May, 1976 the Company sold substantially all of the remaining net assets of McDuff to a corporation controlled by a former owner (a Director of the Company) for $642,810 in cash and the assumption of liabilities of $277,716.

The operations of McDuff are classified as discontinued operations in the accompanying consolidated financial statements and are summarized as follows:

	1976	1975
Operations:		
Net sales	$4,415,163	$8,673,301
Costs and expenses	4,866,057	10,098,576
Operating loss	450,894	1,425,275
Income tax benefit	128,000	678,000
Net loss	$ 322,894	747,275

The income tax benefit of the 1976 operating loss differs from the expected 48% Federal tax rate due to a provision for taxes on losses claimed in prior consolidated tax returns in excess of the Company's tax basis in McDuff.

	1976
Loss on disposal:	
Proceeds from the sale of assets	$ 920,526
Costs and related expenses:	
Net carrying value of assets sold	891,828
Write-off of intangibles	33,431
Estimated costs of disposal	101,480
Total costs and expenses	1,026,739
Loss on disposal before income tax benefit	106,213
Income tax benefit	35,000
Loss on disposal	$ 71,213

The net proceeds of the sale of McDuff assets were used to reduce debt outstanding under the loan agreement discussed in note 6(a). The accompanying consolidated balance sheet at August 28, 1976 includes $199,866 in current assets and $227,785 in current liabilities relating to McDuff.

At August 28, 1976, the Company remained contingently liable on installment sales contracts sold by McDuff with recourse to various finance companies. The outstanding balance was approximately $1,200,000 for which a provision for loss is included in estimated costs of disposal above. In the opinion of management, such provision is adequate to cover losses which may arise from any required future repurchases.

The Company recognized income from the sale by McDuff 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. At August 28, 1976, current liabilities include a liability for deferred service contract income of $142,000.

BATES MANUFACTURING COMPANY, INCORPORATED (DEC)

	1976	1975
Earnings from continuing operations before income taxes	$2,020,252	$15,813,613
Provision for income taxes (Note 5)	1,000,000	8,831,000
Earnings from continuing operations	1,020,252	6,982,613
Discontinued operation (Notes 2 and 5):		
Earnings from operations of home furnishings subsidiary, sold on December 31, 1976 (net of income tax benefit of $16,000 in 1976; net of income taxes of $669,000 in 1975)	68,218	832,676
(Loss) on sale of home furnishings subsidiary (net of income tax benefit of $1,314,000)	(1,762,731)	—
	(1,694,513)	832,676
Net earnings (loss)	$ (674,261)	$ 7,815,289

Note 2: Sale of Subsidiary—On December 31, 1976, the Company sold all of the issued and outstanding shares of common stock of its wholly-owned subsidiary, Bates Fabrics, Inc., (the home furnishings operation) to the Employee Stock Ownership Trust established by Bates Fabrics, Inc. for the benefit of its employees. As part of the transaction, the Company transferred and assigned to Bates Fabrics, Inc. certain rights in patents, trademarks, trade names and other rights relating to the name "Bates" or to the business conducted by the former subsidiary. Bates Manufacturing Company, Incorporated has undertaken to change its corporate name at its next annual meeting of stockholders. The stock of Bates Fabrics, Inc. was sold to the Trust for an aggregate cash consideration of $8,000,000 against which the Company realized $7,441,790 after deduction of related fees and expenses of $558,210. The sale resulted in a loss of $1,762,731 (net of a $1,314,000 tax benefit), which is included under "Discon-

tinued Operation" in the accompanying consolidated statements of earnings (loss).

The consolidated statements of earnings (loss) include for both 1976 and 1975 under "Discontinued Operation" the net operating results of Bates Fabrics, Inc. on a one line basis and exclude net sales and operating revenues, costs and other income of such subsidiary as follows:

	1976	1975
Net sales and operating revenues..	$24,160,925	$23,656,561
Costs:		
Cost of operations	21,309,206	19,549,656
Selling, general and administrative expenses	2,540,783	2,392,593
Interest expense	332,605	428,945
	24,182,594	22,371,194
Operating margin	(21,669)	1,285,367
Other income	73,887	216,309
Earnings before provision for income taxes	52,218	1,501,676
Provision for income taxes (tax benefit)	(16,000)	669,000
Net earnings	$ 68,218	$ 832,676

VICTOR COMPTOMETER CORPORATION (DEC)

	1976	1975
Income (loss) from continuing operations before extraordinary item	$5,064,428	$(5,666,040)
Discontinued operations—Note 2		
Income from operations, less income taxes of $196,346 and $120,692	224,779	262,222
Provision for loss on disposal, less income taxes of $105,146 and $624,000...	(165,979)	(816,060)
Earnings (loss) from discontinued operations	58,800	(553,838)
Income (loss) before extraordinary item	$5,123,228	$(6,219,878)

Note 2 (in part): Provision for Non-Recurring Events—Discontinued Operations—On August 31, 1976 the company completed the sale of the principal assets of a 97% owned subsidiary (90% owned at December 31, 1975) and certain related assets of the company. Negotiations for the sale began in 1975 and accordingly, a provision for the estimated loss was recorded in 1975. The results of operations are reported separately in the consolidated statement for earnings as follows:

	For the eight months ended August 31, 1976	For the year ended December 31, 1975
Sales	$3,932,626	$5,777,025
Income before income taxes	434,018	420,203
Provision for income taxes	196,346	120,692
Minority interest	12,893	37,289
Net income	224,779	262,222

The after-tax loss on the disposal of the assets, including expenses, was $892,039 which was $165,979 greater than originally estimated.

TABLE 3-16: CHARGES OR CREDITS SHOWN AFTER INCOME TAX CAPTION

	Number of Companies			
	1976	1975	1974	1973
Minority interest	60	56	64	75
Equity in earnings or losses of investees	53	55	57	56
Cumulative effect of accounting change	4	16	13	7
Other	7	N/C	10	6

N/C — Not Compiled.

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.

Minority Interest

CORNING GLASS WORKS (DEC)

	1976	1975
	($000)	
Net sales	$1,025,905	$938,959
Cost of sales	701,647	708,455
	324,258	230,504
Selling, general and administrative expenses	166,773	151,819
Research and development expenses	48,857	42,285
	215,630	194,104
Income from Operations	108,628	36,400
Royalty, interest and dividend income	18,038	11,317
Interest expense	(19,704)	(21,802)
Other income (deductions), net	3,745	(5,211)
Taxes on income	(51,874)	(7,723)
Income before minority interest and equity earnings	58,833	12,981
Minority interest in (earnings) loss of subsidiaries	(595)	2,617
Equity in earnings of associated companies	25,475	15,539
Net Income	$ 83,713	$ 31,137

MELVILLE CORPORATION (DEC)

	1976	1975
Earnings before Federal income taxes and minority interests....	$119,890,458	$84,345,283
Provision for Federal income taxes (Note 4)	47,843,000	33,402,000
	72,047,458	50,943,283
Minority interests in net earnings	11,043,200	6,616,519
Net earnings	$ 61,004,258	$44,326,764

MERCK & CO., INC. (DEC)

	1976	1975
Income before taxes................	$416,439,000	$378,349,000
Taxes on income		
United States income taxes.....	119,488,000	112,727,000
Foreign income taxes...........	39,612,000	34,973,000
	159,100,000	147,700,000
Minority interests....................	1,857,000	1,871,000
Net income	$255,482,000	$228,778,000

Equity in Investee Operating Results

GENERAL MILLS, INC. (MAY)

	1976	1975
	(in thousands)	
Earnings before taxes on income and other items shown below ..	$200,261	$145,633
Taxes on income.....................	(99,964)	(70,650)
Other items:		
Add share of net earnings of 20-50% owned companies.	1,094	1,268
Less minority interests in net earnings of consolidated subsidiaries..................	(853)	(38)
Net earnings	$100,538	$ 76,213

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 Accoutancy* and reprinted in Section U 2012 of *AICPA Professional Standards-Accounting* 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, *FASB Statement of Financial Accounting Standards No. 4* 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.

Tax Loss Carryovers

CHRYSLER CORPORATION (DEC)

	1976	1975
	(in millions of dollars)	
Earnings (loss) before cumulative effect of accounting change and extraordinary item..............	$328.2	$(282.3)
Accounting change—Effect as of January 1, 1975 of changing to the flow-through method of accounting for the investment tax credit	—	22.8
Extraordinary item—Effect of utilization of tax carryforward benefits..............................	94.4	—
Net earnings (loss)	$422.6	$(259.5)

Notes to Financial Statements

Taxes On Income (in part)—Income tax expense (credit) as shown in the consolidated statement of net earnings includes the following:

	1976	1975
	(in millions of dollars)	
United States Federal Income Taxes:		
Currently payable................	$ 38.1	$(7.5)
Deferred	12.0	—
	50.1	(7.5)
Other Income Taxes:		
Currently payable................	67.6	22.9
Deferred	.2	11.0
	117.9	26.4
Add: Effect of utilization of tax carryforward benefits..............	94.4	—
Total taxes on income...........	$212.3	$ 26.4

Utilization in 1976 of tax loss carryforwards and foreign tax credit carryforwards in the U.S. and tax loss carryforwards in certain other countries increased net earnings by $94.4 million and are treated as an extraordinary item in the consolidated earnings statement.

MARHOEFER PACKING COMPANY, INC. (OCT)

	1976	1975
Income (loss) before federal income tax and extraordinary item	$17,977	$(838,530)
Provision for federal income tax—charge equivalent to tax benefit of operating loss carryforward (Note 6)	3,600	
Income (loss) before extraordinary item	14,377	(838,530)
Extraordinary item—tax benefit resulting from realization of operating loss carryforward (Note 6)	3,600	
Net income (loss)	$17,977	$(838,530)

Notes to Consolidated Financial Statements

Note 6: Federal Income Tax and Investment Credit Carryforwards—At October 30, 1976 the company has net operating loss carryforwards aggregating $2,947,700 available to offset future taxable income. Tax carryforward losses on a tax return basis, years of expiration and principal timing differences between operating losses for tax purposes and financial reporting purposes are as follows:

1977	$ 577,400
1978	395,600
1979	286,600
1980	325,800
Aggregate carryover for tax purposes	1,585,400
Difference between financial and tax depreciation	(808,500)
Pension provisions not deductible until paid	2,017,000
Insurance accruals not deductible until paid	113,900
Other	39,900
Aggregate carryover for financial reporting purposes	$2,947,700

Upon utilization of these carryforwards, the resultant tax benefits will be reported as extraordinary items in the income statement.

At October 30, 1976 investment tax credits of $163,900 expiring $2,000 in 1978, $9,500 in 1979, $7,700 in 1980, $30,400 in 1981, $58,300 in 1982 and $47,000 in 1983 are available to reduce future income taxes.

The company's federal income tax returns have been examined through the fiscal year ended October 31, 1971.

STANDARD PRESSED STEEL CO. (DEC)

	1976	1975
Earnings before extraordinary item	$2,208,148	$2,198,605
Utilization of tax loss carryforward (Note 18)	346,500	—
Net earnings	$2,554,648	$2,198,605

TABLE 3-17: EXTRAORDINARY ITEMS

	1976	1975	1974
Nature			
Operating loss carryforwards and other tax adjustments	52	31	55
Sale or disposal of assets	10	3	10
Adjustment of prior period extraordinary item	3	1	7
Debt extinguishments	5	9	—
Other	11	7	10
Total Extraordinary Items	**81**	**51**	**82**

	1976	1975	1974	1973
Number of Companies				
Presenting extraordinary items	69	49	75	137
Not presenting extraordinary items	531	551	525	463
Total	**600**	**600**	**600**	**600**

Note 18 (in part): Income Taxes—For income tax purposes, accelerated depreciation methods are used to the maximum extent allowable. In addition, there are certain other differences in reporting for financial and tax purposes, principally with respect to accounting for tool costs, inventories, pensions, and deferred compensation. Deferred income taxes have been provided with respect to these and all other significant timing differences between book and tax income. Deferred income taxes also have been provided on the unremitted earnings of unconsolidated affiliates on the assumption that such earnings will be realized as dividends in the future.

United States income taxes have not been provided on the unremitted earnings of consolidated non-United States and Puerto Rican subsidiaries of approximately $21,000,000 because in management's opinion such earnings are required in these operations or will, in part, be remitted in a tax-free liquidation.

The provision for income taxes for the years ended December 31, 1976 and 1975, consists of the following components:

	1976	1975
Federal including deferred of $270,000 and $1,463,000	$ 620,000	$3,455,000
Foreign including deferred of $1,364,000 and $(1,940,000)	802,500	856,000
State including deferred of $61,000 and $325,000	230,000	699,000
Charge-equivalent of tax loss carryforward (foreign)	346,500	—
	$1,999,000	$5,010,000

Sale of Property Held for Investment Purposes

ARMSTRONG CORK COMPANY (DEC)

	1976	1975
	($000)	
Earnings from operations	$52,250	$34,921
Extraordinary gain from sale of woodlands, net of income taxes of $6,400,000	12,400	—
Net earnings	$64,650	$34,921

Financial Review

Net Earnings during 1976 include an amount of $12.4 million ($.48 per common share) resulting from the sale of surplus woodlands which had been held essentially for investment purposes. Excluding the effect of this extraordinary item, earnings from operations of $52.3 million for 1976 are 49.6% above the $34.9 million reported for 1975.

Sale of Assets of Pooled Company

CHICAGO PNEUMATIC TOOL COMPANY (DEC)

	1976	1975
Earnings before extraordinary item	$ 8,440,000	$18,765,000
Extraordinary item (net of applicable taxes)	2,800,000	—
Net earnings	$11,240,000	$18,765,000

1976 Financial Summary

Extraordinary Item represents the gain on the sale of a wholly-owned subsidiary, El-Jay, Inc. (net of applicable income taxes of $600,000), to Raytheon Company in September 1976 for $7.5 million in cash. El-Jay, Inc. was acquired in August 1975 for 254,545 shares of common stock and $143,000 in cash. The combination was accounted for on a "pooling of interests" basis.

Early Debt Extinguishment

PAXALL, INC. (OCT)

	1976	1975
Income before extraordinary items	$491,089	$2,120,475
Extraordinary items:		
Utilization of remaining Canadian tax loss carry-forward	250,000	—
Premium paid relating to redemption of convertible debentures, less applicable income taxes of $59,000 (Note 5)	(65,000)	—
	185,000	—
Net income	$676,089	$2,120,475

Note 5 (in part): Financing Arrangements–6% Convertible Subordinated Debentures—On July 30, 1976, Paxall, Inc., redeemed all of its outstanding Convertible Subordinated Debentures at a call price of 103.158% of par value. As a result of the redemption the Company reported the $69,000 redemption premium and the $55,000 of unamortized debenture issuance costs as an extraordinary item.

Adjustment Of Prior Period Extraordinary Item

ANDERSON, CLAYTON & CO. (JUN)

	1976	1975
Income before extraordinary credit	$34,646,000	$31,520,000
Extraordinary credit (Note 11)	974,000	—
Net income	$35,620,000	$31,520,000

Note 11—In 1973 it was estimated that the loss from reinsurance agreements between Ranger National Life Insurance Company and Equity Funding Life Insurance Company (EFLIC) would approximate $4,500,000 (net of income tax effects of $1,367,000) and a provision in that amount was charged against income as an extraordinary item at June 30, 1973. On January 5, 1976, pursuant to a settlement agreement with EFLIC and others, the insurance subsidiary received payments in settlement of certain claims. The income arising from such settlement, net of original provision for loss recognized prior to the current fiscal year, has been recorded as an extraordinary credit of $974,000 (net of income tax effects).

Expropriation

PENNZOIL COMPANY (DEC)

	1976	1975
	($000)	
Income before extraordinary item	$147,956	$106,822
Extraordinary item (Note 7)	19,703	—
Net income	$167,659	$106,822

Note 7: Disposition of Canadian Potash Operations—In October 1976 Pennzoil disposed of its Canadian potash operations. The disposal was the final result of several legislative measures enacted by the Saskatchewan government, including a potash reserve tax, a proration fee and legislation enacted in 1976 providing for the expropriation or acquisition by purchase on behalf of a government entity, the Potash Corporation of Sasketchewan (PCS), of any or all potash mining and related assets in Saskatchewan. In this adverse legislative climate Pennzoil agreed to convey its Canadian potash operations to PCS for consideration, comprised of $118,500,000 in cash and a note for $10,000,000, which was substantially less than Pennzoil's estimate of the replacement cost of the physical facilities without giving consideration to any value which may be attached to the unmined potash in the deposits. Pennzoil's estimated replacement cost is based largely on a report prepared on its behalf by an independent engineering consulting firm.

The disposition resulted in a net gain of $19,703,000 ($.60 in primary earnings per share) after deducting Pennzoil's net investment in the operations, $13,600,000 of allocable excess of cost of predecessor stock over underlying book value and $20,219,000 ($36,070,000 of current tax reduced by $15,851,000 of deferred tax previously provided) of taxes.

Excess Insurance Proceeds

ETHAN ALLAN, INC. (SEP)

	1976	1975
Income before extraordinary item..	$ 7,911,000	$4,936,000
Extraordinary item		
Excess of proceeds of insurance over book values, net of taxes of $2,371,000	2,156,000	—
Net income	$10,067,000	$4,936,000

Notes to Consolidated Financial Statements

Note H: Extraordinary Item—On January 23, 1976, the Company's Salamanca, N.Y. plant was destroyed by fire. The resultant extraordinary item credit of $2,156,000 is computed as follows:

Insurance proceeds for physical damage	$5,214,000
Less: Demolition costs and book values of plant, machinery and inventories destroyed.............	687,000
Excess of proceeds of insurance over book values...	4,527,000
Less: Applicable income taxes of which $2,363,000 is deferred	2,371,000
Extraordinary item—net of taxes......................	$2,156,000

The majority of the plant assets destroyed were fully depreciated.

Of the total insurance proceeds, receipt of the unpaid amount of $836,000 is dependent upon the investment of $3,343,000 in replacement facilities. Management intends to comply with this provision of the insurance settlement within the required two year period. In addition the Company will recover certain expenditures, under the provisions of the business interruption portion of the insurance policy.

Applicable income taxes of $2,363,000 have been deferred as a result of the Company's election to have the taxable gain not recognized under the involuntary conversion rules of the Internal Revenue Code.

Fine for Pollution Law Violation

ALLIED CHEMICAL CORPORATION (DEC)

	1976	1975
	($000)	
Income before extraordinary charge	$126,305	$116,194
Extraordinary charge, net of income tax	(9,506)	—
Net income	$116,799	$116,194

Notes to Financial Statements

Note 3: Extraordinary Charge—The extraordinary charge of $9,506,000, or $.34 per share, after related tax reduction of $4,660,000, is in connection with the Kepone problem at Hopewell, Virginia. An extraordinary charge of $13,240,000, or $.47 per share, was recorded in the third quarter covering the fine imposed upon the Company in the U.S. District Court, Richmond, Virginia, on charges of violating the federal water pollution laws. A net extraordinary credit of $3,734,000, or $.13 per share, was recorded in the fourth quarter representing the reduction of the fine by $8,240,000, or $.29 per share, partially offset by additional charges totaling $4,506,000, or $.16 per share, after related tax reduction of $4,660,000.

The fine imposed upon the Company resulted from what the U.S. District Court concluded was a related series of violations of the water pollution laws at the Hopewell (Virginia) plant which extended over a period of several years prior to 1975. These violations were clearly contrary to long established and explicit corporate policy. The court, in passing sentence, following the Company's plea of nolo contendere, viewed these violations as not inadvertent and therefore different from the usual type of emission or spill violation. The Company has reaffirmed its policy and reevaluated and strengthened internal procedures to prevent recurrence. The Company thus believes this matter to be both unusual and nonrecurring, and considers all directly related costs to be appropriately classified as extraordinary. See Kepone portion of Note 7 of Notes to Financial Statements for a further discussion of the Kepone problem.

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.

Primary Earnings Per Share

THE AMERICAN SHIP BUILDING COMPANY (SEP)

	1976	1975
Net income (loss) per common share and common share equivalent (Note 1):		
Continuing operations	$1.78	$.19
Discontinued operations.........	(.21)	.37
Net income	$1.57	$.56
Average number of common shares and common share equivalents.	3,138,000	3,119,000

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

Earnings Per Common Share and Common Share Equivalent—Earnings per common share and common share equivalent were computed by dividing net income, after providing for preferred dividend requirements, by the weighted average number of common shares and common share equivalents outstanding during the year (3,138,000 in 1976 and 3,119,000 in 1975). The calculation of average shares outstanding reflects 5% and 7% stock dividends issued during 1976 and 1975, respectively, and the declaration of a one-for-two stock split to be effected in the form of a dividend. This action was taken by the Board of Directors on November 23, 1976 and is distributable on January 14, 1977 to shareholders of record on December 6, 1976. All per share calculations including stock option information have been restated to reflect the Board's action. Earnings per common share on a fully diluted basis are substantially the same as primary earnings per share as presented.

CHOCK FULL O' NUTS CORPORATION (JUL)

	1976	1975
Earnings (loss) per share of common stock (based on weighted average number of shares outstanding—4,697,084 shares in 1976 and 1975):		
Loss before extraordinary credit	$(1.56)	(.01)
Extraordinary credit	—	.14
Net income (loss)	$(1.56)	.13

Notes to Financial Statements

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

Net Income (Loss) Per Share of Common Stock—Net income (loss) per share of common stock is based on the weighted average number of common shares outstanding during each year after giving effect to shares issued in connection with 1976 stock dividends as being outstanding at the beginning of both periods. Shares issuable on conversion of debentures are not considered common stock equivalents. Stock options are considered common stock equivalents; however, they are antidulitive in fiscal 1976 and have no material dilutive effect in fiscal 1975 on net income per share. The computation of fully-diluted net income per share in fiscal 1976 is anti-dilutive and in fiscal 1975 results in less than 3% dilution.

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

	1976	1975
Per Share of Common Stock—Note B(6):		
Income before extraordinary credits	$.19	$ .67
Extraordinary credits	.45	7.40
Net income	$.64	$8.07
Supplementary Per Share Data—assuming that shares issuable under Plan of Arrangement were outstanding during all of 1975—Note B(6):		
Income before extraordinary credits	$.19	$ .48
Extraordinary credits	.45	5.34
Net income	$.64	$5.82

TABLE 3-18: EARNINGS PER SHARE — 1976

	Additional shares issuable for			
	Debt	Preferred Stock	Options	Warrants
Included in primary per share calculation	17	45	141	24
Included in fully diluted per share calculation	110	84	60	8
No dilution	51	26	175	18
Not disclosed	27	12	161	19
No additional shares issuable	395	433	63	531
Total Companies	**600**	**600**	**600**	**600**

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

(6) Per share data are based on the weighted average number of shares outstanding during the years (1,698,146 shares—1976 and 1,224,720 shares—1975), after treating the shares issuable under the Plan of Arrangement (Note A) less 34,574 shares in treasury as having been issued on December 31, 1975. No effect has been given to outstanding stock options since the average market price of the Common Stock during the years was less than the exercise price.

GENERAL MILLS, INC. (MAY)

	1976	1975
Earnings per common share and common share equivalent (Note 1)	$ 2.04	$ 1.59
Average number of common shares and common share equivalents (Note 1)	49,203	47,945

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

Earnings per Share—The weighted average number of common shares outstanding and "common share equivalents" are totaled in determining "earnings per common share and common share equivalent." Common share equivalents represent potentially dilutive common shares (weighted average) as follows: (1) shares of common stock reserved for issuance upon exercise of outstanding stock options granted pursuant to company option plans (93,000 in 1976 and 81,782 in 1975); and (2) treasury shares purchased and reserved for issuance under a profit sharing plan (64,398 in 1976 and 64,296 in 1975). See Note 7 for a description of the October, 1975, stock-split, and restatement of fiscal 1975 data previously reported.

GREAT WESTERN UNITED CORPORATION (MAY)

	1976	1975
Earnings (loss) per common and common equivalent share:		
Earnings (loss) from continuing operations (less preferred dividends)	$(1.76)	$26.30
Operations to be disposed of ...	.78	(3.07)
Net earnings (loss)	$ (.98)	$23.23
Earnings per common and common equivalent share assuming full dilution:		
Earnings from continuing operations (less dividends on $1.88 nonconvertible preferred stock)	$ —	$22.90
Operations to be disposed of ...	—	(2.59)
Net earnings	$ —	$20.31

Notes to Consolidated Financial Statements

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

Earnings (Loss) Per share—Earnings (loss) per common and common equivalent share are based upon earnings (losses) applicable to weighted average common shares outstanding during the years adjusted, if applicable, for stock options which are considered common stock equivalents. Such computations resulted in 2,100,216 and 2,109,018 common and common equivalent shares for the years ended May 31, 1976 and 1975, respectively. Earnings per common and common equivalent share assuming full dilution give effect to the reduction in earnings per share which would result from the conversion of the $3.00 convertible serial preferred stock. In computing the per share effect of the assumed conversion, net earnings (loss) applicable to common stock have been adjusted for dividends on the $3.00 convertible serial preferred stock and the related issuable shares have been added to weighted average common shares outstanding adjusted for common stock equivalents. Such computation resulted in 2,500,156 common and common equivalent shares assuming full dilution for the year ended May 31, 1975. Assumed conversion of all $3.00 convertible serial preferred stock and exercise of outstanding stock options results in antidilution for the year ended May 31, 1976.

MAREMONT CORPORATION (DEC)

	1976	1975
Net income for the year	$8,543,000	$8,903,000
Per common and common equivalent share:		
Income before extraordinary item..	$ 2.74	$ 2.04
Extraordinary item...................	(.78)	—
Net income..........................	$ 1.96	$ 2.04

Notes to Consolidated Financial Statements

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

Earnings per Common and Common Equivalent Share—The weighted average number of shares used to compute earnings per common and common equivalent share were 4,314,000 in 1976 and 4,291,000 in 1975. Common equivalent shares are additional shares which may be issued upon the exercise of dilutive stock options and the conversion of certain subordinated debentures. (See Note 5 for a description of possible future issuances of common stock.) Fully diluted earnings per share data have not been presented due to insignificant dilution in both 1976 and 1975.

G. D. SEARLE & CO. (DEC)

	1976	1975
Earnings per common share (Note 2)	$1.18	$1.56

Note 2: Earnings Per Common Share—Earnings per common share reflect the weighted average number of common shares and dilutive common share equivalents outstanding. The weighted average number of common shares (52,639,000 in 1976 and 52,076,000 in 1975) has been restated to reflect the equivalent number of outstanding common shares of companies acquired during the years in transactions accounted for as poolings of interests.

Net earnings used to compute earnings per share have been adjusted for interest, net of related income taxes, of $450,000 in 1976 and $497,000 in 1975 on the 5¼ percent convertible debentures. There would have been no material dilutive effect if all convertible securities had been converted and all stock options had been exercised.

STANDARD MOTOR PRODUCTS, INC. (DEC)

	1976	1975
Net earnings per common and common equivalent share(*)—Note 1	$1.61	$1.03
Average number of common and common equivalent shares(*)...	2,920,326	2,881,490

*Retroactively adjusted for 50% stock distribution payable on March 1, 1977.

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

Net Earnings per Common and Common Equivalent Share—Net earnings per common and common equivalent share is calculated (after giving retroactive effect to the 50% stock distribution payable on March 1, 1977) using the weighted average number of common shares outstanding during each year and the net additional number of shares which would be issuable upon the exercise of stock options assuming that the Company used the proceeds received to purchase additional shares at market value (the "Treasury Stock" method).

UNITED BRANDS COMPANY (DEC)

	1976	1975
Primary and fully diluted income per common share:		
Income before extraordinary income..........................	$1.06	$.74
Extraordinary income............	.22	.06
Net income.......................	$1.28	$.80

Notes to Consolidated Financial Statements

Note 13: Earnings Per Share—The computation of primary earnings per share is based on the weighted average number of shares of common stock outstanding, including the effect of conversion of the Company's $3.00 preferred and $3.20 preference stocks and assumed exercise of stock options in 1976 (11,358,000 shares in 1976 and 10,779,000 shares in 1975). The $3.00 preferred and $3.20 preference stocks are considered as common stock equivalents and they are included in the computation of primary earnings per share when they are dilutive.

In 1976 and 1975 conversion of the 5½% convertible subordinated debentures and $1.20 preference stock and exercise of outstanding warrants would be antidilutive and, accordingly, primary and fully diluted earnings per share are the same.

UNITED FOODS, INC. (FEB)

	1976	1975
Net income (loss) per share of common stock and common stock equivalent (Note 10)	$(.27)	$.45

Note 10: Earnings Per Share—Earnings per common share and common share equivalent have been computed on the average number of shares required to be recognized during the respective periods. The assumed exercise of common stock purchase warrants and the assumed conversion of the outstanding convertible notes resulted in no dilution of earnings per share for the years ended February 28 or 29, 1976 and 1975. The number of shares used in the computation of earnings per share were 7,410,925 and 7,441,659, respectively, for such years.

Fully Diluted Earnings Per Share

ASHLAND OIL, INC. (SEP)

	1976	1975
Net income per share of common stock—Note A		
Based upon average number of shares outstanding	$5.03	$4.42
Assuming conversion of all preferred stock and debentures	$4.40	$3.85

Notes to Consolidated Financial Statements

Note A: Accounting Policies—The information presented on page 37 of this Annual Report summarizes the significant Accounting Policies of Ashland and is an integral part of these financial statements.

Accounting Policies

Net Income Per Share—Net income per share is based on net income reduced by preferred dividends using the weighted average number of shares and common stock equivalents outstanding during the respective years (24,945,000 shares in 1976 and 24,596,000 shares in 1975). Fully diluted net income per share (30,287,000 shares in 1976 and 30,429,000 shares in 1975) reflects the assumed conversion of all outstanding convertible debentures and preferred stocks after adjusting for preferred dividends and interest on debentures (net of tax).

W. R. GRACE & CO (DEC)

	1976	1975
Net income per common and common equivalent share	$ 3.55	$ 5.15
Net income per common share assuming full dilution	$ 3.27	$ 4.65
Average number of shares:		
Common and common equivalent	36,982	32,870
Assuming full dilution	41,601	37,503

Summary of Significant Accounting and Financial Reporting Policies

Earnings Per Share—Earnings per common and common equivalent share are computed on the basis of the weighted average number of common shares outstanding during the respective periods, including equivalent shares related to business combinations and dilutive stock options (with applicable proceeds used to purchase treasury stock) and after deducting dividends paid on preferred stocks. Earnings per common share assuming full dilution are computed based on the further assumptions that convertible debt obligations were converted at the beginning of the period (with applicable reduction in interest expense, net of tax) and additional contingent shares were issued for business combinations.

INSILCO CORPORATION (DEC)

	1976	1975
Earnings per share—primary:		
Before extraordinary item	$2.01	$1.44
Extraordinary item	—	.07
Net earnings	2.01	1.51
Earnings per share—fully diluted:		
Before extraordinary item	$1.74	$1.30
Extraordinary item	—	.05
Net earnings	1.74	1.35

Notes to Financial Statements

Note 10: Earnings Per Share—Earnings per common and common equivalent share were computed by dividing net earnings, less dividends on the 8% convertible preferred stock, by the average number of common and common equivalent shares with a dilutive effect outstanding during each year (9,734,000 shares in 1976 and 9,719,000 shares in 1975). Common equivalent shares include shares issuable upon conversion of Series A preferred stock, shares reserved for issuance to employees under the Company's Performance Share Unit Plan and shares issuable to employees upon exercise of dilutive stock options, reduced by the number of shares assumed to have been purchased with the proceeds from exercise of such dilutive options.

Fully diluted earnings per share were determined on the assumptions that the average number of common shares outstanding was further increased (to 12,362,000 shares in 1976 and 12,224,000 shares in 1975) by conversion of dilutive 8% convertible preferred stock and convertible debentures and notes, and that dividends and interest, net of tax, thereon were eliminated.

INTERNATIONAL MINERALS & CHEMICAL CORPORATION (JUN)

	1976	1975
Earnings per common and common equivalent share:		
Primary		
Earnings before extraordinary item	$7.75	$ 9.91
Net earnings	7.75	10.17
Fully diluted		
Earnings before extraordinary item	7.39	8.90
Net earnings	7.39	9.13

Notes to Consolidated Financial Statements

Earnings per Common and Common Equivalent Share—Primary earnings per share are based on the weighted average number of common and common equivalent shares outstanding after recognition of preferred stock dividend requirements. Common equivalent shares include dilutive stock options and shares awarded under performance share plans.

Fully diluted earnings per share are based on primary earnings per share, adjusted for dilutive stock options at end of period market prices and for the assumed conversion of the 4% convertible subordinated debentures and Series preferred stock. In these computations, interest on those debentures (net of income tax effect) and dividends on Series preferred stock have been added to earnings applicable to common shares. Shares issuable on exercise of other options have been excluded from the computations as they would either have no effect or would be anti-dilutive. Shares used in the computations are as follows:

	1976	1975
Weighted average common shares—		
Outstanding	17,099,220	15,870,158
For stock options	125,156	176,825
For performance share plans	98,832	102,800
Total for primary earnings per share	17,323,208	16,149,783
Additional shares for conversion—		
4% debentures	437,177	948,888
Series preferred stock	542,191	1,116,470
Additional shares for stock options	7,525	10,721
Total for fully diluted earnings per share	18,310,101	18,225,862

LESLIE FAY INC. (APR)

	1976	1975
Per share data—Note 8:		
Net income per common and dilutive common equivalent share	$1.33	$.91
Net income per common share—assuming full dilution	$1.32	$.91

Note 8: Per Share Data—Net income per common and dilutive common equivalent share is based upon the average number of shares outstanding, adjusted to reflect 5% stock dividends in each year. Equivalent shares are those issuable upon the assumed exercise of stock options, reflected under the treasury stock method using the average market price of the Company's shares during each year.

Fully diluted per share data reflect additional dilution resulting from the use of quarter-end market prices in those quarters when such prices were higher than average market prices.

Cash dividends per share are based upon the current equivalent numbers of shares outstanding at the respective declaration dates.

The number of shares used in the per share computations are tabulated as follows:

	1976	1975
Weighted average outstanding	3,394,810	3,442,455
Assumed exercise of options at average market price	60,161	1,704
Total common and dilutive common equivalent shares	3,454,971	3,444,159
Add adjustment to fully diluted basis:		
Additional shares issuable upon assumed exercise of options at quarter-end market prices	31,843	3,009
Total shares—assuming full dilution	3,486,814	3,447,168

THE MACKE COMPANY (SEP)

	1976	1975
Earnings (loss) per common share and common equivalent share (Note 1):		
Continuing operations	$1.04	$(.56)
Discontinued operations	.02	(.34)
Net income (loss)	$1.06	$(.90)
Earnings (loss) per common share assuming full dilution (Note 1)	$ .99	$(.90)

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

Earnings (loss) per Common Share—Earnings (loss) per share have been computed on the weighted average number of shares of Common Stock and dilutive common stock equivalents (i.e. stock options) outstanding in each year. The weighted average number of common shares and dilutive common share equivalents for 1976 and 1975 were 2,951,084 and 2,947,755, respectively. All of the Company's outstanding debentures and Preference Stock are classified as senior securities and, therefore, are considered only for computing earnings (loss) per share assuming full dilution. The debentures were dilutive in 1976 and the related interest expense (less applicable income taxes) was added to net income for computing earnings per share assuming full dilution. The Preference Stock was anti-dilutive in 1976 and was not considered in computing earnings per share assuming full dilution. As the Company had a net loss for 1975, all common stock equivalents and senior securities were anti-dilutive and were, therefore, not included in computing loss per share or loss per share assuming full dilution.

ST. REGIS PAPER COMPANY (DEC)

	1976	1975
Earnings per common and common equivalent share	$3.82	$4.27
Earnings per common share, assuming full dilution	$3.68	$3.94

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. 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 23,739,000 shares in 1976 and 22,302,000 shares in 1975.

Earnings per common share, assuming full dilution, have been computed based upon the weighted average number of common shares and common equivalent shares outstanding and the assumed conversion into common shares outstanding of the 6% subordinated convertible notes (all such notes were converted during 1976), 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 24,992,000 in 1976 and 24,817,000 in 1975.

During 1976 and 1975, $40,390,000 of 4⅞% convertible subordinated debentures, and during 1976, $15,328,000 of 6% subordinated convertible notes were converted into 1,334,250 and 409,496 shares of common stock, respectively. If all conversions of convertible securities had taken place at the beginning of 1975, earnings per common and common equivalent share would have been $3.77 in 1976 and $4.04 in 1975.

SCOVILL MANUFACTURING COMPANY (DEC)

	1976	1975
Earnings (loss) per share of common stock (Note J)		
Primary:		
Earnings from continuing operations	$2.73	$1.49
Loss from discontinued operations	—	(6.52)
Net earnings (loss)	2.73	(5.03)
Fully diluted:		
Earnings from continuing operations	2.32	1.37
Loss from discontinued operations	—	*
Net earnings	2.32	*

*Amount for 1975 is anti-dilutive and, accordingly, is not shown.

Note J: Net earnings (loss) per share of Common Stock have been calculated as follows:

	Fiscal Year Ended December 26, 1976	Fiscal Year Ended December 28, 1975
Primary:		
Earnings from continuing operations	$22,154,000	$ 12,913,000
Preferred Stock dividend requirements	2,055,000	2,374,000
Earnings from continuing operations applicable to common stock	$20,099,000	$ 10,539,000
Weighted average shares*	7,367,850	7,068,910
Earnings per share from continuing operations	$2.73	$1.49
Loss from discontinued operations	$ —	$(46,109,000)
Loss per share from discontinued operations	$—	$(6.52)
Net earnings (loss)	$22,154,000	$(33,196,000)
Preferred stock dividend requirements	2,055,000	2,374,000
Net earnings (loss) applicable to common stock	$20,099,000	$(35,570,000)
Net earnings (loss) per share	$2.73	$(5.03)
Fully diluted:		
Earnings from continuing operations	$22,154,000	$ 12,913,000
Weighted average shares*	9,535,676	9,399,869
Earnings per share from continuing operations	$2.32	$ 1.37
Loss from discontinued operations	$ —	$(46,109,000)
Loss per share from discontinued operations	$—	$**
Net earnings (loss)	$22,154,000	$(33,196,000)
Net earnings (loss) per share	$2.32	$**

*Weighted average shares remain the same in all primary and fully diluted calculations.

**Amount for 1975 is anti-dilutive and, accordingly, is not shown.

During 1976, 951,923 shares of common stock were issued upon conversion of 390,138 shares of preferred stock. Had such conversion taken place at the beginning of the year primary earnings would have been $2.58 a share. There would have been no effect on fully diluted earnings.

THE SINGER COMPANY (DEC)

	1976	1975
Primary Earnings Per Share:		
Income (loss) from continuing operations	$3.12	$ (2.58)
Income (loss) before extraordinary credit	$3.18	$(27.68)
Net income (loss)	$3.98	$(27.68)
Fully Diluted Earnings Per Share:		
Income from continuing operations	$3.07	—
Income before extraordinary credit	$3.12	—
Net income	$3.85	—

Notes to Financial Statements

Earnings Per Share—Primary earnings per share are calculated by dividing net income after deducting the dividend requirements on preferred stock issued prior to May 31, 1969 (Series $3.50 preferred stock) by the monthly average number of shares of common stock and common stock equivalents outstanding. Common stock equivalents are shares of common stock reserved for issuance upon the conversion of preferred stocks issued after May 31, 1969 (Series $1.50 Class A and $12.50 Series A through G) 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. Loss per share is calculated by dividing the net loss and the dividend requirements on all preferred stock by the monthly average number of shares of common stock outstanding. The calculation of loss per share excludes common stock equivalents since the effect of their inclusion would be to reduce the loss per share.

Fully diluted earnings per share are calculated by dividing net income by the monthly average number of shares outstanding of common stock, all preferred stock, and common stock equivalents with the additional assumption that the common stock equivalents relating to common stock options outstanding are increased if the ending market price exceeded the option price during the period and the proceeds from such options were used by the Company to acquire its common stock. Fully diluted loss per share is considered equivalent to the primary loss per share as the effect of these additional assumptions would be to reduce the loss per share and, thereby, be anti-dilutive.

Supplementary Earnings Per Share Data

WEST POINT-PEPPERELL, INC. (AUG)

	1976	1975
Net income per share (Note K):		
Primary	$5.61	$4.15
Fully diluted	$5.17	$4.15

Note K: Net Income Per Share—Primary earnings per share are based on the weighted average number of shares outstanding during each year. Fully diluted earnings per share are based on the weighted average number of shares outstanding assuming the conversion of the Convertible Debentures from the date of issue, and after giving effect, net of taxes, to the elimination of interest expense and amortization of debt expense applicable to the Convertible Debentures less the effect of expenses, net of taxes, that vary directly with income.

The weighted average number of shares used to compute earnings per share were:

	Primary	Fully Diluted
1976	4,790,534	5,322,129
1975	4,756,156	4,756,156

If the Debentures had been issued and converted to shares of common stock prior to the commencement of fiscal years 1976 and 1975, net income would have increased to $27,669,000, and $20,944,000, respectively, and net income per share would have declined to $5.08 and $3.87 per share, respectively.

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 1976 fiscal year transactions are presented throughout this section.

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 80% 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 60% of the survey companies make a similar disclosure for cash dividends paid to preferred stock shareholders.

Examples of distributions to shareholders follow.

TABLE 4-1: PRESENTATION OF CHANGES IN RETAINED EARNINGS

	1976	1975	1974	1973
Statement of Stockholders' Equity	241	214	220	209
Separate statement of retained earnings	178	199	183	199
Combined statement of income and retained earnings	172	175	185	185
Changes shown in balance sheet or notes	9	12	12	7
Total Companies	**600**	**600**	**600**	**600**

TABLE 4-2: DIVIDENDS

	Number of Companies			
	1976	1975	1974	1973
Cash Dividends Paid to Common Stock Shareholders				
Per share amount disclosed in retained earnings statement	417	423	425	426
Per share amount not disclosed in retained earnings statement	107	79	81	78
Total	**524**	**502**	**506**	**504**
Cash Dividends Paid to Preferred Stock Shareholders				
Per share amount disclosed in retained earnings statement	166	168	168	166
Per share amount not disclosed in retained earnings statement	103	65	64	63
Dividends in arrears	5	10	6	7
Total	**274**	**243**	**238**	**236**
Dividends Paid By Pooled Companies	**13**	**8**	**8**	**19**
Stock Dividends	**41**	**42**	**36**	**40**
Dividends In Kind	**1**	**1**	**3**	**1**

Cash Dividends

DENNISON MANUFACTURING COMPANY (DEC)

Statement Of Consolidated Earnings Reinvested

	1976	1975
Balance at beginning of year	$71,176,000	$64,688,000
Net earnings for the year	14,901,000	9,613,000
	86,077,000	74,301,000
Less cash dividends paid:		
Debenture Stock ($8 per share)	90,000	147,000
Preferred Stock ($1 per share).	414,000	464,000
Common Stock ($1.20 per share in 1976; $.75 in 1975)	4,444,000	2,514,000
	4,948,000	3,125,000
Balance at end of year	$81,129,000	$71,176,000

THE MEAD CORPORATION (DEC)

Statement of Retained Earnings

	1976	1975
All dollar amounts in thousands except per share amounts		
Balance—beginning of year	$344,871	$318,325
Add—net earnings for the year	88,796	52,778
Less—cash dividends:		
Preferred dividends:		
Voting cumulative preferred—$2.80 a share	(7,955)	(8,015)
Preferred—$4.25 a share	(53)	(94)
Preferred—$5.00 a share	(114)	(127)
Preferred—$6.00 a share	(51)	(55)
Total preferred dividends	(8,173)	(8,291)
Common dividends—$.89 a share in 1976; $.80 a share in 1975	(19,921)	(17,408)
Less—excess price of common shares repurchased over stated value	(2,799)	(533)
Net increase for the year	57,903	26,546
Balance—end of year	$402,774	$344,871

Dividends in Arrears

ALAN WOOD STEEL COMPANY (DEC)

Notes to Consolidated Financial Statements

Note 8: Stockholders' Equity—Changes in additional paid-in capital are as follows:

	1976	1975
At beginning of year	$11,738,142	$11,646,926
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 1975	—	58,091
At end of year	$11,738,142	$11,738,142

Treasury stock at December 31, 1976 and 1975 is comprised of 4,293 shares of Preferred Stock and 2,384 shares of Common Stock.

At January 1, 1977 the Company was in arrears by $189,256 ($6.25 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. Should the Company fail to make six consecutive preferred stock dividend payments, the preferred stockholders obtain the right of representation on the Board of Directors of the Company. As of January 1, 1977 the Company had failed to make five consecutive quarterly preferred stock dividend payments.

Stock Dividends

BOWNE & CO., INC. (OCT)

Notes to Consolidated Financial Statements

Note 2 (in part): Stockholders' Equity

Common Stock—In November 1976, the Company declared a 5% stock dividend, equal to 94,000 shares at October 31, 1976. Retroactive effect was given to this transaction in the balance sheet at October 31, 1976 and in the computation of the earnings and dividends per share.

During 1976, the Company issued 750 shares of common stock upon the exercise of qualified stock options.

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.

Additional Paid-In Capital—Changes to additional paid-in capital are summarized as follows:

	1976	1975
Additional paid-in capital at beginning of year	$1,689,549	$1,715,717
Excess of proceeds over par value of common shares issued upon exercise of stock options	4,438	3,938
Excess of market value over par value of common shares issued as stock dividend	881,250	—
Amount attributable to the redeemed and retired convertible preferred stock	—	(30,106)
Additional paid-in capital at end of year	$2,575,237	$1,689,549

MWA COMPANY (JUN)

Consolidated Statement of Stockholders' Equity

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock
Balance—July 1, 1974	$3,175,735	$232,599	$4,732,816	$(116,228)
Net income for year ended June 30, 1975	—	—	759,081	—
Cash dividends declared—$.45 per share	—	—	(281,440)	—
Balance—June 30, 1975	3,175,735	232,599	5,210,457	(116,228)
Net income for year ended June 30, 1976	—	—	557,967	—
Issuance of shares—5% stock dividend	158,785	43,666	(202,451)	—
Exercise of employee stock options	730	230	—	—
Cash dividends declared—$.40 per share	—	—	(259,579)	—
Balance—June 30, 1976	$3,335,250	$276,495	$5,306,394	$(116,228)

Notes to Consolidated Financial Statements

Note 4: Stock Dividend—On October 17, 1975, 31,757 additional shares of common stock, $5 par value per share, were issued to stockholders of record at September 19, 1975 in connection with a 5% stock dividend. Retained earnings were charged $202,451 representing the fair market value of these shares, common stock was credited with $158,785 representing the par value of these shares and additional paid-in capital was credited with $43,666, the excess of market value over par value.

THE PENN TRAFFIC COMPANY (JAN)

Consolidated Statement of Shareholders' Equity

In thousands of dollars	Common Stock	Capital In Excess of Par Value	Earnings Retained	Treasury Stock	Shareholders' Equity
February 1, 1975	$2,158	$1,163	$21,085	—	$24,406
Net income 1975			4,174		4,174
Cash dividends			(904)		(904)
January 31, 1976	2,158	1,163	24,355	—	27,676
Net income 1976			4,482		4,482
Cash dividends			(1,090)		(1,090)
15% stock dividend of 128,506 shares (Note 10)	321	3,631	(3,952)		—
Treasury stock purchase of 77,737 shares (Note 10)				($2,163)	(2,163)
January 29, 1977	$2,479	$4,794	$23,795	($2,163)	$28,905

Note 10 (in part): Common Stock—On February 18, 1976 the Board of Directors declared a 15% stock dividend payable on May 7, 1976 to shareholders of record April 9, 1976. As a result, 128,506 shares were issued and earnings per share were retroactively computed.

On April 20, 1976 the Company entered into an agreement with a group of shareholders to repurchase 69,098 shares. All of the selling shareholders were members of the family of, or affiliates of Mr. Harvey Stineman, who was at the time a Director of the Company. Under the terms of the agreement the selling shareholders did not receive either the $.30 per share dividend payable April 23, 1976 to shareholders of record on April 9, 1976 nor the 15% stock dividend. Of the 69,098 shares, 1,500 were purchased for the Stock Purchase Plan for Employees and 67,598 as treasury stock. Treasury shares were increased 10,139 shares by the 15% stock dividend. The aggregate purchase price was $2,211,136.

STRUTHERS WELLS CORPORATION (NOV)

Consolidated Statement of Shareholders' Equity

	$1.25 Cumulative Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings (Deficit)	Unrealized Loss On Noncurrent Marketable Equity Securities	$1.25 Cumulative Preferred Stock In Treasury	Total
Balance—December 1, 1974	$2,063,325	$2,195,669	$8,045,940	($4,806,966)		($23,311)	7,474,657
Cash distribution paid on $1.25 cumulative preferred stock .			(100,561)				(100,561)
148 shares of $1.25 cumulative preferred stock acquired for Treasury						(1,628)	(1,628)
Adjustment to carrying value of subsidiary distributed to shareholders			10,094				10,094
Issuance of 6,130 shares under employment agreement		6,130	33,409				39,539
Purchase and retirement of 237,036 shares of common stock		(237,036)	(1,896,288)				(2,133,324)
Issuance of 1,000 shares on exercise of stock option		1,000	3,630				4,630
Dividend on common stock			(98,288)				(98,288)
Net income				3,117,618			3,117,618
Balance—November 30, 1975.....	$2,063,325	$1,965,763	$5,997,936	($1,689,348)		($24,939)	$ 8,312,737
Cash distribution paid on $1.25 cumulative preferred stock .			(74,958)	(25,142)			(100,100)
1716 shares of $1.25 cumulative preferred stock acquired for Treasury.................						(29,205)	(29,205)
Adjustment to carrying value of subsidiary distributed to shareholders			(13,750)				(13,750)
Issuance of 10,000 shares under employment agreement		10,000	66,625				76,625
Issuance of 18,000 shares on exercise of stock options ...		18,000	64,040				82,040
Dividends on common stock			(298,765)	(149,532)			(448,297)
Writedown of investments in noncurrent marketable equity securities					(67,521)		(67,521)
3% stock dividend paid December 31, 1976...........		58,666	366,663	(434,504)			(9,175)
Net income				3,162,135			3,162,135
Balance—November 30, 1976.....	$2,063,325	$2,052,429	$6,107,791	$ 863,609	($67,521)	($54,144)	$10,965,489

Notes to the Financial Statements

Note 9 (in part): Shareholders' Equity

Stock Dividend—On October 20, 1976, the Board of Directors declared a 3% common stock dividend payable to stockholders of record on December 13, 1976. At November 30, 1976, the Company has given effect to the common stock dividend by capitalizing $425,329 of retained earnings, representing the fair value on the declaration date of 58,666 shares of common stock to be issued. In addition, cash to be paid in lieu of fractional shares ($9,175) has been accrued and charged to retained earnings.

Dividend of Pooled Company

KELLOGG COMPANY (DEC)

Shareholders' Equity

	Preferred Stock	Common Stock	Capital in Excess of Par Value	Retained Earnings
		(In thousands)		
Balance, January 1, 1975	$2,352	$38,025	$25,489	$312,136
Net earnings for the year 1975				107,817
Dividends declared:				
Preferred stock—$3.50 a share				(82)
Common stock—$.72½ a share				(53,373)
By acquired company prior to merger				(477)
Stock options exercised		22	548	
Other	(31)	(7)	85	(125)
Balance, December 31, 1975	2,321	38,040	26,122	365,896
Net earnings for the year 1976				130,389
Dividends declared:				
Preferred stock—$3.50 a share				(81)
Common stock—$1.00 a share				(74,971)
By acquired company prior to merger				(326)
Stock options exercised		70	2,038	
Other	(12)		65	(87)
Balance, December 31, 1976	$2,309	$38,110	$28,225	$420,820

TABLE 4-3: ADJUSTMENTS TO OPENING BALANCE OF RETAINED EARNINGS

	Number of Companies			
	1976	1975	1974	1973
Change in translation policies	29	82	N/C	N/C
Poolings of interests	24	18	30	56
Change in accounting for loss contingencies	10	12	N/C	N/C
Litigation or income tax settlements	8	22	12	29
Other	11	33	41	36

N/C—Not Compiled.

ADJUSTMENTS TO OPENING BALANCE OF RETAINED EARNINGS

Reasons for which the opening balance of retained earnings is properly restated include certain changes in accounting principles, changes in reporting entity, and prior period adjustments. Effective for financial statements for fiscal periods beginning after October 15, 1977, FASB *Statement of Financial Accounting Standards No. 16* stipulates that only corrections of errors and "Adjustments that result from realization of income tax benefits of pre-acquisition operating loss carryforwards of purchased subsidiaries", are properly accounted for as prior period adjustments.

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

ADDRESSOGRAPH-MULTIGRAPH CORPORATION (JUL)

Consolidated Statement of Retained Earnings

	1976	1975
	($000)	
Retained Earnings at Beginning of Year:		
As previously reported		$115,099
Retroactive restatement of prior years earnings		692
As restated	$122,048	115,791
Net income	6,431	6,257
Retained Earnings at End of Year	$128,479	$122,048

Notes to Financial Statements

Change in Accounting Principle—In 1976, the company changed its method of accounting for the translation of foreign currency transactions and financial statements to comply with a recent statement of the Financial Accounting Standards Board. The 1975 financial statements have been restated for this change. Under this new method foreign subsidiary inventories are translated at historical currency exchange rates rather than current rates and exchange gains and losses are included in current results of operations rather than applied to a reserve.

The effect of this accounting change on net income and net income per share is as follows:

(Dollars in thousands except per share data)	1976	1975
Increase (decrease) in net income	$(612)	$1,349
Increase (decrease) in net income per share of common stock	$ (.08)	$ .17

JOY MANUFACTURING COMPANY (SEP)

Consolidated Statement of Retained Earnings

	1976	1975
Retained Earnings		
At beginning of year, as previously reported	$156,793,000	$127,496,000
Adjustment for the cumulative effect on prior years of applying retroactively the new method of accounting for foreign currency translation		1,158,000
Balance at beginning of year, as restated	156,793,000	128,654,000
Net income	47,601,000	37,342,000
Dividends declared	(13,898,000)	(9,203,000)
At end of year	$190,496,000	$156,793,000

Notes to Consolidated Financial Statements

Accounting Change and Restatement of Financial Statements—In fiscal 1976, the Company adopted Statement of Financial Accounting Standards No. 8 (FAS No. 8)—"Accounting for the Translation of Foreign Currency Transactions and Foreign Currency Financial Statements." Under a provision of this statement, translation gains and losses are to be included in the determination of net income for the year in which a rate change occurs. Prior to fiscal 1976, the Company's translation losses in excess of current and deferred translation gains were charged to income currently and foreign currency translation gains in excess of losses for the period were deferred to offset future translation losses. The change in method of accounting for translation gains and losses had no effect on net income in fiscal 1976 since no net translation gains were deferred at September 25, 1975.

Adoption of FAS No. 8 required the Company to include translation gains and losses retroactively in the appropriate periods and therefore fiscal 1975 financial information, including net income, net income per share and the beginning balance of retained earnings, has been restated for this change in accounting method. The retroactive application of the change resulted in a decrease in 1975 net income of $1,158,000 ($.11 per share). The beginning balance of fiscal 1975 retained earnings was increased $1,158,000 to reflect the net cumulative effect of this change on net income, as previously reported, for years prior to 1975.

Adoption of other provisions of FAS No. 8 did not have a material effect on fiscal 1976 and prior years.

KLEER-VU INDUSTRIES, INC. (DEC)

Notes to Consolidated Financial Statements

Note 2: Accounting Change—In December 1976, the Company changed its method of accounting for leases to comply with the provisions of Financial Accounting Standards Board Statement No. 13. The Statement requires that leases meeting certain criteria be capitalized and depreciated over the estimated useful life of the related assets, with appropriate charges to operations for the interest portion of rental payments. The application of Statement No. 13 is mandatory for years ending after December 31, 1976, although earlier retroactive application is encouraged. The Company has elected to retroactively adopt the provisions of the statement. Accordingly, the financial statements of prior years have been restated. As a result of this accounting change, 1976 income before extraordinary credit, net of $7,946 income tax effect, increased $8,609 ($.02 per share) and net income increased $16,555 ($.04 per share). The net loss for 1975 decreased $17,789 ($.04 per share). The balances of retained earnings at January 1, 1976 and 1975 have been adjusted for the effect, net of income taxes, of applying retroactively the new method of accounting, as follows:

	1976	1975
Retained earnings (deficit) beginning of the year as previously reported	($494,394)	($413,039)
Adjustment for the cumulative effect on prior years of applying retroactively the new method of accounting for leases	116,504	98,715
Retained earnings (deficit) beginning of the year as adjusted	($377,890)	($314,324)

THE BF GOODRICH COMPANY (DEC)

Statement of Shareholders' Equity

(Dollars in the thousands, except per share amounts)	Preferred Stock	Common Stock	Additional Capital	Income Retained in the Business	Common Stock Held in Treasury	Total Shareholders' Equity
Balance at January 1, 1975 as previously reported				$555,607		
Cumulative effect to January 1, 1975 in method of reporting equity in earnings of foreign associate companies, net of applicable income taxes..				2,719		
Balance at January 1, 1975 as restated	$25,000	$72,791	$82,297	558,326	$(6,308)	$732,106
Net income	—	—	—	22,149	—	22,149
Cash dividends paid:						
Series A Preferred Stock, $7.85 a share	—	—	—	(1,963)	—	(1,963)
Common Stock, $1.12 a share................................	—	—	—	(16,019)	—	(16,019)
44 shares of Common Stock issued under the Key Employee Stock Option Plan..	—	—	—	—	—	—
Balance at December 31, 1975....................................	25,000	72,791	82,297	562,493	(6,308)	736,273
Net income	—	—	—	15,793	—	15,793
Cash dividends paid:						
Series A Preferred Stock, $7.85 a share	—	—	—	(1,963)	—	(1,963)
Common Stock, $1.12 a share................................	—	—	—	(16,190)	—	(16,190)
30,664 shares of Common Stock issued under the Key Employee Stock Option Plan...	—	154	578	—	—	732
Tax benefit arising from exercise of non-qualified stock options.	—	—	9	—	—	9
215,765 shares of Common Stock held in treasury reissued to Employee Stock Purchase and Savings Plan..................	—	—	573	—	5,327	5,900
Balance at December 31, 1976....................................	$25,000	$72,945	$83,457	$560,133	$ (981)	$740,554

Notes to Financial Statements

Note A (in part):

Accounting Change—Subsequent to December 31, 1975, the Company altered its method of reporting its equity in earnings of several foreign associate companies to correct a distortion in previously reported 1975 earnings as a result of the twelve month delay reporting basis used consistently in prior years. The Company is now reporting its equity in earnings in all such foreign associate companies on a delayed basis of six months or less. Accordingly, the Company has restated its financial statements for periods prior to January 1, 1976 to give retroactive effect to the change. The effect of the change reduced net income as previously reported for 1975 by $3,406,000 or $.24 per share. The cumulative effect of the change prior to January 1, 1975 amounted to $2,719,000, and is included in Income Retained in the Business as of that date. The Company has determined, after receiving the necessary financial information covering the delay periods, that if it had been possible to report the equity in earnings of all foreign associate companies on a current basis, net income for 1975 would have been $18,694,000 or $1.17 per share. Similar financial information covering these delay periods for 1976 is not yet available. However, estimates based on the limited data presently available (which are subject to change) indicate net income for 1976 would have been $13,500,000 or $.80 per share.

STERLING DRUG INC. (DEC)

Consolidated Statement of Income and Retained Earnings

	1976	1975
Retained earnings, beginning of year, as previously reported ...	$322,906,000	$282,194,000
Retroactive effect of adopting FASB Statements Nos. 5 and 8	14,000,000	15,797,000
Retroactive effect of consolidating operations in South America....	1,036,000	2,289,000
Retained earnings, beginning of year, as adjusted	337,942,000	300,280,000
Net income	82,759,000	79,049,000
	420,701,000	379,329,000
Deduct—cash dividends............	41,542,000	41,387,000
Retained earnings, end of year	$379,159,000	$337,942,000

Notes to Financial Statements

Changes in Accounting Principles—Beginning in 1976 the Company adopted Statements Nos. 5 and 8 of the Financial Accounting Standards Board which affect the method previously followed in reporting the results of foreign operations.

The most significant effect of adopting Statement No. 8 on the Company's past accounting practices is to require that exchange gains and losses arising from foreign exchange fluctuations be included in net income, whereas exchange gains and losses were previously reflected in a reserve for foreign operations.

The adoption of Statement No. 5 resulted in the return to retained earnings of a reserve of $14,000,000 against the Company's investment in previously non-consolidated units operating in South America. The elimination of the reserve rendered the Company's investment in these operations substantially at equity in the underlying net assets. Therefore, it was considered appropriate to include these operations in the Company's consolidated financial statements of all periods presented.

The foregoing changes in accounting, for which all prior years' financial data in this annual report have been restated, increased net income for 1976 by $3,780,000 ($.06 per share), which relates principally to the consolidation of the South American units, and decreased previously reported net income for 1975 as follows:

	Amount	Per Share
Net income, as previously reported	$82,099,000	$1.39
Consolidation of South American operations	(1,253,000)	(.02)
Adoption of FASB Statements Nos. 5 and 8	(1,797,000)	(.03)
Net income, as restated	$79,049,000	$1.34

Change in Reporting Entity

GENERAL ELECTRIC COMPANY (DEC)

Statement of Changes in Share Owners' Equity

Data for both years reflect pooling of interests with Utah International Inc. (Note 1)

(Dollar amounts in millions)	1976	1975	1976 (Thousands of Shares)	1975 (Thousands of Shares)
Common stock issued				
Balance January 1, as previously reported	$ 469.3	$ 465.2	187,720	186,067
Shares issued to effect merger with Utah International	102.5	102.5	41,002	41,005
	571.8	567.7	228,722	227,072
New shares issued:				
Stock options and appreciation rights	0.3	0.1	137	35
Employee savings plans	3.8	4.0	1,510	1,618
Balance December 31	575.9	571.8	230,369	228,725
Amounts received for stock in excess of par value				
Balance January 1, as previously reported	482.7	414.5		
Effect of merger with Utah International	52.0	52.1		
	534.7	466.6		
Excess over par value of amounts received for newly issued shares	83.3	71.3		
Gain on disposition of treasury stock	0.3	0.5		
Conversion of Canadian General Electric preferred stock	—	(3.6)		
Balance December 31	618.3	534.8		
Retained earnings				
Balance January 1, as previously reported	3,288.2	3,000.5		
Retained earnings of Utah International	393.2	318.6		
	3,681.4	3,319.1		
Net earnings	930.6	688.5		
Dividends declared on General Electric common stock	(332.5)	(293.1)		
Dividends declared on Utah International common stock	(28.3)	(33.1)		
Balance December 31	4,251.2	3,681.4		
Common stock held in treasury				
Balance January 1	(171.0)	(175.9)	(3,362)	(3,416)
Purchases	(27.1)	(12.8)	(508)	(276)
Dispositions:				
Employee savings plans	—	0.1	—	1
Incentive compensation plans	5.5	8.5	121	158
Conversion of Overseas Capital Corporation 1985 bonds	0.1	9.1	1	171
Balance December 31	(192.5)	(171.0)	(3,748)	(3,362
Total share owners' equity December 31	$5,252.9	$4,617.0	226,621	225,363

Note 1: Pooling of Interests—A merger with Utah International Inc. ("Utah" or "Utah International") was effected as of December 20, 1976, whereby Utah became a wholly-owned affiliate of General Electric through the exchange of 41,002,034 shares of General Electric $2.50 par value common stock for all of the outstanding shares of Utah. The principal business of Utah is the extraction and sale of natural resources. The merger was accounted for as a pooling of interests, and accordingly the accompanying financial statements include the accounts of Utah from January 1, 1975.

The sales of products and services to customers and the net earnings applicable to common stock of General Electric and Utah for the years ended December 31, 1976 and December 31, 1975 are shown below.

(In millions)	1976	1975
Sales of products and services to customers:		
General Electric	$14,696.7	$13,399.1
Utah International	1,000.6	706.0
	$15,697.3	$14,105.1
Net earnings applicable to common stock:		
General Electric	$ 749.3	$ 580.8
Utah International	181.3	107.7
	$ 930.6	$ 688.5

Prior to the merger, the fiscal year of Utah ended on October 31. Utah's financial results have been conformed to the calendar-year period used by General Electric.

GIFFORD-HILL & COMPANY, INC. (DEC)

Statement of Consolidated Shareholders' Equity

	Common Stock—$2 Par Value 8,250,500 Shares Authorized Issued	Amount	Additional Paid-In Capital	Retained Earnings	Cost of Common Stock in Treasury
			(In Thousands)		
Balance at January 1, 1975, as previously reported	4,224	$8,449	$17,140	$66,197	$1,177
Effect of pooling of interests with Metal Sales	329	657	17	1,913	
Balance at January 1, 1975, as restated	4,553	9,106	17,157	68,110	1,177
Common shares issued in connection with prior year acquisition	76	152	452		
Equivalent shares of Gifford-Hill Common Stock issued pursuant to Metal Sales' employee stock options	9	18	6		
Purchase of 5,002 shares of Common Stock for Treasury					115
Net income (restated)				7,116	
Dividends paid (deductions):					
Preferred Stock				(87)	
Common Stock ($.52 a share)				(2,167)	
Dividends of Metal Sales before merger				(112)	
Balance at December 31, 1975, as restated	4,638	9,276	17,615	72,860	1,292
Net income				10,651	
Conversion of 184 shares of Series C 6% Preferred Stock	1	2	17		
Adjustment for change in Metal Sales' fiscal year (deduction)				(51)	
Dividends paid (deductions):					
Preferred Stock				(86)	
Common Stock ($.61 a share)				(2,566)	
Dividends of Metal Sales before merger				(157)	
Balance at December 31, 1976	4,639	$9,278	$17,632	$80,651	$1,292

Notes to Consolidated Financial Statements

Business Combination—Effective December 31, 1976, the Company exchanged 337,733 shares of its Common Stock, in a pooling of interests transaction, for all of the outstanding shares of Metal Sales Manufacturing Corporation (Metal Sales), a manufacturer of metal building products.

The financial statements have been retroactively restated to include the operations of Metal Sales. Net sales and net income before and after the pooling of interests are summarized (in thousands) as follows:

	1976	1975
Net Sales:		
Before pooling with Metal Sales	$237,257	$209,963
Metal Sales	27,828	21,174
As reported herein	$265,085	$231,137
Net Income:		
Before pooling with Metal Sales	$ 9,692	$ 6,198
Metal Sales	959	918
As reported herein	$ 10,651	$ 7,116

Net sales and net income ($1,445,000 and $51,000, respectively) of Metal Sales for January, 1976, are included in the statement of consolidated income for both years. Accordingly, retained earnings has been decreased for the results of operations for such month.

QUAKER STATE OIL REFINING CORPORATION (DEC)

Consolidated Statement of Stockholders' Equity

	Thousands of Dollars			
	Capital Stock	Additional Capital	Treasury Stock	Retained Earnings
Balance, December 31, 1974, as previously reported	$18,546	$18,874	$1,385	$ 75,319
Adjustment for pooling of Valley Camp (Note 2)	3,945	2,665		36,404
Balance, December 31, 1974, as restated	22,491	21,539	1,385	111,723
Net income				29,029
Cash dividends, $.68 per share				(9,809)
Dividends of pooled company before merger				(1,742)
Stock options exercised (52,995 shares)		495	(167)	
Tax benefit from early disposition of stock issued under stock option plan		33		
Balance, December 31, 1975	22,491	22,067	1,218	129,201
Net income				25,748
Cash dividends, $.78 per share				(13,119)
Dividends of pooled company before merger				(435)
Balance, December 31, 1976	$22,491	$22,067	$1,218	$141,395

Note 2: Pooling of Interests—In 1976, Quaker State issued 3,156,289 shares of capital stock in exchange for all of the outstanding shares of The Valley Camp Coal Company, whose principal business involves the underground mining, preparation and sale of bituminous steam coal. The acquisition has been accounted for as a pooling of interests and, accordingly, the consolidated financial statements for 1975 have been restated to include the accounts of Valley Camp. Subsequent to the acquisition, the Company changed the method of reflecting Valley Camp's investment credit to conform to Quaker State's deferral policy. The effect of this change was not material.

Revenues and net income for both companies for the year ended December 31, 1975 and the three-month period ended March 31, 1976 (unaudited), the period before the combination was consummated, are summarized as follows:

	Thousands of Dollars	
	Three months ended March 31, 1976	Year ended December 31, 1975
Revenues:		
Quaker State	$74,256	$296,257
Valley Camp	25,493	90,271
Consolidated	$99,749	$386,528
Net Income:		
Quaker State	$ 3,722	$ 23,185
Valley Camp	1,532	5,844
Consolidated	$ 5,254	$ 29,029

Prior Period Adjustments

CUTLER-HAMMER, INC. (DEC)

Notes to Consolidated Financial Statements

Note 15: Restatement of 1975 Financial Statements—As discussed in Note 3, Cutler-Hammer, Inc. acquired 62 percent of Macrodata Corporation during 1974 and 1975.

For the year ended December 31, 1975, Macrodata originally reported a loss of $2,281,000 on sales of $8,619,000 and total assets of $13,118,000. The Company's share of this loss after minority interest was $1,575,000 which was recorded in Cutler-Hammer's 1975 financial statements.

The auditors for Macrodata, Coopers & Lybrand, issued an unqualified auditors' report on the 1975 financial statements on February 3, 1976. On April 23, 1976, Macrodata informed Coopers & Lybrand of certain significant facts which indicated that Macrodata's loss for 1975 was significantly understated. On April 26, 1976, Coopers & Lybrand withdrew their report on Macrodata's 1975 financial statements and at the request of Macrodata began an investigation which would result in reissuance of the 1975 statements.

On October 4, 1976, Coopers & Lybrand reissued its auditor's report on the restated Macrodata financial statements, which indicated that adjustments required to the 1975 Macrodata financial statements increased the reported loss for 1975 by $2,250,000. The final loss after adjustments was $4,531,000 for the year, of which the Company's share is

$2,975,000 after minority interest. The 1975 Cutler-Hammer, Inc. consolidated financial statements were restated to reflect these adjustments and the restated amounts, as summarized below, were reissued to shareholders, and a revised Form 10-K was filed with the Securities and Exchange Commission in October, 1976.

	Cutler-Hammer, Inc. Consolidated Amounts	
	As Originally Reported	As Restated
Total assets	$267,960,843	$265,892,176
Minority interests in subsidiaries	4,765,072	3,914,482
Retained earnings	111,225,877	109,826,125
Net income	15,334,521	13,934,769
Net income per share	$4.02	$3.65

Through December 31, 1976, Cutler-Hammer has invested $8,869,000 in Macrodata which purchase price resulted in an excess of cost over net assets acquired of $3,329,000.

Also, in 1976, the Company loaned Macrodata $1,450,000 at 9% interest, $1,000,000 of which is due in February, 1978, and the balance on demand. As of December 31, 1976, Cutler-Hammer's investment in the net assets of and loans to Macrodata totals $10,319,000. In addition, Cutler-Hammer, Inc. has guaranteed $3,000,000 of Macrodata's short-term debt which is outstanding at December 31, 1976.

Macrodata continued to have operating losses through 1976; however, management believes that these results reflect primarily the current economic conditions of the semiconductor industry, and of Macrodata's customers, and anticipates improvements based on recent volume of orders received and cost reduction programs. It is the current belief of both Macrodata and Culter-Hammer management that Macrodata's assets are recoverable out of future operations and that Cutler-Hammer advances to and investment in the assets and excess of cost over net assets acquired of Macrodata have not been significantly imparied and are recoverable.

HOBART CORPORATION (DEC)

Consolidated Statement of Retained Earnings Used in the Business

	1976	1975*
Retained earnings used in the business, beginning of the year, as previously reported	—	$124,814,221
Effect of accounting change and restatement	—	(3,664,682)
Retained earnings used in the business, beginning of the year, as restated	$130,850,379	121,149,539
Net income for the year	22,335,407	18,798,678
Total	153,185,786	138,948,217
Cash dividends (Per share: 1976—$.89; 1975—$.80)	10,129,760	9,097,838
Retained earnings used in the business, end of the year	$143,056,026	$130,850,379

*Restated—See note on Accounting Change and Restatement.

Notes to Financial Statements

Accounting Change and Restatement—In 1976, as a result of the issuance of Statement No. 5 of the Financial Accounting Standards Board, the Company adopted the policy of providing for estimated product warranty costs at the time of sale of the related products; formerly, such costs were charged to income as incurred. The result of this change, which has been applied retroactively, had no material effect on net income for 1976 or 1975.

Also in 1976, the Company corrected its long standing accounting practice of including in income those revenues, costs, and expenses related to products manufactured to customers' specifications but held by branches or agencies pending delivery and invoicing to customers, and recognizing certain revenues on customers' maintenance contracts upon initial billings. Under the corrected practices, the Company recognizes revenues from the product sales upon delivery to the customers and the maintenance contract revenues over the period of the contracts.

The financial statements previously issued for 1975 have been restated as follows:

	Previously Reported	Restated
Current assets	$237,409,000	$233,535,000
Current liabilities	71,285,000	75,200,000
Net sales	393,819,000	393,614,000
Cost of products sold	258,422,000	259,135,000
Marketing and administrative expenses	94,287,000	94,320,000
Income before income taxes	36,193,000	35,242,000
Net income:		
Total	19,293,000	18,799,000
Per share	1.70	1.65
Retained earnings used in the business:		
Beginning of the year	124,814,000	121,149,000
End of the year	135,009,000	130,850,000

OTHER CHANGES IN 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			
	1976	1975	1974	1973
Charges				
Treasury stock transactions.	49	28	80	87
Poolings of interests adjustments	6	6	10	19
Cash payments in lieu of fractional shares.........	3	4	6	11
Other	16	14	10	11
Credits				
Poolings of interests.........	10	8	11	26
Other	4	7	8	12

CROWN CORK & SEAL COMPANY, INC. (DEC)

Consolidated Statement of Retained Earnings

	1976	1975
Retained earnings at beginning of year..............................	$208,747,000	$175,697,000
Net income..........................	46,183,000	41,611,000
Excess of cost over par value of Common Stock purchased and retired (1976 - 1,151,500 shares; 1975-603,869 shares)	(16,538,000)	(8,561,000)
Excess of option price over par value of Common Stock issued under Stock Option Plan (7825 shares)...........................	77,000	
Retained earnings at end of year ..	$238,469,000	$208,747,000

FMC CORPORATION (DEC)

Consolidated Retained Earnings

	1976	1975
Unappropriated at beginning of year	$614,592,000	$540,604,000
Net income...........................	80,157,000	108,166,000
Cash dividends:		
Common stock—$1.00 per share in 1976 and $0.94 per share in 1975...............	(31,930,000)	(29,991,000)
Preferred stock—$2.25 per share.........................	(4,187,000)	(4,187,000)
Transfer from appropriated retained earnings	3,353,000	—
Unappropriated at end of year	661,985,000	614,592,000
Appropriated for contingencies	—	3,353,000
Total retained earnings at end of year..............................	$661,985,000	$617,945,000

INTERNATIONAL BUSINESS MACHINES CORPORATION (DEC)

Consolidated Statement of Earnings and Retained Earnings

	1976	1975
Net earnings for the year...	$2,398,093,117	$1,989,876,966
Retained earnings, January 1	7,563,246,423	6,542,357,821
	9,961,339,540	8,532,234,787
Cash dividends...........	1,203,791,447	968,988,364
Cost in excess of proceeds of treasury stock sold under employees stock purchase plan	20,199,796	—
	1,223,991,243	968,988,364
Retained earnings, December 31................	$8,737,348,297	$7,563,246,423

Notes to Consolidated Financial Statements:

Stock Purchase Plans—In April, 1976, stockholders approved a new five-year Employees Stock Purchase Plan, effective July 1, 1976, which authorizes up to 8,500,000 shares of capital stock for the Plan. Under this Plan, employees who are not participants in a Stock Option Plan may purchase IBM's capital stock through payroll deductions not exceeding 10% of their compensation. The price an employee pays for a share of stock is 85% of the average market price on the date the employee has accumulated enough money to buy the share. At December 31, 1976, 2,000,000 authorized and unissued shares were reserved for issuance under the Plan. The total number of authorized shares was not reserved because the company intends to purchase the shares in the market to the extent feasible. During 1976, the company purchased 567,100 shares in the market for $155 million and sold 494,721 of these treasury stock shares to employees. The difference between the $135 million cost to IBM for these shares and the $115 million proceeds from employees was charged to retained earnings.

Under the 1971 Plan, employees purchased 894,269 shares in 1976 for which $159 million was paid to IBM and credited to the capital stock account. Less than 1,000 shares, from those previously reserved, will be issued from December 31, 1976 through June 30, 1977 to complete requirements of this Plan.

PET INCORPORATED (MAR)

Consolidated Stockholders' Investment

	$.80 Preference Stock	$1.00 Second Preferred Stock	Common Stock	Earnings Invested in the Business
	(Dollars in thousands, except per share)			
Balance at March 31, 1974	$4,916	$11,688	$47,856	$182,528
Net earnings				23,158
Cash dividends:				
Preference stock—$.80 per share				(661)
Second preferred stock—$1.00 per share				(929)
Common stock—$1.40 per share				(8,960)
Reacquired 28,303 shares of common stock for treasury			(679)	
Conversion of 7,883 shares of preference stock for 4,335 shares of common stock	(49)		49	
Balance at March 31, 1975	$4,867	$11,688	$47,226	$195,136
Net earnings				23,676
Cash dividends:				
Preference stock—$.80 per share				(647)
Second preferred stock—$1.00 per share				(929)
Common stock—$1.50 per share				(9,521)
Conversion of 34,623 shares of preference stock for 19,039 shares of common stock	(217)		217	
Conversion of 889 shares second preferred stock for 444 shares of common stock		(11)	11	
Exercise of options for 3,500 shares of common stock			63	
Return of 250,000 shares of common stock by previous owners of Glaser/Medicare			(1,260)	(4,070)
Return of dividends previously paid to former Glaser/Medicare shareholders				1,306
Balance at March 31, 1976	$4,650	$11,677	$46,257	$204,951
Outstanding shares at March 31				
1974	831,729	929,395	6,424,799	
1975	823,846	929,395	6,400,831	
1976	798,223	928,506	6,173,814	

Financial Review

Acquisitions and Divestiture (in part)—Effective April 1, 1975, the Glaser/Medicare retailing operation was returned to its previous owners for 250,000 shares of the company's common stock, the consideration initally exchanged in the acquisition. Those shares were retired and have resumed the status of authorized but unissued shares of common stock of the company. The transaction did not result in a gain or loss for book or tax purposes. The financial position and results of operations for the Glaser/Medicare operation were not included in the March 31, 1976 financial statements of the company. The company's consolidated financial statements for fiscal 1975 would not significantly change had the results of the Glaser/Medicare operation been excluded therefrom.

WHITTAKER CORPORATION (OCT)

Consolidated Statements of Additional Paid-in Capital and Retained Earnings

	1976	1975
	(In thousands)	
Additional Paid-in Capital		
Balance, beginning of year	$89,162	$89,092
Excess of proceeds over par value of common stock issued under restricted stock plan, net of cancellations (Note 6)	76	70
Balance, end of year	$89,238	$89,162
Retained Earnings		
Balance, beginning of year		
As previously reported	$72,365	$71,600
Adjustment for change in method of translating foreign currencies (Note 8)	96	(459)
As restated	72,461	71,141
Add (deduct):		
Net income	13,506	3,560
Cash dividends on preferred stock	(976)	(984)
Cost of treasury stock acquired in connection with exchange offer (Note 7)	(33,425)	—
Cost of other treasury stock acquired	(4,543)	(1,256)
Balance, end of year (restricted—Note 5)	$47,023	$72,461

Note 7: Exchange Offer—During October 1976, Whittaker made an exchange offer for shares of its common stock under which $7.50 principal amount of new 10% subordinated debentures due 1996 was offered in exchange for each share of common stock tendered and accepted. Upon expiration of the offer on November 5, 1976, Whittaker accepted 4,818,000 shares, reducing the number of outstanding shares of common stock to 14,356,000, and issued $36,135,000 principal amount of the new debentures. The balance sheet at October 31, 1976 gives effect to the results of the exchange and, accordingly, reflects an increase in long-term debt of $33,425,000 (net of debt discount of $2,710,000) and a corresponding decrease in retained earnings.

Had this exchange transaction been completed prior to fiscal 1975, the reduced number of shares outstanding and the additional interest and debt discount amortization relating to the debentures issued in the exchange would have affected 1976 and 1975 net income and earnings per share as follows:

	As Reported		Pro-forma	
	Amount in Thousands	Per Share	Amount in Thousands	Per Share
Fiscal Year 1976	$13,506	$ .65	$11,538	$ .73
Fiscal Year 1975	$ 3,560	$ .13	$ 1,592	$ .04

PAID-IN CAPITAL

PRESENTATION OF CHANGES IN PAID-IN 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 paid-in capital.

TABLE 4-5: PRESENTATION OF CHANGES IN PAID-IN CAPITAL

	1976	1975	1974	1973
Statement of stockholders' equity	223	168	153	158
Statement of paid-in capital	59	80	85	108
Schedule in notes	90	65	59	66
No statement or schedule but changes disclosed	87	101	59	93
Balance unchanged during year	72	114	165	98
Subtotal	**531**	**528**	**521**	**523**
Additional capital account not presented	69	72	79	77
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.

TABLE 4-6: STOCK SPLITS

	1976	1975	1974	1973
Ratio				
Less than three-for-two	5	4	—	4
Three-for-two (50%) to two-for-one	21	5	4	10
Two-for-one (100%)	31	12	10	20
Greater than two-for-one	3	1	2	6
Total Companies	**60**	**22**	**16**	**40**
Account Charged				
Paid-in capital	32	9	10	16
Retained earnings	12	6	2	8
No charge	16	7	4	16
Total Companies	**60**	**22**	**16**	**40**

AMERICAN STORES COMPANY (MAR)

Notes to Financial Statements

Note 5 (in part): Common Stock and Capital in Excess of Par Value of Common Stock—On July 1, 1975, the company issued to shareholders 1,755,783 shares common stock, including 13,688 shares added to treasury stock, in connection with a three-for-two stock split effected in the form of a 50% stock dividend. All per share figures included in the financial statements and notes are based on the increased number of shares of common stock giving effect to the three-for-two stock split.

Changes in common stock and capital in excess of par value of common stock are as follows:

	Common stock		Capital in excess of par value of common stock
	Shares	Amount	
Balance at March 30, 1974	3,507,234	$3,507,000	133,889,000
Sale of stock under stock option plan	1,327	2,000	29,000
Balance at March 29, 1975	3,508,561	3,509,000	133,918,000
Three-for-two stock split	1,755,783	1,756,000	(1,756,000)
Sale of stock under stock option plan	17,810	17,000	281,000
Balance at April 3, 1976	5,282,154	$5,282,000	132,443,000

AMSTED INDUSTRIES INCORPORATED (SEP)

Notes to Consolidated Financial Statements

Stock Split-Up—Effective February 20, 1976, 3,122,017 shares of common stock were issued in connection with a two-for-one stock split effected in the form of a 100% stock dividend. Capital in excess of par value was charged and common stock was credited with $3,122,017 representing the aggregate of the share value of the shares issued. Of the total shares issued 440,798 were added to treasury stock. All per share amounts have been adjusted to give effect to the stock split-up.

BLUE BELL, INC. (SEP)

Notes to Financial Staetments

Note 5 (in part): Capital—Authorized capital consists of 300,000 shares of $100 par value preferred stock, issuable in series, and 15,000,000 shares of $3.33⅓ par value common stock. Changes in common stock issued and additional paid-in capital during the years ended September 30, 1976 and 1975 were as follows:

	Common Stock Issued		
	Number of Shares	Par Value	Additional Paid-in Capital
		In Thousands	
Balance, September 30, 1974	6,149,598	$20,499	$32,881
Sale to profit-sharing fund	5,000	17	60
Exercise of stock options	10,950	36	221
Balance, September 30, 1975	6,165,548	20,552	33,162
Exercise of stock options	19,290	64	578
Transfer of capital in connection with two-for-one stock split	6,184,838	20,616	(20,616)
Exercise of stock options subsequent to stock split	3,250	11	35
Balance, September 30, 1976	12,372,926	$41,243	$13,159

In September 1976, a 2 for 1 stock split was effected by issuance of one additional share of common stock for each share held to shareholders of record on September 3, 1976. All references in the financial statements and other notes to number of shares of common stock and related prices, dividends, and per share amounts have been restated for this stock split.

CONTINENTAL OIL COMPANY (DEC)

Statement of Consolidated Income and Retained Earnings

	1976	1975
	($000)	
Net income	$ 459,994	$ 330,854
Retained earnings:		
Balance at beginning of year	1,506,841	1,278,375
	1,966,835	1,609,229
Dividends paid:		
Common Stock (1976—$1.15 per share; 1975—$1.00 per share)*	120,330	101,581
Preferred Stock ($2.00 per share)	631	807
Share-for-share stock distribution (Note 5)	269,886	—
	390,847	102,388
Balance at end of year	$1,575,988	$1,506,841

Note 5 (in part): Stockholders' Equity—There are 2,100,000 authorized shares of $2 cumulative convertible Preferred Stock, without par value, of which 278,040 shares were outstanding at December 31, 1976, and 370,083 shares were outstanding at December 31, 1975. Each share of Preferred Stock is entitled to one vote and is convertible into 2.68 shares of Common Stock. The Preferred Stock is callable at $60 per share plus accrued dividends and has a liquidation value of $60 per share plus accrued dividends. In the opinion of counsel, the excess, approximately $15,700,000 of the liquidation value of the Preferred Stock over its stated value does not restrict retained earnings.

At December 31, 1975, there were 60,000,000 authorized shares of Common Stock, $5 par value, of which 53,763,436 shares were issued. At that same date, there were 2,844,329 shares of Common Stock in the treasury, shown at par for shares held December 31, 1969, and at cost for subsequent acquisitions, including 2,127,659 shares received in exchange for a portion of the Company's investment in a consolidated subsidiary recorded at the Company's carrying value of the investment plus expenses related to the exchange. Following an amendment to the Company's charter increasing its authorized Common Stock from 60,000,000 shares to 120,000,000 shares, the Board of Directors on May 5, 1976, declared a share-for-share stock distribution which resulted in the issuance of 53,977,214 shares of Common Stock, including 2,841,833 shares issued on shares held in the treasury, and the capitalization of retained earnings in the amount of $269,886,000 representing par value of the shares issued. The number of shares and per share amounts related thereto shown below have been adjusted to reflect the share-for-share stock distribution.

HALLIBURTON COMPANY (DEC)

Changes in Capital Stock and Paid-in Capital

	Common Stock		Paid in-Capital in Excess of
	Shares	Amount	Par Value
	(Dollars in thousands)		
Balance, December 31, 1974	19,217,700	$ 48,044	$262,000
Conversion of 4.5% convertible subordinated debentures	218,783	547	27,748
Sale of restricted stock to employees (Note 8)	48,211	121	—
Amortization of market value in excess of proceeds received on sale of restricted stock (Note 8)	—	—	1,762
Balance, December 31, 1975	19,484,694	48,712	291,510
Issuance of shares to effect stock split (Note 8)	39,080,708	97,701	(97,701)
Sale of restricted stock to employees (Note 8)	51,926	130	20
Amortization of market value in excess of proceeds received on sale of restricted stock (Note 8)	—	—	4,705
Balance, December 31, 1976	58,617,328	$146,543	$198,534

Note 8 (in part): Capital Stock—Authorized preferred stock, without par value, issuable in one or more shares under such terms as may be specified by the board of directors amounted to 5,000,000 shares. No shares have been issued.

Authorized common stock, par value $2.50, amounted to 100,000,000 shares. Common stock issued at December 31, 1976 and 1975 were 58,617,328 and 58,454,082 shares, respectively. Shares reserved at December 31, 1976 for future issuance under the Company's career executive incentive stock plan totaled 158,075. Treasury shares held at December 31, 1976 and 1975 were 48,530 and 1,179, respectively.

A 3-for-1 stock split was effected pursuant to authorization by the board of directors whereby two additional shares of common stock, par value $2.50, were issued for each share outstanding to shareholders of record on March 29, 1976. All share data, as appropriate, appearing in the financial statements and notes thereto have been adjusted for this stock split.

PALL CORPORATION (JUL)

Consolidated Statement of Stockholders' Equity

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Total Stockholders' Equity
Balance at July 31, 1974	$1,107,678	$5,579,035	$ 9,111,360	$15,798,073
Net earnings			3,554,960	3,554,960
Cash dividends declared			(435,185)	(435,185)
Conversion of 6¼% convertible subordinated debentures, 65,350 shares, net of unamortized debenture expense	65,350	1,206,160		1,271,510
Issuance of stock pursuant to exercise of stock options, 21,075 shares	21,075	223,038		244,113
Balance at July 31, 1975	1,194,103	7,008,233	12,231,135	20,433,471
Net earnings			5,774,679	5,774,679
Cash dividends declared			(707,476)	(707,476)
Two-for-one stock split	1,198,603	(1,198,603)		
Conversion of 6¼% convertible subordinated debentures, 109,850 shares, net of unamortized debenture expense	109,850	969,649		1,079,499
Conversion of 5⅛% convertible note, 7,988 shares	7,988	141,987		149,975
Issuance of stock pursuant to exercise of stock options, 54,785 shares	54,785	266,594		321,379
U.S. income tax benefit from employees' early dispositions of stock option shares		20,079		20,079
Balance at July 31, 1976	$2,565,329	$7,207,939	$17,298,338	$27,071,606

Notes to Consolidated Financial Statements

Note 7: Common Stock and Capital in Excess of Par Value—Effective November 21, 1975, the Company's authorized common stock was increased from 1,700,000 shares to 3,000,000 shares with the par value remaining at $1 per share. Concurrently, a two-for-one split of the Company's common stock was effected. The par value of the new shares issued totaled $1,198,603 and this amount has been transferred from capital in excess of par value to the common stock account.

All references in the financial statements with regard to average number of shares of common stock and related prices, dividends and per share amounts have been restated to reflect the foregoing common stock split.

As of July 31, 1976, 106,975 shares are reserved for the exercise of stock options.

UNION CAMP CORPORATION (DEC)

Notes to Consolidated Financial Statements

Note 6: Common Stock—On March 24,1976, the Company issued 1,000,000 shares of $1.00 par value common stock (subsequently split into one and one-half million shares). The net proceeds from this issuance amounted to $89,000,000. The $1,000,000 of par value was credited to common stock and the remainder was credited to capital in excess of par value.

On April 27, 1976, the stockholders approved an amendment to the Articles of Incorporation increasing the number of authorized shares of common stock, par value $1.00 per share, from 30,000,000 shares to 45,000,000 shares. At the same meeting a three for two split in the common stock was also approved. The stock split resulted in a transfer of $8,338,000 from capital in excess of par value to common stock.

CHANGES IN PAID-IN CAPITAL

Table 4-7 summarizes credits and charges to paid-in capital. Examples of such credits and charges follow.

TABLE 4-7: CHANGES IN PAID-IN CAPITAL

	Number of Companies			
	1976	1975	1974	1973
Credits				
Common stock issuances:				
Employee benefits	319	205	233	331
Conversion of debt	62	26	52	62
Conversion of preferred	53	32	40	55
Business combinations	40	27	44	54
Purchase or retirement of capital stock	47	24	42	53
Stock option tax benefits	34	12	17	—
Other	54	18	26	39
Charges				
Purchase or retirement of capital stock	51	32	56	71
Treasury stock issued for less than cost	34	16	43	45
Conversion of Preferred stock	14	10	13	14
Business combinations	9	5	28	51
Other	36	20	34	30

Stock Issued in Connection with Employee Benefit Plans

ALLEGHENY LUDLUM INDUSTRIES, INC. (DEC)

Consolidated Statements of Additional Paid-In Capital and Retained Earnings

Additional Paid-In Capital	1976	1975
	(In thousands)	
Amount at beginning of year	$ 83,638	$ 83,627
Excess of:		
Option price over par value of common stock issued pursuant to stock options	1,037	11
Cost of treasury shares issued pursuant to stock options over option price	(706)	—
Cost over assigned value of treasury shares issued in connection with the acquisition of a business	(27)	—
Income tax benefits resulting from exercise of nonqualified stock options	503	—
Other	1	—
Amount at end of year	$ 84,446	$ 83,638
Retained Earnings		
Amount at beginning of year	$229,426	$214,015
Net earnings for the year	7,001	30,081
	236,427	244,096
Deduct dividends:		
On $3.00 Convertible Preferred Stock—$3.00 per share	6,023	6,051
On common stock—$1.22 per share in 1976 and $1.20 in 1975	8,839	8,619
	14,861	14,670
Amount at end of year	$221,565	$229,426

AIR PRODUCTS AND CHEMICALS, INC.

Changes in Shareholders' Equity

	Common Stock $1 Par Value	Capital In Excess Of Par Value	Retained Earnings
	(Number of shares)	(In thousands of dollars)	
Balance, Beginning of Year 1975	13,192,159	$107,865	$127,394
Net income			54,244
Cash dividends			
Common stock, $.10 per share restated			(2,685)
Treasury shares issued at market price for:			
Employees savings and stock ownership plan—savings year 1974	13,500	632	
Incentive Compensation Plan awards.	12,905	407	
Original shares issued for:			
2% Stock Dividend, at quoted market price, less cost of issue	264,344	13,699	(14,010)
Balance, Beginning of Year 1976	13,489,003	122,768	164,943
Net Income			63,479
Cash Dividends			
Common Stock, $.12½ per share restated			(3,435)
Treasury shares issued at market price for:			
Employees Savings and Stock Ownership Plan—Savings Year 1975	14,200	854	
Incentive Compensation Plan Awards	10,908	513	
Original shares issued for:			
2% Stock Dividend, at quoted market price, less cost of issue	270,327	20,768	(21,085)
Stock Options	7,980	250	
Two-for-one stock split	13,792,418	(13,827)	
Balance, End of Year 1976 ($113,000 of Retained Earnings restricted) (Note 2)	27,584,836	$131,326	$203,902

ENGELHARD MINERALS & CHEMICALS CORPORATION (DEC)

Consolidated Statement of Stockholders' Equity

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Common Stock Held in Treasury	Total Stock-holders' Equity
			(Thousands of Dollars)			
Balance at December 31, 1974 (preferred stock—217,738 shares; common stock—29,821,300 shares issued less 235,042 shares held in treasury)	$1,372	$29,821	$57,462	$318,446	$(3,623)	$403,478
1975 changes:						
Net earnings	—	—	—	114,716	—	114,716
Cash dividends—						
On common stock—$.80 per share	—	—	—	(24,248)	—	(24,248)
On preferred stock—$4.25 per share	—	—	—	(609)	—	(609)
Exercise of common stock options (307,993 shares issued and 1,657 shares from treasury)	—	308	5,123	—	18	5,449
Award of common stock from treasury under the key employees stock bonus plan, net of cancellations (58,639 shares)	—	—	269	—	984	1,253
Conversion of 118,176 shares of preferred stock into 744,394 shares of common stock	(745)	745	(2)	—	—	(2)
Other	—	—	223	—	—	223
Balance at December 31, 1975 (preferred stock—99,562 shares; common stock—30,873,687 shares issued less 174,746 shares held in treasury)	627	30,874	63,075	408,305	(2,621)	500,260
1976 changes:						
Net earnings	—	—	—	124,865	—	124,865
Cash dividends —						
On common stock—$1.05 per share	—	—	—	(32,988)	—	(32,988)
On preferred stock—$1.1225 per share	—	—	—	(55)	—	(55)
Exercise of common stock options (96,164 shares issued and 23,070 shares from treasury)	—	96	2,374	—	245	2,715
Purchase of 100,000 shares of common stock for treasury	—	—	—	—	(3,287)	(3,287)
Award of common stock from treasury under the key employee stock bonus plan, net of cancellations (154,680 shares)	—	—	2,915	—	2,475	5,390
Conversion of $3,151,000 face value of 5¼% convertible subordinated debentures into 107,134 shares of common stock	—	107	3,044	—	—	3,151
Conversion of 97,903 shares of preferred stock into 615,711 shares of common stock	(617)	616	(31)	—	—	(32)
Redemption of 1,659 shares of preferred stock	(10)	—	(161)	—	—	(171)
Other	—	—	482	—	—	482
Balance at December 31, 1976 (common stock—31,692,696 shares issued less 96,996 shares held in treasury)	$ —	$31,693	$71,698	$500,127	$(3,188)	$600,330

SHELL OIL COMPANY (DEC)

Notes to Financial Statements

Note 13: Amount in Excess of Common Stock Stated Value

	Year 1976	1975
	(Thousands of Dollars)	
Balance at beginning of period	$639,713	$583,360
Issuance of shares of Common Stock:		
To shareholders under the Dividend Reinvestment and Stock Purchase Plan	85,564	39,075
To the Shell Provident Fund	30,956	15,974
To option holders upon exercise of options under incentive stock option plans	1,203	1,304
To the Employee Stock Ownership Fund	4,370	—
Balance at end of period	$761,806	$639,713

During 1976 and 1975, the Company issued 1,378,788 and 791,659 shares, respectively, of its Common Stock under the Dividend Reinvestment and Stock Purchase Plan. (Information on shares of Common Stock issued to the Shell Provident Fund, stock option holders and the Employee Stock Ownership Fund is presented in Notes 8, 9 and 10.)

The total amounts received from the sale of Common 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

SCOVILL MANUFACTURING COMPANY (DEC)

Consolidated Statement of Stockholders' Equity

	Preferred Stock (Cumulative) $2.50 Convertible Series A	Common Stock	Additional Capital Paid in by Stockholders	Retained Earnings
Balances at December 29, 1974	$21,331,000	$44,052,000	$ 7,561,000	$112,901,000
Additions:				
Issuance of 35,293 shares of Common Stock upon conversion of 14,465 shares of Preferred Stock	(322,000)	221,000	101,000	
Net (loss)				(33,196,000)
Deductions:				
Cash dividends declared:				
Preferred Stock (Cumulative) $2.50 Convertible Series A				2,374,000
Common Stock—$1.00 a share				7,070,000
Balances at December 28, 1975	21,009,000	44,273,000	7,662,000	70,261,000
Additions:				
Stock options exercised—21,600 shares		135,000	108,000	
Issuance of 951,923 shares of Common Stock upon conversion of 390,138 shares of Preferred Stock	(8,681,000)	5,950,000	2,731,000	
Net earnings				22,154,000
Deductions:				
Cash dividends declared:				
Preferred Stock (Cumulative) $2.50 Convertible Series A				2,055,000
Common Stock—$1.05 a share				7,780,000
Balances at December 26, 1976	$12,328,000	$50,358,000	$10,501,000	$ 82,580,000

CBS INC. (DEC)

Consolidated Statements of Retained Earnings and Additional Paid-In Capital

Retained Earnings	1976	1975
	(Dollars in thousands)	
Balance at beginning of year	$367,152	$288,025
Net income	163,995	122,903
	531,147	410,928
Less cash dividends:		
Common stock: 1976, $1.745 per share; 1975, $1.51 per share	49,612	42,828
Series A preference stock, $1.00 per share	663	948
Balance at end of year	$480,872	$367,152
Additional Paid-In Capital		
Balance at beginning of year	$230,860	$236,617
Excess of cost of treasury stock over par value of preference stock exchange on conversion	(10,937)	(5,652)
Miscellaneous, net	(272)	(105)
Balance at end of year	$219,651	$230,860

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, 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		
Conversion of 259,572 shares of Series preferred stock	976,928	4.8	(25.9)	21.1		
Conversion of 4% debentures	33,751	.2		1.1		
33⅓% 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)
Net earnings					135.4	
Cash dividends paid—						
Preferred stock					(1.2)	
Common stock ($2.10 per share)					(36.3)	
Stock options exercised and tax effect of early dispositions	119,291	.6		1.4		
Conversions of 72,743 shares of Series preferred stock	218,841	1.1	(7.3)	6.2		
Conversion of 4% debentures	600,717	3.0		19.9		
Purchase of common stock (27,686 shares)						(1.1)
Contribution of common stock to employee stock ownership plan (28,199 shares)						1.1
Balance, June 30, 1976	17,619,506	$88.1	$22.0	$39.6	$433,2	$(2.2)

Purchase Adjustment

AMERADA HESS CORPORATION (DEC)

Statement of Consolidated Changes in Capital Stock and Capital in Excess of Par value

	$3.50 cumulative convertible preferred stock Number of shares issued	Amount	Common stock Number of shares issued (including shares in treasury)	Amount	Capital in excess of par value
Balance at December 31, 1974	6,781,973	$6,782,000	24,125,630	$24,125,000	$139,166,000
Conversion of $3.50 cumulative convertible preferred stock	(831)	(1,000)	1,828	2,000	(1,000)
2½% common stock dividend	—	—	555,448	556,000	8,679,000
Balance at December 31, 1975	6,781,142	6,781,000	24,682,906	24,683,000	147,844,000
Conversion of $3.50 cumulative convertible preferred stock	(392)	—	859	1,000	—
Employee stock options exercised	—	—	4,591	4,000	72,000
2½% common stock dividend	—	—	569,920	570,000	12,253,000
Issuance of 21,013 shares (from treasury) for adjustment of purchase of remaining interest in an affiliated company.	—	—	—	—	(1,639,000)
Balance at December 31, 1976	6,780,750	$6,781,000	25,258,276	$25,258,000	$158,530,000

Public Offering of Stock

PARKER-HANNIFIN CORPORATION (JUN)

Consolidated Statement of Shareholders' Equity

	Common Shares	Additional Capital	Earnings Retained in the Business	Treasury Shares	Total
Balances at June 30, 1974	$2,948,745	$16,491,407	$ 93,155,759	$(1,497,267)	$111,098,644
Net earnings for the year			19,343,639		19,343,639
Cash dividends paid on common stock, $1.10 per share			(6,436,793)		(6,436,793)
Balances at June 30, 1975	2,948,745	16,491,407	106,062,605	(1,497,267)	124,005,490
Net earnings for the year			19,896,069		19,896,069
500,000 shares issued under public offering	250,000	13,567,174			13,817,174
60,682 shares issued under stock option plan (Note 4)	30,340	1,300,759			1,331,099
Cash dividends paid on common stock, $1.14 per share			(6,843,867)		(6,843,867)
Balances at June 30, 1976	$3,229,085	$31,359,340	$119,114,807	$(1,497,267)	$152,205,965

Reduction of Par Value

HARNISCHFEGER CORPORATION (OCT)

Statement of Shareholders' Equity

	Common Stock	Capital in Excess of Par Value of Shares	Retained Earnings	Total
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 (1,496,260 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, $.56 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
Change of par value of common stock, from $10 to $1 per share	(39,372,876)	39,372,876		—
Two-for-one common stock split (4,378,921 shares)	4,378,921	(4,378,921)		—
Exercise of stock options	65,666	114,527		180,183
Net income			23,822,170	23,822,170
Cash dividends on common stock, $.72½ per share			(6,350,004)	(6,350,004)
Balance at October 31, 1976	$ 8,768,561	$59,340,292	$89,038,865	$157,147,718

Financial Notes

Note 7 (in part): Shareholders' Equity—The Corporation effected a seven-for-four common stock split in the form of a 75% stock dividend paid on July 1, 1975 and a two-for-one split in the form of a 100% stock dividend paid on July 1, 1976. 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 splits, except where otherwise noted.

The Corporation's Restated Certificate of Incorporation was amended by the shareholders, at their annual meeting held on January 26, 1976, to increase the number of authorized shares of common stock from 5 million to 15 million and to reduce the par value of the common stock from $10 per share to $1 per share.

The stock option plan for key employees provides for the granting of options to purchase not more than 262,500 shares of common stock at amounts to be determined at date of grant. Generally, the options become exercisable in cumulative installments of one-fourth of the shares in each year beginning one year from date of grant. At October 31, 1976, 8,250 shares were available for future grants of options.

Reduction of Stated Value

LEVI STRAUSS & CO. (NOV)

Consolidated Statement of Stockholders' Equity

	Common Stock Shares	Common Stock Stated Value	Additional Paid-In Capital	Retained Earnings
Balance November 24, 1974	10,880,080	$48,960,000	$43,563,000	$113,482,000
Net income				64,742,000
Exercise of stock options	23,737	107,000	436,000	
Cash dividends declared ($.28 per share)				(6,099,000)
Balance November 30, 1975	10,903,817	$49,067,000	$43,999,000	$172,125,000
Net income				104,820,000
Shares issued to employees	90,728	281,000	2,090,000	
Reduction in stated values of shares		(38,354,000)	38,354,000	
Two-for-one stock split	10,962,829	10,963,000	(10,963,000)	
Cash dividends declared ($.45 per share)				(9,865,000)
Balance November 28, 1976	21,957,374	$21,957,000	$73,480,000	$267,080,000

Notes to Consolidated Financial Statements

Capital Changes—On July 2, 1976, the Company took action to equate the per share stated value ($4.50) and the par value ($1.00) of its outstanding common stock. Accordingly, $3.50 per share was transferred from Common Stock to Additional Paid-in Capital.

Additionally, effective July 16, 1976, the stockholders approved an increase in the authorized common stock from 20,000,000 shares to 30,000,000 shares and a two-for-one stock split. As a result, a transfer was made from Additional Paid-in Capital to Common Stock. Certain financial information, including net income and dividends per share and average common and common equivalent shares outstanding, has been adjusted for the split.

Income Tax Benefit from Issuance of Stock to Employees

BAKER INTERNATIONAL CORPORATION (SEP)

Consolidated Statement of Shareholders' Equity

	Common Stock Shares	Common Stock Amount	Capital in Excess of Par Value	Retained Earnings	Total
	(In thousands of dollars, except number of shares)				
Balance, September 30, 1974:					
As previously reported	10,679,632	$11,209	$28,619	$ 69,479	$109,307
Pooling of interests with Reed Tool Company (including the effects of conforming Reed's accounting policies and of conforming Reed's fiscal year-end) (Note 2)	2,261,388	2,261	22,145	12,963	37,369
Net income				45,407	45,407
Cash dividends on Common Stock ($.40)				(4,376)	(4,376)
Shares issued in public offering	700,000	700	23,272		23,972
Proceeds from exercise of stock options	35,017	35	775		810
Conversion of outstanding Reed Convertible Debentures into Common Stock	18,399	18	418		436
Other	45,566	47	316	172	535
Balance, September 30, 1975	13,740,002	14,270	75,545	123,645	213,460
Net income				48,847	48,847
Cash dividends on Common Stock ($.44 per share)				(5,835)	(5,835)
Proceeds from exercise of stock options	133,412	133	3,080		3,213
Proceeds from exercise under Employee Stock Purchase Plan	60,782	61	1,870		1,931
Common Stock issued in connection with stock purchase agreement	32,822	33	1,455		1,488
Income tax benefit from employees' transactions in Common Stock			710		710
Other	17,670	18	235		253
Balance, September 30, 1976	13,984,688	$14,515	$82,895	$166,657	$264,067

FAIRCHILD CAMERA AND INSTRUMENT CORPORATION (DEC)

Consolidated Statement of Shareholders' Equity

	Common Stock Shares	Amount	Additional Paid-In Capital	Retained Earnings
Balance, December 29, 1974 as previously reported	5,161,592	$5,162,000	$74,868,000	$79,360,000
Restatement (Note 3)	—	—	—	(5,515,000)
Balance, December 29, 1974 as restated	5,161,592	5,162,000	74,868,000	73,845,000
Net income—1975	—	—	—	13,073,000
Sales of common stock under employee stock option plan	110,302	110,000	2,531,000	—
Conversion of convertible subordinated debentures (Note 5)	6,669	7,000	519,000	—
Tax benefit related to employees' premature disposition of option shares and exercise of nonqualified stock options (Note 4)	—	—	390,000	—
Cash dividends—$.80 per share	—	—	—	(4,176,000)
Balance, December 28,1975	5,278,563	5,279,000	78,308,000	82,742,000
Net income—1976	—	—	—	12,456,000
Sales of common stock under employee stock option plan	80,989	81,000	2,013,000	—
Tax benefit related to employees premature disposition of option shares and exercise of nonqualified stock options (Note 4)	—	—	995,000	—
Cash dividends—$.80 per share	—	—	—	(4,265,000)
Balance, January 2, 1977	5,359,552	$5,360,000	$81,316,000	$90,933,000

Note 4 (in part): Provision for Income Taxes—Differences between financial and taxable income result primarily from exercise of nonqualified stock options, use of accelerated depreciation and financial statement provisions which are not currently tax deductible. In addition, portions of the taxes related to the inventory accounting change, referred to in Note 2 above, are payable in future periods. The tax effect of deductions applicable to employee exercises of nonqualified stock options and premature dispositions by employees of options shares resulted in tax benefits of approximately $995,000 in 1976 and $390,000 in 1975, which was credited to additional paid-in capital.

Redemption of Preferred Stock

FRUEHAUF CORPORATION (DEC)

Consolidated Statement of Additional Paid-In Capital

	1976	1975
Balance at beginning of the year	$221,337,254	$221,310,009
Excess of par value over cost of 4% Preferred Stock purchased (1976—153 shares; 1975—585 shares)	6,629	26,022
Excess of market price over par value of Common Stock issued in connection with stock option plans and other employee incentive plans (1976—83,218 shares; 1975—74 shares)	1,395,249	1,223
Excess of cost over par value of 17,752 shares of 4% Preferred Stock redeemed in June 1976 (Note F)	(79,884)	
Balance at end of the year	$222,659,248	$221,337,254

Note F: Common and Preferred Stock—At December 31, 1976, 1,297,297 shares of Common Stock were reserved for conversion of the 5½% Convertible Subordinated Debentures and 261,762 shares for stock option plans for a total of 1,559,059 shares.

Information with respect to the Corporation's stock option plans is summarized below:

	Shares Under Option	
	1976	1975
Outstanding January 1	353,650	127,399
Granted		343,550
Exercised (deduction*)	74,261*	
Expired and canceled (deduction*)	17,627*	117,299*
Outstanding December 31	261,762	353,650
Shares exercisable at December 31	46,068	9,975
Shares which became exercisable during the year	114,642	6,291

Prices related to options outstanding at December 31, 1976, ranged from $16.875 to $23.00 per share. Stock option plans have expired, and no new options may be granted; the latest option exercise date is November 20, 1980.

Effective June 15, 1976, the Corporation redeemed all outstanding 4% Preferred Stock at a redemption price of $104.50 per share, plus accrued dividends.

Warrants

LOCKHEED AIRCRAFT CORPORATION (DEC)

Consolidated Statement of Shareholders' Equity

Dollars in millions	$9.50 Senior Preferred Stock	Common Stock	Additional Capital	Retained Earnings (Deficit)
At December 29, 1974		$11.4	$79.0	$(63.9)
Fair value of warrants issued			3.5	
Net earnings				45.3
At December 28, 1975		11.4	82.5	(18.6)
Issuance of $9.50 Senior Preferred Stock	$47.1			
Fair value of warrants issued			5.6	
Provision for preferred stock redemption value	.3			(.3)
Net earnings				38.7
At December 26, 1976	$47.4	$11.4	$88.1	$ 19.8

Notes to Financial Statements

Note 9 (in part): Shareholders' Equity

Warrants—The Company has issued to its lending banks the following warrants to purchase shares of Common Stock, all of which warrants were outstanding at December 26, 1976.

Issued	Number of Shares	Price Per Share**	Expiration Date
5-20-75	1,750,000	$ 7.00	11-15-85
10-27-76	1,250,000*	7.00	10-31-86
10-27-76	500,000*	10.00	10-31-86

*Not exercisable until March 31, 1977.
**Subject to antidilution adjustment.

The estimated fair value of the warrants at the date issued in 1976 was recorded as an increase to Additional Capital and the related charge was allocated between the $9.50 Senior preferred Stock and the Term Notes. The amount allocated to the Term Notes is being amortized to earnings through March 31, 1981.

MOLYCORP, INC. (DEC)

Consolidated Statement of Retained Earnings and Capital in Excess of Par Value

	Retained earnings	Capital in excess of par value attributable to Common shares	Preferred shares
Balances, January 1, 1975 (net of treasury shares)	$39,667,557	$35,045,126	$9,552,023
Net income	7,473,675		
Elimination of allocable portion of purchase price of 300 treasury shares acquired	(577)	(3,636)	
Allocable portion of cost of 400 treasury shares reissued on exercise of stock options	1,053	4,273	
Amount received in excess of cost of 400 treasury shares reissued and 1 contributed share		575	
Amount received in excess of par value on exercise of 132 warrants		1,848	
Dividends paid			
Preferred shares	(502,520)		
Common shares	(1,445,971)		
Balances, January 1, 1976 (net of treasury shares)	$45,193,217	$35,048,186	$9,552,023
Net income	18,123,675		
Amount received in excess of par value on exercise of 288,244 warrants		4,035,416	
Amount received in excess of par value on exercise of 53,927 stock options		943,499	
Adjustment of prior period equity earnings	(203,000)		
Dividends paid			
Preferred shares	(502,525)		
Common shares	(3,123,864)		
Balances, December 31, 1976 (net of treasury shares)	$58,487,503	$40,027,101	$9,552,023

Treasury Stock Transactions

AMERICAN BAKERIES COMPANY (DEC)

Consolidated Statements of Paid-In Capital and Retained Earnings

	(In thousands)				
	1976	1975	1974	1973	1972
Paid-In Capital					
Beginning of year	$ 940	$ 1,147	$ 989	$ 814	$ 236
Excess of cost (first-in, first-out basis) over proceeds of common stock options exercised	(70)	(344)	—	—	—
Excess of the par value over the cost of preferred stock (in treasury) retired	95	137	158	175	578
End of year	$ 965	$ 940	$ 1,147	$ 989	$ 814
Retained Earnings					
Beginning of year	$27,208	$22,680	$25,261	$28,214	$26,419
Net earnings (loss) for the year	5,289	5,739	(1,698)	(2,019)	2,794
Dividends declared—					
Cumulative prior preferred stock—					
$1.80 series ($1.80 per share)	(113)	(120)	(128)	(136)	(142)
$1.80 convertible series ($1.80 per share)	(162)	(171)	(180)	(180)	(180)
5% cumulative convertible preferred stock ($5 per share)	(172)	(182)	(198)	(219)	(266)
Common stock ($.95 per share in 1976, $.45 per share in 1975 and $.20 per share in 1974, 1973 and 1972)	(1,622)	(738)	(377)	(399)	(411)
End of year	$30,428	$27,208	$22,680	$25,261	$28,214

WARNER COMMUNICATIONS INC (DEC)

Consolidated Statement of Paid-In Capital

	1976	1975
	(In thousands)	
Balance at beginning of year	$154,519	$155,316
Excess of cost over par value of Series C Preferred shares purchased pursuant to tender offer	(15,290)	—
Retirement of treasury shares	(36,440)	—
Employee stock and conversion transactions	(65)	(797)
Balance at end of year	$102,724	$154,519

Notes to Consolidated Financial Statements

Note 6 (in part): Capital Shares—During 1976, the Company purchased 2,937,789 shares of its Series C Convertible Preferred Stock pursuant to a cash tender offer of $6 per share and exchanged $71,458,200 in principal amount of 9⅛% Subordinated Sinking Fund Debentures for 2,625,044 Common shares pursuant to an exchange offer. The shares so acquired were subsequently retired.

During 1976, 9,000,000 Common treasury shares, $1 par value, having an aggregate cost of $157,798,000, were retired resulting in charges of $9,000,000 to capital stock, $36,440,000 to paid in capital and $112,358,000 to retained earnings.

Cash Dividends

GENERAL HOST CORPORATION (DEC)

Consolidated Statement of Changes in Shareholders' Equity (dollars in thousands)

	Common Stock		Common Stock in Treasury		Capital in Excess of	
	Shares	Amount	Shares	Amount	Par Value	Deficit
Balance, December 28, 1974	2,055,444	$2,055	498,500	$7,111	$80,802	$(23,155)
Net income						9,338
Dividends on common stock ($.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	
Elimination of deficit					(13,767)	13,767
Balance, December 27, 1975	2,059,944	2,060	443,500	5,870	65,733	
Net loss						(14,605)
Dividends on common stock ($.60 per share)					(975)	
Shares issued under employment contracts			(6,244)	(136)	(80)	
Stock options exercised	25,296	25			168	
Balance, December 25, 1976	2,085,240	$2,085	437,256	$5,734	$64,846	$(14,605)

Notes to Financial Statements

Note 9 (in part): Shareholders' Equity—In the absence of retained earnings, cash dividends of $975,000 paid during 1976 and $716,000 paid during 1975 on the Company's common stock have been charged to capital in excess of par value. As a result of the loss for the year and the absence of retained earnings, the dividends paid in 1976 represented a non-taxable distribution to shareholders for federal income tax purposes.

Shareholder Contribution

BALLY MANUFACTURING CORPORATION (DEC)

Consolidated Statement of Stockholders' Equity

	Stockholders' Equity					
	Number of shares issued	Common stock	Capital in excess of par value	Retained earnings	Treasury stock	Total
Balances at January 1, 1975	10,961,442	$7,308,000	$ 8,337,000	$41,523,000	$ —	$57,168,000
Net income for 1975				7,496,000		7,496,000
Stock issued in connection with purchase of subsidiary (Note 3)	266,666	178,000	2,489,000			2,667,000
Exercise of stock options (Note 12)	26,000	16,000	50,000			66,000
Stock issued as partial payment of contribution to profit sharing trust (Note 15)	47,850	32,000	188,000			220,000
Cash dividends paid ($.0125 per share)				(140,000)		(140,000)
Balances at December 31, 1975	11,301,958	7,534,000	11,064,000	48,879,000	—	67,477,000
Net income for 1976				11,826,000		11,826,000
Contribution of shares by stockholders in connection with 1973 acquisition of subsidiary (Note 11)			157,000		(157,000)	
Issuance of shares in connection with 1973 acquisition of subsidiary (Note 11)	25,738	18,000	227,000		157,000	402,000
Exercise of stock options (Note 12)	84,024	56,000	542,000			598,000
Cash dividends paid ($.05 per share)				(570,000)		(570,000)
Balances at December 31, 1976	11,411,720	$7,608,000	$11,990,000	$60,135,000	$ —	$79,733,000

Note 11 (in part): Common Stock—At December 31, 1976, shares of common stock were reserved for future issuances as follows:

Stock option plans (Note 12 (a))	687,436
Other stock options (Note 12 (b))	213,000
Warrant (Note 10)	50,000
Payment of Company contributions to profit sharing trust (Note 15)	52,150
	1,002,586

Shares shown in the consolidated balance sheet as issued at December 31, 1975 included the entire 266,666 shares issuable in connection with the July 1975 acquisition of capital stock of Bally Distributing Company, although 92,666 of such shares were not issued until 1976. Under provisions of the acquisition agreement, the sellers have the option to require the Company to purchase all or any part of the 266,666 shares at a price of $10 a share during a six-month period commencing in October 1977.

The number of issued shares reported for 1975 excluded 25,738 shares actually issued in 1973 to acquire the remaining 50% interest in a foreign affiliate. These shares were recorded as issued when released from escrow in 1976. In this connection, two directors contributed 20,720 shares pursuant to a guarantee of a minimum market value of the shares issued by the Company.

Payments for Stock Options

SPRAGUE ELECTRIC COMPANY (DEC)

Consolidated Statement of Stockholders' Equity

	Common Stock	Additional Paid-in Capital	Retained Earnings
Balance, December 31, 1974	$4,329,139	$28,216,018	$33,036,195
Stock options exercised (250 shares)	312	1,705	—
Net loss for the year	—	—	10,302,845
Balance, December 31, 1975	$4,329,451	$28,217,723	$22,733,350
Stock options exercised (13,984 shares)	17,480	109,844	
Payments for stock options surrendered for cancellation (223,350 shares)	—	(1,847,696)	—
Reimbursement by General Cable Corporation	—	1,847,696	—
Net earnings for the year	—	—	6,844,524
Balance, December 31, 1976	$4,346,931	$28,327,567	$29,577,874

Notes to Consolidated Financial Statements

Note H: Stock Options—During 1976, in connection with General Cable Corporation's acquisition, each of the Company's stock optionees who surrendered his stock option for cancellation was paid a net amount in cash equal to the excess of $19.50 over the per share exercise price multiplied by the number of option shares covered by their respective options. The Company has paid all such optionees an aggregate of $1,847,696 for options covering 223,350 shares, which were surrendered for cancellation and was reimbursed by General Cable Corporation.

At December 31, 1976, 4,950 shares of the Company's common stock were reserved for issuance under the terms of a stock option plan. The option price is $30.82 per share and the market value was $18.50 per share at December 31, 1976.

During 1976, 13,984 options were exercised with an aggregate option price of $127,324 and an aggregate fair market value of $194,588.

Capital Transaction of Investee

ARCHER DANIELS MIDLAND COMPANY (JUN)

Consolidated Statement of Shareholders' Equity

	Common Stock Issued		Additional Paid-In	Reinvested	Common Stock in Treasury	
	Shares	Amount	Capital	Earnings	Shares	Amount
Balance July 1, 1974—as originally reported	15,094,913	$ 34,745,801	$3,884,949	$138,359,654	13,760	$ 67,755
Adjustment resulting from pooling of interests—Note 2.	899,222	1,236,563		21,616,814		
Balance July 1, 1974—as restated	15,994,135	35,982,364	3,884,949	159,976,468	13,760	67,755
Net earnings for the year				40,474,064		
Cash dividends paid—$.16 a share				(3,964,217)		
Exercise of employee stock options	27,075	301,663				
Purchase of stock for treasury					36,800	699,057
Contribution of treasury stock to employee pension funds			(8,272)		(34,800)	(660,772)
Capital transactions of pooled company prior to combination	9,868	213,824		(365,279)		
10% stock dividend	1,602,422	24,048,156		(24,023,082)	1,576	25,074
Balance June 30, 1975	17,633,500	60,546,007	3,876,677	172,097,954	17,336	131,114
Net earnings for the year				65,119,683		
Cash dividends paid—$.18 a share				(5,279,862)		
Cash dividend paid by pooled company prior to combination				(689,334)		
Public offering	2,000,000	58,489,744				
3-for-2 stock split	9,828,400	9,828,400		(9,819,732)	8,668	8,668
Exercise of employee stock options (including 23,300 shares issued before stock split)	63,600	548,008				
Purchase of stock for treasury					4,500	105,975
Business acquisitions—Note 2			374,979		(25,489)	(205,337)
Adjustment resulting from capital transaction of affiliated company—Note 2			962,880			
Balance June 30, 1976	29,525,500	$129,412,159	$5,214,536	$221,428,709	5,015	$ 40,420

Note 2 (in part): Business Acquisitions—On April 20, 1976 ADM do Brasil Produtos Agricolas Ltda (ADM do Brasil) sold additional shares of its common stock for cash thereby decreasing the Company's ownership from 100% to 50%. The operations of ADM do Brasil are included in the accompanying financial statements on a consolidated basis through April 20, 1976 and on the equity method subsequent to that date. The change in ownership increased the Company's underlying equity in ADM do Brasil by $962,880 which has been 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

	1976	1975	1974	1973
Final statement	428	440	444	442
Between income statement and balance sheet	54	49	52	51
First statement	5	12	11	13
Other	111	97	92	89
Statement separated from other financial statements	2	2	1	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 or applications; 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

CAESARS WORLD, INC (JUL)

Consolidated Statement of Changes in Financial Position

	1976	1975
	(Thousands Omitted)	
Source of funds:		
Net income (loss)	$(11,083)	$ 1,774
Items not affecting working capital:		
Depreciation and amortization	3,598	3,797
Deferred income taxes	(2,166)	(3,627)
Decrease in pre-development costs and pre-opening expenses		3,067
Loss on disposition of Thunderbird property	6,278	
Provision for real estate valuation	5,449	
Working capital provided by operations	2,076	5,011
Net realizable value of the Thunderbird property	9,000	
Increase in long-term debt	14,860	23,048
Increase in capital in excess of par	140	
Sales of property and equipment	1,781	10,934
Notes receivable converted to acquire Ontel Corporation common and preferred stock	3,700	
Deferred credit arising from sale of properties		5,628
Other		22
	$ 31,557	$44,643
Application of funds:		
Mortgage payable on Thunderbird disposition	$ 8,000	
Increase in excess of investment over underlying book value due to acquisition of subsidiary	2,812	
Decrease in contingent obligation to repurchase common stock	2,924	$ 3,096
Decrease in long-term debt	8,081	23,408
Additions to property and equipment	15,194	9,037
Increase in advances to joint venture		1,002
Increase in other assets	193	1,880
Decrease in other liabilities	438	
Increase in land held for development, net	1,811	4,131
Retirement of common stock	21	
Increase (decrease) in working capital	(7,917)	2,089
	$ 31,557	$44,643

TABLE 5-2: FORMAT

	1976	1975	1974	1973
Changes in Working Capital:				
Sources equal uses	79	69	75	87
Increase (decrease) in working capital	398	415	404	404
Ending working capital	87	85	89	77
Changes in Cash				
Sources equal uses	5	8	6	9
Increase (decrease) in cash or cash and cash equivalent	19	13	15	13
Ending cash or cash and cash equivalent	12	10	11	10
Total Companies	**600**	**600**	**600**	**600**

COLONIAL STORES INCORPORATED (DEC)

Consolidated Statements of Changes in Financial Position

	1976	1975
	(amounts in thousands)	
Funds provided:		
Net earnings	$11,612	$13,368
Charges (credits) not affecting working capital:		
Depreciation and amortization	10,777	10,330
Deferred income taxes	1,370	1,551
Gain on sales and abandonments of property and equipment	(202)	(59)
Other, net	73	73
Total provided by operations	23,630	25,263
Proceeds from long-term debt	—	700
Proceeds from sale of property and equipment	1,164	2,211
Other, net	67	189
	$24,861	28,363
Funds used:		
Additions to property and equipment	$15,403	16,098
Dividend payments	5,542	4,817
Purchase of common stock held in treasury	498	426
Purchase of preferred stock	115	—
Increase in other long-term assets	321	1,578
Decrease in other long-term liabilities	871	3,275
Decrease in noninterest-bearing unsecured one-year promissory notes	—	1,000
Increase in working capital	2,111	1,169
	$24,861	$28,363

PHILLIPS PETROLEUM COMPANY (DEC)

Consolidated Statements of Changes in Financial Position

	1976	1975
	($000)	
Funds Provided from Operations Consisted of—		
Net income	$ 411,656	$ 342,568
Non-cash items included in earnings, as follows—		
Depreciation, depletion, amortization and retirements	303,990	326,032
Other (primarily deferred taxes)	99,029	55,335
	814,675	723,935
While Funds Were Expended for—		
Properties, plants and equipment	727,774	693,879
Investments	36,643	35,361
Dividends to Company stockholders	133,676	121,834
Reduction of long-term borrowings	113,913	76,141
Other	44,558	45,418
Additions to working capital	38,901	160,996
	1,095,465	1,133,629
Which Left a Deficiency of	$ 280,790	$ 409,694
This Deficiency Was Financed by—		
Long-term borrowings	$ 55,067	$ 310,576
Property sales and retirements	183,686	86,267
Sales of investments	23,975	3,723
Proceeds from sale of Company stock	18,062	7,658
Other	—	1,470
	$ 280,790	$ 409,694

FOOTE MINERAL COMPANY (DEC)

Consolidated Statements of Changes in Financial Position

	1976	1975
	($000)	
Funds provided:		
Net earnings	$ 6,631	$ 9,763
Items not requiring funds:		
Depreciation	5,902	5,021
Provision for deferred income taxes	1,362	569
Equity in loss of foreign joint venture including foreign currency translation gain or loss	1,700	113
Funds provided from operations	15,595	15,466
Borrowings	1,440	32,850
Property, plant and equipment retired and sold	375	285
Deferred taxes reinstated	345	117
Issuances under stock option plan	60	216
	$17,815	$48,934
Funds used:		
Additions to property, plant and equipment	$17,294	$27,347
Reduction of long-term debt	648	2,400
Dividends	2,778	2,774
Investment in and advances to foreign joint venture	1,730	2,017
Increase (decrease) in construction funds held in escrow	(3,415)	4,220
Increase in deferred charges and other assets	865	173
Increase (decrease) in working capital	(2,085)	10,003
	$17,815	$48,934

Increase (Decrease) in Working Capital or Cash

ASHLAND OIL, INC. (SEP)

Statement of Changes in Consolidated Financial Position

	1976	1975
	(Thousands of dollars)	
Working capital was provided from Operations:		
Net income	$135,983	$119,367
Add expenses not requiring outlay of working capital in the current year:		
Depreciation, depletion and amortization	106,528	92,320
Write-off or amortization of exploration costs and undeveloped leases	17,466	5,962
Deferred income taxes	29,420	35,880
	289,397	253,529
Less equity income (net of dividends)	11,309	13,166
Working capital provided from operations	278,088	240,363
Additional long-term borrowing	11,882	79,295
Increase in minority interest	1,959	840
Other long-term liabilities	1,876	(9,690)
Net book value of property disposals	24,757	27,806
Total working capital provided	318,562	338,614
Working capital was used for		
Cash dividends	51,501	45,566
Property, plant and equipment	252,424	278,667
Payments on long-term debt	21,703	31,598
Investments and other—net	4,346	3,969
Total working capital used	329,974	359,800
Decrease in working capital	($11,412)	$(21,186)

CHAMPION INTERNATIONAL CORPORATION (DEC)

Consolidated Changes in Financial Position

	1976	1975
	($000)	
Source of Funds:		
Net income	$103,124	$ 61,091
Items not requiring outlay of working capital:		
Depreciation and cost of timber harvested	87,827	81,850
Deferred income taxes	22,392	3,298
Amortization of deferred charges	8,060	5,357
Equity in net losses of unconsolidated affiliates.	114	2,028
Minority interest in income.	1,371	2,100
(Gain) Loss on translation of non-current assets and liabilities	2,620	(2,974)
Write-down of facilities related to operations to be discontinued	6,456	2,327
Working capital provided from operations	231,964	155,105
Proceeds from sale of common stock	90,230	—
Proceeds from long-term debt	39,917	43,184
Retirements and sales of property, plant and equipment	9,068	5,926
Reduction in funds held for construction	2,187	3,186
Total funds provided	373,366	207,401
Application of Funds:		
Cash dividends declared	41,319	38,210
Expenditures for property, plant and equipment	123,467	132,767
Timber and timberlands expenditures	20,344	15,991
Reduction and reclassifications of long-term debt	87,337	35,101
Increase in other assets and deferred charges	31,084	8,818
Purchases of treasury shares	—	747
All other—net	1,239	(633)
Total funds applied	304,790	231,001
Increase (decrease) in working capital	$ 68,576	$(23,600)

DRAVO CORPORATION (DEC)

Consolidated Statement of Changes in Financial Position

	1976	1975
	(in thousands)	
Source of funds		
Net income	$ 15,077	$ 11,665
Charges (credits) to income not involving funds		
Depreciation and amortization	13,075	11,832
Deferred taxes and other expenses	6,332	3,975
Equity in operations of unconsolidated affiliates.	117	(681)
From operations	34,601	26,791
Reduction of investments in and advances to unconsolidated affiliates	1,790	—
Book value of capital assets sold	1,721	2,127
Proceeds from long-term notes.	4,025	30,000
Deferred revenue from future mineral production	50,000	—
Sale of common stock	10,826	—
	102,963	58,918
Application of funds		
Investments in and advances to unconsolidated affiliates	—	5,020
Purchase of property, plant and equipment	38,507	50,114
Reduction of long-term notes	79,936	9,836
Dividends	5,036	4,310
Other	2,545	868
	126,024	70,148
Change in working capital	$(23,061)	$(11,230)

GENERAL DYNAMICS CORPORATION (DEC)

Consolidated Statement of Changes in Financial Position

	1976	1975
	(Dollars in thousands)	
Sources of Working Capital:		
Earnings before extraordinary item	$ 99,578	$ 81,088
Costs and expenses not requiring the use of working capital:		
Depreciation, depletion and amortization of property, plant and equipment	81,181	59,706
Provision for deferred income taxes—non-current	22,326	7,564
Minority shareholders' equity in earnings of subsidiary	8,963	4,564
Other, net	14,396	9,613
Total provided by operations before extraordinary item	226,444	162,535
Working capital provided by extraordinary item	—	11,225
Sale of future coal production	20,975	10,680
Decrease in advances to unconsolidated finance subsidiaries	18,431	1,781
Proceeds from long-term borrowings	13,351	40,454
Current maturities of receivables not currently due	5,665	14,891
Proceeds from stock options exercised	5,134	9,574
Sale of wholly-owned subsidiary	—	8,985
Other	2,192	4,656
Total provided from other sources	65,748	91,021
	292,192	264,781
Uses of Working Capital:		
Expenditures for property, plant and equipment	146,403	167,883
Current maturities and prepayments of long-term debt	55,950	14,790
Acquisition of receivables not currently due	11,988	5,080
Treasury shares purchased	7,003	—
Equipment leased to others	3,426	5,931
	224,770	193,684
Increase in Working Capital	$ 67,422	$ 71,097

MELVILLE CORPORATION (DEC)

Consolidated Statement of Changes in Financial Position

	1976	1975
	($000)	
Source of Funds:		
Net earnings	$ 61,004	$44,326
Expenses not requiring outlay of working capital:		
Depreciation and amortization	15,787	13,623
Amortization of goodwill	617	—
Minority interests in net earnings	11,043	6,616
Increase (decrease) in deferred Federal income taxes	37	(289)
	27,485	19,950
Working capital provided from operations	88,489	64,277
Increase in long-term debt	22,720	—
Increase in lease obligations for closed stores	648	820
Proceeds from sale of common stock under stock option plans	1,127	305
Dispositions of property, plant and equipment	4,345	1,862
Proceeds from sale of subsidiaries' capital stock	4,052	2,568
	121,384	69,834
Application of Funds:		
Acquisition of Marshalls (note 2)		
Property, plant and equipment	6,121	—
Goodwill	26,959	—
Additions to property, plant and equipment	34,523	15,972
Increase in deferred charges and other assets	527	397
Reduction in long-term debt	418	4,772
Dividends paid	17,038	12,078
Dividends paid to minority interests	6,833	3,230
Purchase of preferred stock for treasury	279	279
Reduction of deferred credit	50	130
	92,752	36,861
Net increase in working capital	$ 28,631	$32,972

End of Year Working Capital or Cash

AMERICAN MAIZE-PRODUCTS COMPANY (DEC)

Consolidated Statements of Changes in Financial Position

	1976	1975
	($000)	
Sources of working capital:		
Net income	$ 7,553	$14,611
Add expenses not requiring outlay of funds:		
Depreciation and amortization	3,875	3,282
Deferred income taxes	1,647	497
Deferred incentive compensation	171	730
Working capital provided from operations	13,248	19,121
Proceeds from long-term debt	17,975	—
Disposal of equipment, exclusive of gains and losses included in net income	152	412
Proceeds from exercise of stock options	99	51
Total sources of working capital	31,475	19,585
Uses of working capital:		
Reduction of long-term debt	1,950	1,217
Expenditures for property, plant and equipment	20,472	19,459
Cash dividends paid	1,892	1,618
Decrease in deferred incentive compensation	1,429	944
Purchase of treasury stock	260	927
Other, net	366	(37)
Total uses of working capital	26,371	24,131
Increase (decrease) in working capital	5,103	(4,545)
Working capital, beginning of year	43,561	48,107
Working capital, end of year	$48,665	$43,561

THE COCA-COLA COMPANY (DEC)

Consolidated Statements of Changes in Financial Position

	1976	1975
	($000)	
Source of Working Capital		
From operations:		
Net income for year	$284,959	$239,304
Add charges not requiring outlay of working capital during the year:		
Provision for depreciation	69,073	65,893
Deferred income taxes	14,425	3,147
Other	13,700	21,037
Total from operations	382,157	329,382
Disposals of property, plant and equipment	15,789	12,462
Decrease in miscellaneous investments		4,431
Proceeds from exercise of stock options	840	4,023
Tax benefit from optioned shares sold	224	251
Other items, net		5,189
	399,012	355,740
Application of Working Capital		
Cash dividends	158,787	137,752
Additions to property, plant and equipment	182,165	139,928
Increase in miscellaneous investments	30,721	
Decrease in long-term debt	1,164	2,013
Acquisition of Thomas Companies:		
Contract rights		35,000
Other		4,966
Other acquisitions—goodwill	25	40
	372,863	319,701
Increase in Working Capital	26,148	36,039
Working capital at beginning of year	460,697	424,657
Working Capital at End of Year	$486,845	$460,697

LYNCH CORPORATION (DEC)

Consolidated Statements of Changes in Financial position

	1976	1975
	($000)	
Funds were provided by (used for)		
Operations:		
Income (loss) before extraordinary credit........	$1,375	$ (910)
Items not involving working capital:		
Depreciation	410	282
Amortization of goodwill	105	-0-
Other	14	56
Funds provided by (used for) operations exclusive of extraordinary credit	1,905	(571)
Extraordinary credit	1,360	-0-
Funds provided by (used for) operations	3,265	(571)
Proceeds from sale of property, plant and equipment.........	1,838	139
Noncurrent assets and liabilities of M-tron Industries, Inc., at date of acquisition:		
Property, plant and equipment	(1,794)	-0-
Goodwill	(1,460)	-0-
Long-term debt..............	93	-0-
	(3,161)	-0-
Financing activities:		
Borrowings	5,300	-0-
Refinancing of existing debt	2,050	-0-
Prepayment of long-term debt	(1,800)	-0-
Current maturities of long-term debt................	(918)	(2,300)
Other additions to property, plant and equipment.........	(469)	(189)
Other	(17)	2
Increase (decrease) in working capital	6,087	(2,919)
Working Capital—Beginning of year	2,052	4,971
Working Capital—End of year......	$8,140	$2,052

PULLMAN INCORPORATED (DEC)

Consolidated Statement of Changes in Financial Position

	1976	1975
	(Thousands of dollars)	
Working Capital was Provided by:		
Operations—		
Net income	$ 30,309	$ 39,350
Add (deduct) items included in net income which do not affect working capital:		
Depreciation	14,471	13,055
Equity in undistributed earnings of related companies	(11,689)	(11,100)
Other	1,861	896
Provided by operations	34,952	42,201
Issuance of long-term debt	10,742	2,548
Sale of property	2,551	2,570
Proceeds from common shares issued.........................	969	61
Miscellaneous—net	385	909
	49,599	48,289
Working Capital was Used for:		
Additions to plant and equipment	26,542	31,699
Reduction of long-term debt....	11,214	43,847
Cash dividends..................	13,434	12,720
Investment in leasing and financing subsidiaries	—	4,000
Other investments and long-term receivables............	1,230	5,464
	52,420	97,830
Decrease in Working Capital	(2,821)	(49,541)
Working Capital at Beginning of Year..............................	160,758	210,299
Working Capital at End of Year	$157,937	$160,758

WORKING CAPITAL OR CASH PROVIDED FROM OR USED IN OPERATIONS

Paragraph 10 of *Opinion No. 19* states:

> The ability of an enterprise to provide working capital or cash from operations is an important factor in considering its financing and investing activities. Accordingly, the Statement should prominently disclose working capital or cash provided from or used in operations for the period, and the Board believes that the disclosure is most informative if the effects of extraordinary items . . . are reported separately from the effects of normal items. The Statement for the period should begin with income or loss before extraordinary items, if any, and add back (or deduct) items recognized in determining that income or loss which did not use (or provide) working capital or cash during the period. Items added and deducted in accordance with this procedure are not sources or uses of working capital or cash, and the related captions should make this clear, e.g., "Add—Expenses not requiring outlay of working capital in the current period." An acceptable alternative procedure, which gives the same result, is to begin with total revenue that provided working capital or cash during the period and deduct operating costs and expenses that required the outlay of working capital or cash during the period. In either case the resulting amount of working capital or cash should be appropriately described, e.g., "Working capital provided from (used in) operations for the period, exclusive of extraordinary items." This total should be immediately followed by working capital or cash provided or used by income or loss from extraordinary items, if any; extraordinary income or loss should be similarly adjusted for items recognized that did not provide or use working capital or cash during the period.

Table 5-3 shows those items most frequently included in the calculation of working capital or cash provided from (or used in) operations. Examples of the aforementioned calculation follow.

TABLE 5-3: WORKING CAPITAL OR CASH PROVIDED FROM OPERATION—COMPONENTS

	Number of Companies			
	1976	1975	1974	1973
Net income or loss	497	455	530	467
Income or loss from continuing operations	49	90	N/C	N/C
Income or loss before extraordinary items	54	55	70	133
Depreciation and/or amortization and/or depletion	599	599	599	599
Deferred taxes and/or deferred investment credit	482	473	467	456
Equity in earnings or losses of investees	178	186	181	170
Minority interest	63	72	68	65

N/C—Not Compiled.

Net Income or Loss

ANCHOR HOCKING CORPORATION (DEC)

Consolidated Statement of Changes in Financial Position

	1976	1975
	($000)	
Working capital provided:		
By operations:		
Net income	$27,374	$21,704
Charges to income not requiring a current outlay of funds:		
Depreciation	16,140	13,395
Portion of provision for plant phase out related to property, plant and equipment	3,400	
Deferred income taxes, non-current	218	946
Other	803	306
Working capital provided by operations	47,935	36,351
Issuance of long-term debt	49,557	2,631
Long-term notes issued to acquire company		16,000
Dispositions of property, plant and equipment	1,526	671
Other	871	1,207
Total working capital provided	99,889	56,860
Working capital used:		
Dividends paid	9,124	8,144
Property, plant and equipment expenditures	40,239	23,105
Property of acquired company		13,717
Acquisition of interests in foreign companies		3,956
Reduction in long-term debt	5,104	1,431
Purchase of common and preferred stock	283	1,082
Investments and other	3,231	408
Total working capital used	57,981	51,843
Increase in working capital	$41,908	$ 5,017

BUCYRUS-ERIE COMPANY (DEC)

Consolidated Statement of Changes in Financial Position

	1976	1975
	($000)	
Source of Working Capital		
From operations:		
Net earnings	$ 41,214	$ 29,876
Noncash charges (credits) to earnings:		
Depreciation	8,628	5,559
Increase in deferred liabilities	2,106	844
Equity in earnings of Ruston-Bucyrus, Limited before foreign currency translation loss	(3,512)	(3,160)
Foreign currency translation loss	3,261	2,058
Total working capital provided from operations	51,697	35,178
Dividends received from Ruston-Bucyrus, Limited	1,194	824
Proceeds from sale of common stock	—	42,336
Increase in long-term debt	10,000	25,000
Stock options exercised	641	666
Disposal of property, plant and equipment	422	481
Reduction of working capital	44,684	—
	$108,638	$104,485
Application of Working Capital		
Additions to property, plant and equipment	$ 45,378	$ 43,313
Increase in marketable securities	50,558	—
Cash dividends paid	11,780	9,825
Increase in non-current portion of notes receivable	495	701
Addition to working capital	—	50,707
Miscellaneous	427	(61)
	$108,638	$104,485

THE BF GOODRICH COMPANY (DEC)

Statement of Changes in Financial Position

	1976	1975
	(Dollars in thousands)	
Source of Working Capital		
From Operations:		
Net income	$ 15,793	$ 22,149
Charges (credits) not affecting working capital:		
Depreciation and amortization	67,729	74,084
Deferred income taxes	4,647	9,370
Equity in earnings (losses) of foreign associate companies, net of dividends received	6,973	(1,534)
Financial accruals for other non-current liabilities	7,013	3,704
Loss on disposal of Dutch subsidiary not affecting working capital	11,317	—
Other items—net	5,774	146
Working Capital Provided from Operations	119,246	107,919
Additional long-term borrowings	14,750	10,784
Common Stock transactions	6,632	—
Retirement or sole of property	10,126	7,255
Current maturity or collection of long-term receivables	8,695	902
Other items—net	2,988	—
Total Source of Working Capital	162,437	126,860
Use of Working Capital		
Additions to property	70,537	97,669
Current maturity or payment of long-term debt	47,432	38,312
Cash dividends paid	18,153	17,982
Additional investments	76	5,576
Decrease in net current assets related to reduction in ownership of a foreign subsidiary	—	4,733
Other items—net	—	5,814
Total Use of Working Capital	136,198	170,086
Increase (Decrease) in Working Capital	$ 26,239	$(43,226)

CONSOLIDATED PACKAGING CORPORATION (DEC)

Statements of Changes in Financial Position

	1976	1975
	($000)	
Use of funds:		
For operations:		
Net loss	2,962	3,066
Charges (credits) not affecting working capital:		
Depreciation and amortization	(1,593)	(1,480)
Other, net	165	38
Total funds used for operations	1,534	1,624
Expenditures for plant and equipment	1,427	2,202
Reduction of long-term notes and contracts payable	1,385	1,136
Other, net	128	
Total funds applied	4,474	4,962
Sources of funds:		
Additional long-term notes and contracts payable	$934	$ 1,753
Proceeds from disposition of property, plant and equipment	57	82
Other, net		115
Total funds provided	991	1,950
Decrease in working capital	$(3,483)	$(3,012)

F&B/CECO INDUSTRIES, INC. (MAY)

Consolidated Statement of Changes in Financial Position

	1976	1975
	($000)	
Source of funds:		
Net loss	$(348)	$(493)
Add items not requiring outlay of working capital:		
Depreciation	319	329
Amortization of goodwill	5	6
Amortization of bond issue costs	11	11
Par value of common shares issued in connection with guarantee of term loan		25
Net asset value of equipment abandoned	40	41
Value of common shares issued for services	9	
Working capital provided from (applied to) operations	38	(78)
Net asset value of equipment sold	123	169
Decrease in other assets	22	22
Increase in long-term debt		376
	184	489
Application of funds:		
Additions to equipment and improvements and rental equipment	348	202
Decrease in long-term debt	116	103
	465	305
Increase (decrease) in working capital	$(280)	$ 183

UNITED MERCHANTS AND MANUFACTURERS, INC. (JUN)

Consolidated Statements of Changes in Financial Position

	1976	1975
	($000)	
Financial Resources Provided From:		
Net (loss)	($19,854)	($26,340)
Add (deduct) items not currently affecting working capital:		
Depreciation and amortization of property, plant and equipment	18,251	17,112
Deferred income tax (credits)	(3,237)	(1,061)
Gain on redemption of debentures	(2,643)	
Minority interest in earnings of a foreign subsidiary	1,208	187
Net losses applicable to foreign corporate joint ventures	3,486	1,323
Other—net, including amortization of deferred charges	6,717	7,221
Working capital provided from (used for) operations	3,928	(1,558)
Issuance of long term debt, net of $63,750,000 cancelled in 1975 (Note H)	10,869	32,910
Sale of property, plant and equipment	3,070	2,898
Sale of common stock by a subsidiary		3,365
	17,867	37,615
Financial Resources Used For:		
Purchase of property, plant and equipment	23,099	31,444
Cash dividends	4,729	7,388
Current maturities of long term debt	10,268	18,764
Purchases of debentures	4,107	
Purchase of Treasury Common Stock		346
Other	4,109	476
	46,312	58,418
(Decrease) in Working Capital	($28,445)	($20,803)

Income or Loss From Continuing Operations

FMC CORPORATION (DEC)

Consolidated Changes in Financial Position

	1976	1975
	($000)	
Source of Working Capital		
Income from continuing operations.	$114,507	$103,324
Items not affecting working capital:		
Provision for depreciation.......	63,436	54,250
Provision for deferred Federal income tax regarding non-current assets...............	9,658	5,100
Dividends received in excess of (less than) equity in earnings of affiliated companies......	1,648	(1,407)
Working capital provided from continuing operations...............	189,249	161,267
Income (loss) from discontinued operations...........................	(34,350)	4,842
Items not affecting working capital:		
Loss on disposal of non-current assets.........................	122,739	471
Provision for depreciation.......	7,562	17,874
Deferred Federal income tax credit regarding non-current assets.........................	(4,650)	(500)
Dividends received in excess of (less than) equity in earnings of affiliated company........	2,135	(2,941)
Working capital provided from discontinued operations	93,436	19,746
Total working capital provided from operations.......................	282,685	181,013
Disposal of property, plant and equipment.......................	7,290	7,023
Proceeds from long-term financing.	2,051	127,892
Decrease (increase) in investments	6,407	(7,978)
Decrease in intangibles of companies acquired.................	1,087	733
Other, net...........................	2,797	(1,660)
Total	302,317	307,023
Application of Working Capital		
Additions to property, plant and equipment.......................	117,032	182,769
Dividends paid to stockholders.....	36,117	34,178
Retirement of long-term debt.......	5,503	8,074
Increase (decrease) in patents and deferred charges................	2,574	(1,637)
Total	161,226	223,384
Increase in Working Capital	$141,091	$ 83,639

ALLEGHENY LUDLUM INDUSTRIES, INC. (DEC)

Consolidated Statements of Changes in Financial Position

	1976	1975
	(In thousands)	
Source of funds:		
Earnings from continuing operations..........................	$ 30,724	$ 31,801
Items not requiring funds:		
Depreciation	19,195	17,569
Replacement items consumed in production.....	13,825	9,868
Increase in other long-term liabilities.................	11,245	6,707
Deferred income taxes......	3,469	3,498
Equity in net earnings of unconsolidated subsidiaries and affiliated companies	(9,866)	(9,969)
Funds provided from continuing operations....	68,592	59,474
Losses from discontinued operations..........................	(23,723)	(1,720)
Items not requiring funds:		
Depreciation	1,525	2,493
Deferred income taxes......	(5,363)	620
Provision for loss on sale of discontinued operations .	41,500	—
Other, net...................	820	1,470
Funds provided from discontinued operations	14,759	2,863
Total funds provided from operations......	83,351	62,337
Sale of discontinued operations, less long-term proceeds of $12,435,000...............	12,984	—
Long-term borrowings...........	47,145	1,209
Long-term debt issued and assumed in connection with acquisitions..................	318	20,271
	143,798	83,817
Use of funds:		
Capital expenditures:		
Continuing operations	39,596	21,655
Discontinued operations.....	1,565	1,742
Replacement items purchased:		
Continuing operations	15,489	9,782
Discontinued operations.....	637	1,172
Dividends	14,862	14,670
Reduction of long-term debt....	10,333	14,996
Reduction of other long-term liabilities.....................	8,644	9,052
Net current assets of discontinued operations	32,608	—
Non-current assets of businesses acquired, including property, plant and equipment of $1,081,000 in 1976 and $16,071,000 in 1975.........................	1,632	19,764
Increase (reduction) in investments in and advances to unconsolidated subsidiaries and affiliated companies....	(221)	2,816
Other, net.......................	3,057	(769)
	128,202	94,880
Increase (decrease) in working capital................................	$ 15,596	$(11,063)

THE RATH PACKING COMPANY (SEP)

Statement of Changes in Financial Position

	1976	1975
Deductions from working capital:		
Working capital used for operations:		
Continuing operations:		
Loss from continuing operations	$(7,187,000)	$(6,066,000)
Items not affecting working capital:		
Depreciation and amortization	1,549,000	1,434,000
Portion of provision for retirement and pension plan expense	3,453,000	848,000
Loss (gain) on sale of property, plant and equipment	(45,000)	55,000
	(2,230,000)	(3,729,000)
Discontinued operations:		
Loss related to discontinued operations	(107,000)	(488,000)
Depreciation		69,000
Gain on sale property, plant and equipment.		(97,000)
Total used for operations	(2,337,000)	(4,245,000)
Additions to property, plant and equipment, exclusive of Stark, Wetzel acquisition	(1,283,000)	(1,605,000)
Acquisition of machinery, equipment and intangible assets of Stark, Wetzel, less $1,402,000 noncurrent liabilities assumed		(1,052,000)
Reduction of mortgage note payable	(1,286,000)	
Total deductions from working capital	(4,906,000)	(6,902,000)
Additions to working capital:		
Proceeds from sale of property, plant and equipment, including $805,000 for the Feed Division in 1975	176,000	881,000
Deferment of pension plan contributions	2,192,000	
Proceeds from issuance of mortgage note	6,000,000	
Other	397,000	(4,000)
Total additions to working capital	8,765,000	877,000
Increase (decrease) in working capital	$3,859,000	$(6,025,000)

Income or Loss Before Extraordinary Item

ANDERSON, CLAYTON & CO. (JUN)

Statements of Changes in Consolidated Financial Position

	1976	1975
	($000)	
Source of Funds:		
Income before extraordinary credit	$34,646	$31,520
Add (deduct) items not requiring (providing) funds:		
Undistributed earnings of domestic insurance subsidiaries	(1,286)	(268)
Depreciation and amortization	7,429	7,122
Deferred taxes on income	149	(49)
Profit on disposition of property, plant and equipment	(4,309)	(1,869)
Funds derived from operations before extraordinary credit.	36,629	36,456
Extraordinary credit	974	—
Extraordinary credit not providing funds	(974)	—
Funds derived from operations.	36,629	36,456
Proceeds from sale of property, plant and equipment	7,896	4,420
Dividends from domestic insurance subsidiaries	2,800	—
Long-term debt of subsidiary acquired	—	922
Decrease in noncurrent receivables	(1,751)	2,064
Other items—net	357	(1,425)
	$45,931	$42,437
Disposition of Funds:		
Dividends paid	$8,432	$ 6,421
New expenditures for property, plant and equipment	10,674	11,403
Additional investment in domestic insurance subsidiaries	12,000	—
Current retirement of long-term debt	4,162	3,641
(Decrease) increase in treasury common stock	(2,080)	186
Increase in working capital	12,743	20,786
	$45,931	$42,437

COMMONWEALTH OIL REFINING COMPANY, INC. (DEC)

Statement of Changes in Consolidated Financial Position

	1976	1975
	($000)	
Application of Funds:		
From operations:		
Loss before extraordinary credit	$ 36,825	$ 24,627
Less charges to operations not requiring funds:		
Depreciation	(12,332)	(10,899)
Amortization of deferred charges	(536)	(514)
Estimated loss on proposed sale of joint venture interest	(9,000)	—
Losses on abandonment of equipment and leased vessel (noncurrent portion) and curtailment of plant expansion contract	(1,737)	(1,931)
Other—net	(1,058)	(785)
Funds used in operations, exclusive of extraordinary credit	12,162	10,498
Extraordinary credit	(4,740)	(430)
Reduction of long-term debt	37,098	36,594
Reduction of noncurrent liabilities	2,185	2,266
Equity in joint venture interest to be sold	34,962	—
Additions to property, plant and equipment	18,042	47,848
Increase in other assets	303	1,279
Cash dividends declared	1,606	1,808
Conversion of preferred stock	—	5,890
Other	—	359
Total	101,618	106,112
Source of Funds:		
Reclassification of long-term debt due to change in credit agreement terms	20,000	—
Issuance of long-term debt	30,000	20,051
Disposition of property, plant and equipment	1,869	9,568
Reclassification of property, plant and equipment of joint venture interest to be sold	32,736	—
Issuance of common stock for:		
Conversion of preferred stock	—	5,890
Conversion of 4¼% debentures	—	2,144
Exercise of stock options	27	47
Total	84,632	37,700
Decrease in Working Capital	$(16,986)	$(68,412)

Income Before Cumulative Effect of Accounting Change

ARMCO STEEL CORPORATION (DEC)

Statement of Changes in Consolidated Financial Position

	1976	1975
	($000)	
Source of Funds		
Operations		
Income before cumulative effect of depreciation change	$119,774	$116,661
Add (deduct) items not involving cash in the period:		
Depreciation	93,115	91,945
Lease right amortization	15,003	15,477
Deferred income taxes	(26,583)	14,395
Equity in undistributed net income of unconsolidated subsidiaries	(7,329)	(4,969)
Equity in undistributed net income of associated companies	(8,143)	(6,646)
Other—net	11,185	8,505
Total from operations before cumulative effect of depreciation change	197,022	235,368
Cumulative effect of depreciation change	3,952	—
Cumulative effect of depreciation change not involving cash	(3,952)	—
Total from operations	197,022	235,368
Proceeds from issuance of long-term debt	108,211	150,782
Increase (decrease) in notes payable	95,991	(15,481)
Decrease in accounts and notes receivable	24,125	5,976
Net unrealized gains (losses) on marketable equity securities of unconsolidated subsidiaries	4,665	(4,284)
Exercise of stock options	3,551	2,292
Increase (decrease) in accounts payable and accruals	2,263	(81,553)
Decrease (increase) in investments	1,369	(28,051)
Decrease (increase) in prepaid expenses and deferred charges	1,315	(206)
Increase in amount due unconsolidated subsidiaries	570	19,398
Total	439,082	284,241

Use of Funds		
Capitol expenditures	271,963	247,060
Increase in inventories	74,630	42,211
Cash dividends	57,331	54,128
Payments on long-term debt	27,628	67,048
Payments on long-term lease obligations	6,838	7,412
Decrease in other liabilities	551	3,963
Other—net	1,375	13,846
Total	440,316	435,668
Decrease in Cash and Marketable Securities for year	(1,234)	(151,427)
Cash and Marketable Securities		
Beginning of year	43,721	195,148
End of year	$ 42,487	$ 43,721

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			
	1976	1975	1974	1973
Sources				
Issuance of long-term debt	478	483	497	218
Sale, disposal, or retirement of property	427	428	405	509
Issuance of capital stock	331	274	296	339
Investments	115	108	112	85
Noncurrent receivables	63	53	56	45
Uses				
Property	612	615	626	567
Long-term Debt	578	553	566	562
Dividends	536	530	539	524
Investments	212	207	219	187
Purchase, redemption, or retirement of capital stock	168	243	258	288
Intangibles	44	46	49	46
Noncurrent receivables	61	34	34	32

Property

BRENCO INCORPORATED (DEC)

Consolidated Statement of Changes in Financial Position

	1976	1975
	($000)	
Sources of Working Capital:		
Net income	$6,789	$5,824
Expenses not requiring working capital:		
Depreciation	2,400	2,033
Cost of treasury stock issued under stock participation plans	61	12
From operations	$9,250	$7,869
Sales of treasury stock under stock option plan	255	-0-
Total	$9,506	$7,869
Uses of working capital:		
Purchase of property and equipment:		
Land and grading	$ 272	$ 101
Property improvements	80	46
Addition to plant buildings	718	145
Machinery and equipment	4,361	3,051
Cash dividends declared	2,377	2,222
Purchase of treasury stock	128	75
Total	$7,940	$5,642
Increase in working capital	$1,565	$2,227

AMERADA HESS CORPORATION (DEC)

Statement of Changes in Consolidated Financial Position

	1976	1975
	($000)	
Source of working capital		
Working capital provided from operations		
Net income	$152,637	$128,403
Add: Charges not affecting working capital		
Depreciation, depletion, lease amortization and relinquishments	112,109	114,149
Intangible drilling and development costs	67,751	50,443
Deferred income taxes and other items	(2,053)	(4,420)
Working capital provided from operations	330,444	288,575
Other sources of working capital		
Long-term borrowings	252,997	282,183
Disposal of equipment	4,177	8,577
Other sources	77	4,936
Total other sources of working capital	257,251	295,696
Total source of working capital	587,695	584,271
Disposition of working capital		
Capital expenditures		
Exploration and production	216,297	172,689
Refining, marketing and transportation	74,721	109,650
Other	286	831
Total capital expenditures	291,304	283,170
Long-term debt reduction	210,413	286,689
Cash dividends paid	32,411	30,484
Investments and advances	4,823	3,957
Other dispositions	25,263	7,338
Total disposition of working capital	564,214	611,638
Increase (decrease) in working capital	$ 23,481	$(27,367)

FALCON SEABOARD INC. (DEC)

Consolidated Statements of Changes in Financial Position

	1976	1975
	($000)	
Source of Funds:		
From current operations—		
Income before extraordinary items	$15,371	$12,636
Add (deduct) items not using (or providing) working capital in the current period—		
Depreciation, depletion, and amortization	6,656	4,914
Deferred income taxes	854	1,849
Other	(524)	(387)
Total from current operations	22,357	19,012
Extraordinary item—Utilization of loss carry-forward	—	400
Other —		
Proceeds from long-term debt	7,951	4,972
Proceeds from sale of treasury stock to officers and key employees under stock option plans	252	551
	8,203	5,523
Total source of funds	30,560	24,935
Use of Funds:		
Additions to property and equipment—		
Mining properties and equipment	16,685	7,536
Oil and gas properties and equipment	4,889	4,471
Seismic property and equipment	1,167	1,315
Other	27	20
	22,768	13,342
Less proceeds from sales of property	(2,926)	(1,508)
	19,842	11,834
Payments on long-term debt and net changes in current maturities	9,129	5,369
Advances to coal joint venture	696	2,255
Cash dividends paid on Preferred and Common Stock	1,854	1,163
Other	483	110
Total use of funds	32,004	20,731
Increase (decrease) in working capital	$(1,444)	$ 4,204

THE KROGER CO. (DEC)

Consolidated Statement of Changes in Financial Position

	1976	1975
	($000)	
Sources of Working Capital		
From operations:		
Net earnings	$ 48,330	$ 34,441
Charges (credits) to earnings not involving funds:		
Depreciation and amortization	51,604	49,549
Provision for deferred federal income taxes	8,745	5,430
Equity in net earnings of unconsolidated companies	(1,729)	(482)
Total from operations	$106,951	$ 88,938
Capital stock issued under option plans	300	40
Additions to long-term debt	56,465	52,640
Sale of capital assets subsequently leased back	9,100	
Net book value of capital asset disposals	14,821	11,889
Other changes, net	405	260
Total sources	$188,044	$153,769
Uses of Working Capital		
Capital expenditures	$ 80,838	$ 69,692
Dividends paid	18,576	18,298
Advance to unconsolidated company	10,000	2,500
Reductions of long-term debt	4,967	4,881
Employees' benefit fund payments, net of provision	1,665	1,613
Total uses	$116,047	$ 96,985
Net increase in working capital	$ 71,997	$ 56,784

SPARTON CORPORATION (JUN)

Consolidated Statement of Changes in Financial Position

	1976	1975
	($000)	
Source of working capital:		
Operations:		
Net income	$3,087	$3,598
Charges against (credits to) income not involving working capital in the current period:		
Depreciation and depletion	1,060	947
Net cost of property retirements	386	301
Provision for deferred compensation	113	114
Non-current portion of deferred income tax	(78)	(55)
Other	3	40
Total from operations	4,569	4,948
Decrease (increase) in miscellaneous receivables and other assets	68	(46)
Proceeds of common shares sold upon exercise of stock options	8	20
	4,647	4,922
Disposition of working capital:		
Additions to property, plant and equipment:		
Nonproducing oil and gas leasehold properties	147	101
Producing oil and gas properties	411	553
Manufacturing property, plant and equipment	712	1,001
Dividends	544	527
Cost of common stock acquired for treasury	97	49
Other	—	49
	1,912	2,283
Increase in working capital	$2,734	$2,638

Debt

ALUMINUM COMPANY OF AMERICA (DEC)

Statement of Changes in Consolidated Financial Statements

	1976	1975
	(in millions)	
Source of working capital		
From operations:		
Net income	$143.8	$ 64.8
Add, charges (credits) to income which did not require working capital:		
Depreciation and depletion	191.3	170.8
Increase (decrease) in deferred income, investment credit and noncurrent liabilities	(1.3)	(9.3)
Addition to (reduction of) future taxes on income	10.5	(18.9)
Other, principally equity in undistributed (earnings) losses of entities not consolidated	(3.5)	7.5
Total from operations	340.8	214.9
Book value of properties, plants and equipment disposed of	8.4	2.6
	349.2	217.5
Decreases in investments	17.4	9.6
Proceeds from:		
Common stock issued	.19.7	18.1
Bank credit agreement	50.0	—
9.54% sinking fund debentures due 2000	—	150.0
9¾% notes payable due 1995	—	100.0
Tax-exempt revenue bonds	.6	11.9
Other long-term debt	49.1	103.4
	486.0	610.5
Use of working capital		
Additions to properties, plants and equipment	243.7	382.2
Additions to investments	54.1	54.4
Payments on long-term debt	192.1	55.9
Dividends declared:		
Preferred stock	2.5	2.5
Common stock	47.3	45.2
Increase (decrease) in other assets and deferred charges	4.0	(5.6)
Other	4.9	1.5
	548.6	536.1
Increase (decrease) in working capital	$(62.6)	$ 74.4

BEMIS COMPANY, INC. (DEC)

Consolidated Statement of Changes in Financial Position

	1976	1975
	(in thousands of dollars)	
Financial resources were provided by:		
Operations:		
Net income	$15,694	$ 8,646
Add (deduct) items not requiring the use of working capital:		
Depreciation and amortization	13,797	13,223
Minority interest in net income	567	(911)
Write-off of patents and goodwill	215	603
Deferred income taxes	2,501	1,422
Equity in undistributed earnings of affiliated companies	(422)	423
Write-off fixed assets of a subsidiary company	5,456	
Working capital provided by operations	37,808	23,406
Additional long-term borrowings	5,846	18,628
Proceeds from sale of property and equipment	916	2,254
Decreased investment in affiliated company	338	
Sundry, net	1,015	(944)
Total resources provided	45,923	43,344
Financial resources were applied to:		
Additions to property and equipment	25,441	17,420
Acquisition of minority interest in subsidiary company	104	1,618
Excess of cost over minority interest acquired in subsidiary		168
Reduction in long-term borrowings	11,419	25,493
Purchase of debentures	670	1,992
Redemption of series 1974 8½% preferred stock	1,076	
Cash dividends declared	6,623	6,119
Increase (decrease) in deferred charges and special deposits	1,642	(666)
Total resources used	46,975	52,144
Decreases in working capital	$ 1,052	$ 8,800

BLISS & LAUGHLIN INDUSTRIES INCORPORATED (DEC)

Consolidated Statement of Changes in Financial Position

	1976	1975
	($000)	
Sources of Working Capital:		
Net income	$10,112	$ 9,521
Add (Deduct) items not affecting working capital:		
Depreciation and amortization (straight-line)	4,169	4,228
Investment in affiliated companies	35	(854)
Deferred income taxes, net	400	955
Working capital provided from operations	14,716	13,850
Increase in long-term debt	22,892	9,208
Subordinated debenture conversions	1,804	125
Investment in affiliated companies—sale of Mexican affiliate	1,376	—
Decrease in net realty assets	2,360	34
Total provided	43,148	23,217
Uses of Working Capital:		
Decrease in mortgage loans payable	786	1,071
Additions to plant and equipment	6,062	3,901
Payments of long-term debt	20,370	268
Subordinated debenture conversions	1,804	125
Investment in affiliated companies—joint venture	750	—
Cash dividends	3,766	3,400
Treasury stock purchases	217	328
Other, net	155	484
Total used	33,910	9,577
Increase in working capital	$ 9,238	$13,640

SEARS INDUSTRIES INC. (DEC)

Statement of Changes in Consolidated Financial Position

	1976	1975
	($000)	
Source of Funds:		
Operations:		
Net loss	$(17,391)	$ (803)
Add (deduct) items not requiring (providing) working capital:		
Depreciation and amortization of fixed assets	11,771	11,151
Deferred Federal income taxes	(4,493)	523
Write-off of closed facilities and idle equipment	1,835	—
Write-off of deferred sample and design costs	1,400	—
Accrued interest converted to subordinated debt	852	—
Other	310	158
Working capital (used in) provided from operations	(5,713)	11,029
Disposals of fixed assets	137	102
Issuance of long-term debt	5,413	1,808
Long-term debt subsequently refinanced	8,387	—
Issuance of cumulative preferred stock	10,600	—
Other, net	330	(497)
Total Source of Funds	19,154	12,443
Application of Funds:		
Subordinated debt converted to cumulative preferred stock	10,600	—
Purchases of fixed assets	3,049	3,583
Linen placed in circulation	9,200	8,452
Reductions of long-term debt	2,390	4,481
Purchases of service routes	48	—
Total Application of funds	25,289	16,516
Decrease in Working Capital	$ (6,134)	$(4,073)

TWENTIETH CENTURY-FOX FILM CORPORATION (DEC)

Statements of Changes in Consolidated Financial Position

	1976	1975
	(in thousands)	
Financial Resources Provided By:		
Earnings before extraordinary item	$ 10,702	$ 17,380
Add (deduct) items not affecting working capital:		
Depreciation and amortization of non-current assets	7,800	7,621
Changes in long-term network receivables	(2,627)	(448)
Other	929	234
Working capital provided by operations excluding extraordinary item	16,804	24,787
Working capital provided by extraordinary item	—	5,300
Working capital provided by operations	16,804	30,087
Borrowings under credit agreement	25,500	22,500
Bank borrowings—other	7,455	—
Borrowings from Insurance Companies	20,000	—
Increase in mortgages payable and other long-term liabilities	—	1,968
Increase in guarantees of producers' borrowings	—	8,265
Working capital provided by reduction of non-current inventories	82,295	83,960
	$152,054	$146,780
Financial Resources Used For:		
Additions to non-current inventories	$ 90,282	$ 86,505
Additions to property and equipment	15,150	14,079
Payments of cash dividends	3,785	3,016
Increase in investments, long-term receivables and other	321	519
Decrease in mortgages payable and other long-term liabilities	1,767	—
Decrease in guarantees of producers' borrowings	5,835	—
Payments of bank borrowings	33,500	14,500
Purchase of television stations:		
Property and equipment	—	7,810
Television station licenses, contracts and network affiliation agreements	—	11,718
Increase in working capital	1,414	8,633
	$152,054	$146,780

Capital Stock

ETHAN ALLEN, INC. (SEP)

Consolidated Statements of Changes in Financial Position

	1976	1975
	($000)	
Sources of working capital		
From operations		
Net income (before extraordinary item in 1976)	$ 7,911	$ 4,936
Add items not consuming working capital		
Depreciation and amortization	2,898	2,835
Deferred charges and credits, principally income taxes	1,158	1,344
Working capital provided by operations	11,967	9,115
Extraordinary item of $2,156,000 plus related deferred taxes of $2,363,000 less insurance proceeds of $836,000, collectible after one year	3,683	—
Disposals and other property, plant and equipment transactions	899	296
Issuance of stock—		
Contribution to profit sharing and stock bonus plan (newly issued and treasury stock)	—	537
Upon exercise of stock options	31	29
Decrease in other assets and investments	130	138
Funds released by trustees for construction	—	90
Tax benefits on exercise of employee stock options	12	21
Total	16,722	10,226
Uses of working capital		
Additions to property, plant and equipment	4,134	4,368
Dividends	1,615	1,615
Purchase of Class B stock warrants	1,028	—
Current maturities and payments of long-term debt	930	654
Increase in deferred charges	448	—
Increase in investments in and advances to unconsolidated companies	291	189
Acquisition of treasury stock	158	260
Total	8,604	7,086
Increase in working capital	8,118	3,140
Working capital—beginning	66,652	63,512
Working capital—end	$74,770	$66,652

JOHNS-MANVILLE CORPORATION (DEC)

Changes in Consolidated Financial Position

	1976	1975
	(Thousands of Dollars)	
Funds provided by		
Operations		
Net earnings	$ 53,417	$ 38,413
Items not requiring (providing) working capital		
Depreciation and depletion	34,403	31,114
Provisions for the dispositions of assets	16,127	
Deferred income taxes (non-current portion)	15,844	11,740
Amortization and reduction of intangible assets	7,798	1,669
Undistributed equity in earnings of associated companies		(1,319)
Total	127,589	81,617
Net proceeds from the public offering of 2,500,000 shares of common stock	63,858	
Proceeds from the issuance of long-term debt	32,081	47,793
Dispositions of property, plant and equipment	14,801	2,849
Decrease in investments in and advances to associated companies	7,331	4,592
Cost of treasury stock issued	2,408	4,552
Increase in other non-current liabilities	1,504	1,291
Total	$249,572	$142,694
Funds Used For		
Dividends	$ 27,251	$ 22,589
Additions to property, plant and equipment	73,067	109,945
Increase in investment in and advances to real estate subsidiary	12,511	4,451
Reduction of long-term debt	10,242	3,367
Increase in deferred charges and other assets	948	4,577
Loss on dispositions of treasury stock	929	1,301
Net change in working capital (see page 30)	124,624	(3,536)
Total	$249,572	$142,694

MASONITE CORPORATION (AUG)

Consolidated Statement of Changes in Financial Position

	1976	1975
	($000)	
Source of Funds:		
Net income	$ 1,880	$24,133
Expenses (income) not affecting working capital:		
Depreciation	17,734	18,298
Investment tax credits amortized	(920)	(1,127)
Depletion	551	703
Foreign equity (income), net of $755,000 in dividends in 1975	134	(2,019)
Deferred Federal income taxes	3,130	3,355
Working capital provided from operations	$22,509	$43,343
Long-term financing	$ 24	$ 703
Disposition of property, plant and equipment	2,912	3,446
Investment tax credits deferred	1,122	1,975
Common stock issued under option plans	327	—
Common stock issued to satisfy profit sharing liability	1,162	—
	$28,056	$49,467
Disposition of Funds:		
Property, plant and equipment additions	$17,755	$24,363
Cash dividends	8,801	9,049
Long-term debt maturities	1,769	1,657
Other long-term assets	(961)	2,038
Purchase of additional equity in foreign affiliate	1,267	176
	$28,631	$37,283
Increase (Decrease) In Working Capital	$ (575)	$12,184

UV INDUSTRIES, INC. (DEC)

Consolidated Statements of Changes in Financial Position

	1976	1975
	(in thousands)	
Source of working capital:		
Net income	$34,888	$24,376
Elements not requiring working capital:		
Minority interests in earnings of consolidated subsidiaries	3,240	4,249
Depreciation, depletion and amortization	12,360	10,444
Provision for deferred income taxes	3,240	3,341
Amortization of deferred charges and cost in excess of net assets of a business acquired	3,198	2,563
Provision for (reversal of) unrealized losses on marketable equity securities	(1,530)	1,530
Other non-cash items	(650)	(642)
Working capital provided from operations	54,746	45,861
Issuance of Common Stock upon conversion of debentures and preferred stock	2,705	2,414
Issuance of common stock upon the exercise of employee stock options	549	1,298
Disposal of capital assets	899	179
Other, net	228	3,123
	59,127	52,875
Use of working capital:		
Decrease in minority interests in consolidated subsidiaries	1,262	344
Decrease in non-current portion of long-term debt	27,433	11,049
Purchase of treasury stock	1,336	457
Cash dividends	6,668	5,432
Additions to properties, plants and equipment	16,836	21,101
Expenditures for mine development	1,124	783
	54,659	39,166
Increase in working capital	$ 4,468	$13,709

Dividends

ELTRA CORPORATION (SEP)

Consolidated Statement of Changes in Financial Position

	1976	1975
	($000)	
Financial resources provided by:		
Net income	$ 40,696	$36,543
Income charges (credits) not affecting working capital:		
Depreciation	16,851	15,950
Minority interests	649	743
Deferred taxes on income	7,441	6,206
Equity in earnings of equipment leasing companies	(2,870)	(2,464)
Working capital provided by operations	62,769	56,980
Proceeds of long-term borrowings	54,905	15,543
Proceeds from exercise of stock options and purchases	458	350
Disposals of property, plant and equipment	973	682
	119,106	73,556
Financial resources used for:		
Additions to property, plant and equipment (including $5,465,625 on acquisitions in 1976)	30,446	28,004
Advances to equipment leasing companies, principally for current leveraged lease tax deductions and payments for earned investment tax credits	2,909	4,086
Repayment and retirement of long-term debt	21,146	21,622
Purchase of treasury shares	27	135
Cash dividends	12,876	12,055
Dividends paid by subsidiaries to minority shareholders	392	527
Other	1,337	(114)
	69,136	66,319
Increase in working capital	$ 49,970	$ 7,237

MOLYCORP, INC. (DEC)

Consolidated Statement of Changes in Financial Position

	1976	1975
	($000)	
Funds Provided:		
Net income	$18,123	$ 7,473
Charges (credits) not affecting working capital:		
Amortization, depletion and depreciation	8,994	8,538
Deferred income taxes	6,200	3,502
Equity in earnings of affiliates, net of cash distributions received	(7,132)	(1,949)
Total Funds Provided from Operations	$26,185	$17,564
Procedures from		
—Long-term bank loans and miscellaneous debt	12,334	5,744
—Exercise of warrants	4,323	1
—Exercise of options	997	6
Total Funds Provided	$43,841	$23,317
Funds Applied:		
Repayment of long-term bank loans and miscellaneous debt	$17,245	$ 2,583
Investment in Kawecki Berylco Industries, Inc.	24,761	—
Additions to property, plant and equipment	3,771	14,135
Increase in other assets	776	610
Payment of dividends		
—Preferred	502	502
—Common	3,123	1,445
Other	12	91
Total Funds Applied	$50,194	$19,368
Changes in Working Capital	$(6,353)	$ 3,949

Purchase Method Business Combination

BIRD & SON, INC. (DEC)

Consolidated Statement of Changes in Financial Position

	1976	1975
	($000)	
Financial resources were provided by:		
Net earnings	$16,000	$18,137
Add income charges not affecting working capital in the period:		
Depreciation	4,480	3,551
Deferred income taxes	683	274
Loss on disposal of plant assets	43	74
Working capital provided by operations for the period	21,212	22,036
Proceeds from plant asset disposals	146	37
	21,358	22,073
Financial resources were used for:		
Acquisition of plant assets	5,727	6,890
Reduction of long-term liabilities	99	97
Purchase of treasury stock	7	9
Declaration of dividends	5,793	3,925
Non-current assets of The Logan-Long Company—Note 2:		
Property, plant, and equipment	12,257	—
Long-term liabilities assumed	(1,108)	—
Proceeds from the divestiture of property, plant, and equipment of the Tuscaloosa facility	(4,000)	—
Deposit	(312)	312
Other	139	(38)
	18,602	11,195
Increase in working capital	$ 2,756	$10,878

DICTAPHONE CORPORATION (DEC)

Consolidated Statements of Changes in Financial Position

	1976	1975
	($000)	
Funds Provided By		
Net income	$ 4,174	$2,529
Add charges to operations not requiring working capital:		
Depreciation and amortization	1,542	964
Deferred income taxes, non-current	100	31
Equity in net losses of unconsolidated foreign companies	132	—
Funds provided from operations	5,948	3,524
Proceeds from long term debt incurred to acquire Data Documents/Inc	10,500	—
Proceeds from disposals of property, plant and equipment	723	135
Proceeds from common stock sold to employees under stock option and stock purchase plans	688	482
	17,859	4,141
Funds Used For		
Acquisition of Data Documents/Inc.:		
Property, plant and equipment	13,617	—
Other assets	19,616	—
Liabilities assumed	(14,392)	—
Cost in excess of net assets acquired	2,491	
Total acquisition cost	21,332	—
Less: working capital at date of acquisition	10,400	—
Net increase in non-current assets	10,932	—
Capital expenditures	2,491	1,214
Reduction of other long term debt	417	200
Dividends paid on common stock	2,437	2,345
Other, net	(437)	219
	15,840	3,978
Increase in working capital	$ 2,019	$ 163

Changes in working capital consist of

	Acquired from Data Documents	Total Change	
Cash, time deposits and accrued interest	$ 587	$(13,181)	$5,817
Receivables	10,075	14,891	(1,386)
Inventories	5,979	13,194	(5,675)
Accounts payable and accrued liabilities	(6,107)	(10,219)	1,875
Income taxes payable and deferred	(134)	(1,453)	328
Deferred income	—	(1,213)	(796)
	$10,400	$ 2,019	$ 163

ESMARK, INC. (OCT)

Consolidated Statement of Changes in Financial Position

	1976	1975
	(In thousands of dollars)	
Sources of working capital:		
Operations—		
Net earnings	$ 82,550	$ 79,685
Charges (credits) not involving working capital:		
Depreciation, depletion and amortization	74,385	57,372
Deferred income taxes	17,125	3,798
Pensions	1,561	5,292
Other—net	(1,798)	2,216
Total from operations	173,823	148,363
Long-term borrowings	106,085	135,773
Acquisitions:		
Long-term debt issued and assumed	108,873	17,014
Other noncurrent liabilities assumed	7,323	
Preferred stock issued	31,940	
Common stock issued	1,740	25,271
Common stock issued on conversion of preferred stock		36,485
Property and operating facilities disposals	46,034	9,129
Total	475,818	372,035
Dispositions of working capital:		
Property and operating facilities additions	165,301	151,260
Property and operating facilities of acquired businesses	81,709	20,370
Patents, trademarks and other assets of acquires businesses	55,479	
Excess of cost over net assets of acquired businesses	9,166	
Long-term debt reductions	112,614	62,010
Preferred stock converted		36,485
Dividend payments	30,163	20,537
Investments in and advances to nonconsolidated subsidiaries and affiliated companies—net	1,599	15,414
Exploration and development advance repayment	2,553	6,074
Other—net	(4,817)	3,195
Total	453,767	315,345
Increase in working capital	$ 22,051	$ 56,690

GENERAL MILLS, INC. (MAY)

Consolidated Changes in Financial Position

		1976		1975
		(in thousands)		
Working Capital Provided By:				
Working capital provided from operations		$153,200		$123,910
Proceeds from long-term debt issued.		834		3,191
Common stock issued		7,500		26,038
Sale of stock upon exercise of options		3,788		2,367
Other sources		4,577		1,821
Total Working Capital Provided		169,899		157,327
Working Capital Used For:				
Gross additions to buildings and equipment	$94,442		$99,832	
Less proceeds from sales	(12,637)		(4,327)	
Net additions to buildings and equipment		81,805		95,505
Purchase price of businesses	10,789		29,891	
Less working capital acquired	(2,683)		(16,207)	
Balance		8,106		13,684
Consisting of				
—Fixed assets	5,116		7,765	
—Intangibles and miscellaneous assets	7,173		19,626	
—Long-term debt	(3,032)		(13,782)	
—Minority interest	(1,075)		346	
—Other	(126)		(271)	
Dividends		32,391		27,806
Reductions of long-term debt		25,476		10,728
Other uses		3,946		872
Total Working Capital Used		151,624		148,595
Net Increase (Decrease) in Working Capital		18,275		8,732

MOBIL CORPORATION (DEC)

Consolidated Statement of Changes in Financial Position

	1976	1975
	($000)	
Source of Working Capital		
Operation		
Net income	$ 942,523	$ 809,877
Depreciation, depletion, and amortization	633,305	768,505
Deferred income taxes	71,548	(5,043)
Undistributed income of unconsolidated companies	(64,888)	(436,115)
Total from operations	1,582,488	1,137,224
Book value of properties, plants and equipment sold	74,783	83,694
Long-term debt increases	221,580	710,631
Advances against future production	10,471	402,868
Issuance or sale of common stock	20,091	263
Issued for acquisition of Marcor on July 1, 1976		
Long-term debt	642,914	—
Common stock	211,781	—
Total Source	2,764,108	2,334,680
Application of Working Capital		
Acquisition and consolidation of Marcor on July 1, 1976		
Properties, plants, and equipment, net—100%	1,446,139	—
Long-term debt—100%	(745,792)	—
Other non-current assets and liabilities—100%	391,040	—
Initial 54% voting interest in Marcor	(888,687)	—
Capital expenditures	1,286,196	1,206,176
Investments and long-term receivables	11,489	(19,713)
Long-term debt reductions	562,902	605,410
Cash dividends	363,581	346,329
Other, net	(51,544)	(104,500)
Total Application	2,375,324	2,033,702
Increase in Working Capital	$ 388,784	$ 300,978

Investments

WARNER COMMUNICATIONS, INC. (DEC)

Consolidated Statement of Changes in Financial Position

	1976	1975
	(In thousands)	
Source of funds:		
Income from continuing operations	$ 61,223	$ 50,118 (a)
Income charges (credits) not affecting working capital:		
Depreciation and amortization	21,740	19,898
Deferred income taxes	800	(1,705)
Equity in income in excess of dividends received from Garden State National Bank	(2,492)	(2,395)
Working capital provided from continuing operations	81,271	65,916
Issuance of long-term debt:		
9⅛% Subordinated Sinking Fund Debentures	68,973	—
8⅛% Notes	100,000	—
Other	21,018	13,720
	189,991	13,720
Working capital provided by reduction of non-current inventories	95,330	65,698
Decrease (increase) in marketable equity securities (b)	87,845	(4,153)
Increase (decrease) in deferred taxes	3,774	(3,618)
Other, net	3,082	1,919
Total funds provided	461,293	139,482
Application of funds:		
Additions to non-current inventories	83,855	52,128
Decrease (increase) in accounts payable due after one year	4,183	(8,468)
Increase (decrease) in accounts and notes receivable due after one year	2,961	(7,795)
Additions to property, plant and equipment	26,469	21,349
Repayment of long-term and convertible debt	195,605	19,328
Purchase of Warner Communications Inc. stock for:		
Cash	22,422	38,550
9⅛% Subordinated Sinking Fund Debentures	68,973	—
	91,395	38,550
Increase in other assets	965	2,783
Dividends declared	9,688	9,417
Total funds applied	415,121	127,292
Increase in working capital	$ 46,172	$ 12,190

(a) Prior to $46,700,000 (before related deferred tax benefits of $5,700,000) reduction in the carrying value of NKC which has no effect on working capital.

(b) Reflects the change in cost of marketable equity securities.

Minority Interest

UNITED TECHNOLOGIES CORPORATION (DEC)

Consolidated Statement of Changes in Financial Position

	1976	1975
	(In Thousands of Dollars)	
Sources of Working Capital:		
Operations:		
Net income	$157,403	$117,490
Items not requiring working capital:		
Depreciation	91,409	82,648
Minority interests in subsidiaries' earnings	13,736	3,268
Retirement of fixed assets	18,114	15,466
Change in long-term receivables, and other	26,573	14,980
Total from operations	$307,235	$233,852
Long-term debt issued	—	330,000
Proceeds and tax benefit from exercise of stock options	15,953	9,241
Preferred Stock issued on merger with Otis	121,616	—
Long-term debt of Otis, at acquisition	—	123,856
Minority interests in and other liabilities of Otis, at acquisition	—	190,443
Stock issued on conversion of debentures	50,591	11,139
Miscellaneous	—	1,719
	$495,395	$900,250
Uses of Working Capital:		
Investment in and advances to unconsolidated finance subsidiary	$ 1,983	$(21,635)
Additions to fixed assets	131,174	125,118
Non-current assets of Otis, at acquisition:		
Fixed assets	—	210,739
Other assets	—	31,275
Acquisition of minority interest in Otis	114,289	—
Long-term debt maturing	16,192	8,235
Long-term debt repaid prior to maturity	208,583	—
Cash dividends on Common and Preferred Stock	58,590	48,320
Conversion of debentures	50,591	11,139
Miscellaneous	4,948	—
	$586,350	$413,191
Increase (decrease) in working capital	$(90,955)	$487,059

Cash Value of Life Insurance

THE MAPLE PLAIN COMPANY, INC. (MAY)

Statement of Changes in Financial Position

	1976	1975
	($000)	
Working Capital Provided From:		
Operations—		
Net income for year	$169	$148
Add —Depreciation not affecting working capital	63	55
Total from operations	$233	$204
Long-term financing	125	—
Total working capital provided	$358	$204
Working Capital Used To:		
Purchase land, buildings and equipment	$211	$ 9
Reduce long-term debt	118	87
Increase cash surrender value of life insurance	1	1
Purchase treasury stock	26	—
Total working capital used	$357	$ 98
Increase in working capital	$ 1	$105

J. WALTER THOMPSON COMPANY (DEC)

Consolidated Statements of Changes in Financial Position

	1976	1975
	($000)	
Financial Resources Were Provided By:		
Net income for the year	$ 5,562	$ 3,011
Charges (credits) to income which did not affect working capital:		
Depreciation and amortization	3,072	2,806
Provision for deferred compensation and termination allowances	1,175	1,566
Equity in net income of unconsolidated subsidiaries	(55)	(189)
Working capital provided by operations	9,754	7,194
Proceeds of loans on cash surrender value of insurance on lives of officers	141	241
Reduction of investments in and advances to unconsolidated subsidiaries	249	77
Proceeds from exercised stock options	188	—
	10,332	7,512
Financial Resources Were Used For:		
Additions to fixed assets	4,191	5,690
Cash dividends	1,536	1,325
Payment of deferred compensation and termination allowances	799	1,654
Advances to unconsolidated subsidiaries	495	73
Decrease in long-term debt	1,434	611
Other	899	(327)
	9,354	9,026
Increase (decrease) in working capital	$ 978	($1,514)

Change in Date of Fiscal Year End

THE GRAND UNION COMPANY (MAR)

Consolidated Statement of Changes in Financial Position

	53 weeks ended April 3, 1976	52 weeks ended March 1, 1975
	(Amounts in thousands)	
Funds Provided:		
Net income	$ 11,687	$ 9,504
Charges to income not affecting working capital:		
Depreciation and amortization	17,458	18,638
Deferred federal income taxes	(814)	1,449
Working capital provided from operations	28,331	29,591
Long term borrowings	—	15,000
Book value of property sales and reductions	5,452	4,785
	33,783	49,376
Funds Used:		
Dividends	5,054	5,093
Property additions	19,470	22,144
Reduction in long term debt	24,107	893
Purchases of Company's preferred and common stocks	128	1,999
Other changes, net	81	3,158
	48,840	33,287
Increase (decrease) in working capital	(15,057)	16,089
Increase in working capital for the four weeks ended March 29, 1975	1,456	—
Increase (decrease) in working capital	$(13,601)	$16,089

Receivable

ADAMS-RUSSELL CO., INC. (SEP)

Statement of Changes in Financial Position

	1976	1975
	($000)	
Working Capital Provided By:		
Operations		
Net income	$ 632	$ 384
Charges (credits) to income not requiring working capital		
Depreciation	835	827
(Gain) loss on sale of assets	117	(77)
Amortization of intangible assets	113	114
Other charges (credits)	(64)	
Deferred taxes on income	68	6
Total from operations	$1,702	$1,255
Additional long-term borrowings	—	658
Portion of proceeds from sale of assets increasing working capital	108	385
Notes receivable from sale of assets		
Transferred to current assets	452	—
Collected	200	—
Decrease in long-term portion of film contract rights	106	—
Tax benefits arising from the utilization of net operating losses of purchased subsidiaries credited to intangible assets	103	51
Other	9	22
Total working capital provided	$2,683	$2,374
Working Capital Used For:		
Acquisition of property, plant and equipment	$1,061	$1,372
Increase in current maturities of long-term debt	954	684
Increase in long-term portion of film contract rights	—	314
Purchase of intangible assets	46	114
Acquisition of treasury stock	—	46
Other	14	—
Total working capital used	$2,077	$2,531
Increase (Decrease) in Working Capital	$ 606	$ (157)

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 wtih the corresponding total amount shown in the Statement

Accounting Series Release No. 142, issued in March 1973 by the Securities and 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.

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 apppropriate 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: ANALYSIS OF CHANGES IN WORKING CAPITAL ELEMENTS—PRESENTATION

	1976	1975	1974	1973
Analysis included as part of statement of changes in financial position	40	42	44	43
Analysis presented in a tabulation at bottom of statement of changes in financial position	536	535	536	530
Analysis presented in a tabulation apart from statement of changes in financial position	24	23	20	27
Total Companies	**600**	**600**	**600**	**600**

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.

TABLE 5-6: TITLES IDENTIFYING ANALYSIS OF WORKING CAPITAL ELEMENTS

	1976	1975	1974	1973
Increase (decrease) in working capital	267	246	229	190
Change in working capital	216	247	254	251
Analysis of changes in working capital	38	42	49	65
Summary of changes in working capital	22	15	17	28
Other titles	17	8	7	23
Subtotal	**560**	**558**	**556**	**557**
Analysis including in statement of changes in financial position	40	42	44	43
Total Companies	**600**	**600**	**600**	**600**

Analysis Included as Part of Statement

HUDSON PULP & PAPER CORP. (DEC)

Consolidated Statements of Changes in Financial Position

	1976	1975
	($000)	
Funds Provided By:		
Net income	$ 7,235	$ 9,039
Charges/(credit) to income not affecting funds:		
Depreciation and depletion	7,891	7,601
Deferred Federal income taxes/(credit)	580	(353)
Total from operations	15,706	16,288
Issuance of long-term debt, excluding refinancing of revolving credit notes	35,990	10,000
Decrease in inventories	—	71
Increase in accounts payable and accrued expenses	1,944	401
Increase in dividends payable	—	117
Other items—net	—	799
Total funds provided	53,641	27,678
Funds Used For:		
Additions to plant assets and timber resources	33,681	33,763
Dividends	2,025	2,076
Capital stock acquired	745	772
Current maturities of long-term debt	2,533	2,763
Decrease in current portion of long-term debt	229	1,867
Increase in receivables	889	1,895
Increase in refundable Federal income taxes	1,859	2,325
Increase in inventories	4,950	—
Increase in other current assets	38	131
Decrease in Federal income taxes	—	4,167
Decrease in dividends payable	352	—
Other items—net	613	—
Total funds used	47,919	49,762
Increase/(decrease) in cash and short-term investments	5,721	(22,083)
Cash and short-term investments at beginning of year	6,635	28,718
Cash and short-term investments at end of year	$12,356	$ 6,635

Analysis Presented in a Tabulation at Bottom of Statement

THE AMALGAMATED SUGAR COMPANY (SEP)

Consolidated Statement of Changes in Financial Position

	1976	1975
	($000)	
Working capital provided:		
Net income	$10,705	$23,392
Expenses not requiring outlay of working capital in current period:		
Depreciation	3,690	3,864
Deferred federal income taxes	528	1,068
Working capital provided by operations	14,923	28,324
Proceeds from disposal of land, plants and equipment, net of gain or loss included in net income	28	45
Issuance of treasury stock under restricted stock bonus plan	58	—
Issuance of long term debt	975	—
Other, net	29	(3)
Total working capital provided	16,013	28,266
Working capital applied:		
Expenditures for land, plants and equipment	3,280	6,289
Expenditures for construction of corn wet milling plant	11,554	2,186
Acquisition of treasury stock	—	601
Dividends	8,099	7,593
Total working capital applied	22,933	16,669
Increase (decrease) in working capital	$(6,920)	$11,697
Summary of changes in working capital, increase (decrease):		
Cash	$ 2,180	$(2,627)
Short-term securities	(27,251)	(5,987)
Accounts receivable	118	(6,624)
Inventories:		
Refined sugar	5,897	(397)
Supplies and by-products	1,682	5,288
Deposits on future raw sugar contracts	3,353	—
Deferred federal income tax benefits	346	—
Advanced processing and refining costs	22	(29)
Prepaid expenses and other current assets	187	55
Accounts payable	4,418	7,215
Accrued expense	72	695
Federal and state income taxes	2,057	10,556
Dividends payable	(1)	3,552
Increase (decrease) in working capital	$(6,920)	$11,697

COOK PAINT AND VARNISH COMPANY (NOV)

Statement of Changes in Financial Position

	1976	1975
	($000)	
Source of Funds		
From operations:		
Net income	$1,470	$ 585
Add expenses not requiring outlay of working capital:		
Provision for depreciation	1,380	1,461
Amortization of deferred charges	80	58
Deferred income taxes	21	47
Total From Operations	2,952	2,153
Proceeds from long-term debt	-0-	8,000
Net book value of property, plant and equipment disposals	53	152
	3,005	10,305
Application of Funds		
Additions to property, plant, and equipment	1,143	1,519
Reduction of long-term debt	533	533
Increase in miscellaneous other assets and deferred charges	5	541
Reduction in deferred income taxes for Internal Revenue Service adjustment of accelerated depreciation taken for income tax accounting purposes	-0-	464
Cash dividends	621	888
	2,303	3,947
Increase in Working Capital	$ 701	$6,357
Changes in Components of Working Capital		
Increase (decrease) in current assets:		
Cash	$ (483)	$1,149
Accounts receivable	1,801	(228)
Inventories	2,377	(472)
Notes receivable	(980)	980
Other current assets	(546)	96
Increase in current assets	2,167	1,526
Increase (decrease) in current liabilities:		
Notes payable to banks	-0-	6,000
Accounts payable and accrued expenses	437	1,113
Payroll, payroll taxes and withholdings	376	(487)
General taxes		42
Income taxes	650	(33)
Current portion of long-term debt	-0-	533
Increase (decrease) in current liabilities	1,465	(4,831)
Increase in Working Capital	$ 701	$6,357

CURTISS-WRIGHT CORPORATION (DEC)

Consolidated Statements of Changes in Financial Position

	1976	1975
	($000)	
Sources of working capital:		
Net earnings	$19,078	$ 14,341
Items which reduced (increased) earnings but did not affect working capital:		
Depreciation and amortization	5,628	5,696
Minority interest	3,573	2,957
Write down of other assets held for sale		2,469
Deferred federal income taxes	2,905	(192)
Equity in (earnings) loss of affiliates	(119)	170
Working capital provided from operations	31,065	25,441
Book value of property, plant and equipment sold or retired	733	884
Book value of long-term investment sold	2,421	
Decrease in other assets and other changes, net	1,668	967
Total sources of working capital	35,887	27,292
Uses of working capital:		
Purchase of treasury shares	1,363	3,356
Dividends	5,103	3,913
Additions to property, plant and equipment	7,032	8,872
Reclassification of marketable securities to investment in affiliate		3,666
Purchase of additional shares of affiliate		4,595
Total uses of working capital	13,498	24,402
Increase in working capital	$22,389	$ 2,890
Increase (decrease) in components of working capital:		
Current Assets:		
Cash, time deposits and marketable securities	$19,911	$(22,627)
Receivables	22,074	9,144
Unbilled charges on long-term contracts	(21,089)	(5,884)
Inventories	(17,492)	29,087
Other current assets	(277)	544
Net change in current assets	3,127	10,264
Current Liabilities:		
Notes payable	292	(739)
Accounts payable and accrued expenses	(6,697)	(2,400)
Federal and foreign income taxes	(2,605)	4,648
Advance on contracts	(12,494)	5,974
Estimated warranty and field service costs	(1,039)	1,053
Other current liabilities	3,281	(1,162)
Net change in current liabilities	(19,262)	7,374
Increase in working capital	$22,389	$ 2,890

WALT DISNEY PRODUCTIONS (SEP)

Consolidated Statement of Changes in Financial Position

	1976	1975
	($000)	
Financial Resources Were Provided By:		
Operations		
Net income	$ 74,599	$ 61,741
Expenses not affecting working capital		
Depreciation	34,975	32,819
Amortization of preopening costs	2,084	2,085
Amortization of film production costs, non-current	2,996	2,162
Projects and preliminary concepts abandoned	1,851	4,713
Deferred taxes on income and investment credits	12,194	13,724
Working capital provided from operations	128,699	117,244
Increase in long term liabilities	1,389	960
Proceeds from exercise of stock options and tax benefits	2,699	384
	132,787	118,588
Financial Resources Were Used For:		
Additions to entertainment attractions, facilities and other depreciable assets and construction in progress, principally Walt Disney World	43,708	42,565
Additions to non-current film production costs	35,559	22,137
Less transfer to current film production costs	(17,267)	(17,310)
Reduction of long term liabilities	718	55,661
Cash dividends	3,659	3,553
Decrease in unearned deposits and advances	2,947	1,643
Other	663	1,223
	69,987	109,472
Increase (Decrease) in Working Capital	$ 62,800	$ 9,116
Increase (Decrease) in Components of Working Capital:		
Cash	$ 137	$ (4,814)
Short term investments	68,915	29,203
Accounts receivable	(1,748)	(7,570)
Inventories	3,078	7,555
Prepaid expenses	120	(83)
Accounts payable	(1,118)	(1,063)
Payroll and employee benefits	1,408	(3,613)
Property, payroll and other taxes	(1,588)	(406)
Unearned deposits and advances	(1,861)	(3,267)
Taxes on income	(4,543)	(6,826)
	$ 62,800	$ 9,116

Analysis Presented in a Tabulation Apart from Statement

COMBINED COMMUNICATIONS CORPORATION (DEC)

Consolidated Statements of Changes in Financial Position

	1976	1975
	($000)	
Financial Resources Were Provided By:		
Net income	$ 16,318	$ 7,662
Add (deduct) income charges (credits) not affecting working capital—		
Depreciation and amortization—		
Charged to depreciation and amortization	10,701	8,815
Charged to production and cost of sales	1,249	1,182
Deferred income taxes	1,194	2,903
Decrease (increase) in long-term electric sign lease receivables, net	597	(784)
Decrease (increase) in long-term film broadcasting rights, net of changes in related liabilities	(428)	209
Working capital provided by operations for the period	29,631	19,987
Net book value of property, plant and equipment disposals (gain of $1,663,000, net of tax, for 1976 included in net income above)	8,456	3,215
Decrease in intangibles due to retirements and purchase price reallocation	4,702	—
Increase in long-term debt—		
Proceeds from borrowing and refinancing less original issue discounts in 1976 and 1975 of $645,000 each year	75,415	66,779
Indebtedness assumed in acquisitions	171	4,032
Increase in capital stock—		
Value ascribed to stock issued for assets	—	13,918
Value ascribed to stock warrants	452	2,964
Stock issued	935	500
Increase (decrease) in other income taxes	(181)	3,035
Increase in customers' deposits and deferred compensation	540	718
	120,121	115,148
Financial Resources Were Used For:		
Purchase of property, plant and equipment, including $6,925,000 in 1976 and $10,487,000 in 1975 from acquisitions	23,685	15,117
Reduction and refinancing of long-term debt	86,146	34,701
Increase in intangible assets from acquisitions, net	2,193	55,783
Increase in deferred charges, including $4,000 in 1976 and $181,000 in 1975 from acquisitions	1,443	1,123
Increase in long-term receivables, including $3,030,000 and $3,445,000 from sale of assets in 1976 and 1975, respectively	2,309	4,040
Preferred stock dividend and amortization of preferred stock redemption premium	265	44
Other	—	33
	116,041	110,841
Increase in working capital, including $(87,000) in 1976 and $7,323,000 in 1975 of working capital of acquired companies (Note O)	$ 4,080	$ 4,307

Note O—Changes in working capital ($000):

	Year ended December 31 1976	1975
Analysis of changes in working capital:		
Increase (decrease) in current assets—		
Cash and short-term investments	$ 6,909	$ 449
Accounts, notes and lease contracts receivable	3,007	5,398
Film broadcast rights	(565)	1,343
Inventories	(278)	1,670
Prepaid expenses	(71)	793
	9,002	9,653
(Increase) decrease in current liabilities—		
Current portion of long-term debt	5,043	744
Current portion of film contracts payable	318	(878)
Trade accounts payable	(669)	(2,700)
Accrued payrolls, commissions and other	(719)	(1,462)
Accrued interest	954	(3)
Taxes other than income taxes	345	(21)
Estimated income taxes	(10,080)	(1,133)
Current portion of customers' deposits and deferred compensation	(114)	107
	(4,922)	(5,346)
Increase in working capital	$ 4,080	$4,307

LEHIGH PORTLAND CEMENT COMPANY (DEC)

Consolidated Statements of Changes in Financial Position

	1976	1975
	($000)	
Sources of Working Capital		
Continuing Operations:		
Earnings from continuing operations	$ 7,348	$ 4,348
Add (deduct) items not affecting working capital in the period:		
Depreciation	5,961	5,674
Gain on down payment forfeiture	—	(875)
Deferred income tax provision—noncurrent	900	668
Gain on real estate transactions, net of taxes	(1,193)	—
Working capital provided by continuing operations	13,016	9,815
Discontinued Operations:		
Loss from operations, net of taxes	(417)	(1,316)
Provision for loss on disposal, net of taxes	(794)	—
Add (deduct) items not affecting working capital in the period:		
Depreciation	1,319	2,701
Adjustment of property to estimated realizable value	(323)	—
Deferred income tax provision—noncurrent	(1,396)	154
Gain, net, from sales of discontinued facilities, net of taxes	(440)	—
Working capital provided by (used for) discontinued operations	(2,051)	1,539
Working Capital Provided by Continuing and Discontinued Operations	10,965	11,354
Proceeds from sales of discontinued facilities	18,355	—
Property, plant and equipment disposals (continuing operations)	2,396	4,643
Proceeds from loans and refinancing agreements	—	593
Decrease (increase) in noncurrent receivables, investments and other assets	(13)	188
Total Sources of Working Capital	31,703	16,778
Applications of Working Capital		
Dividends on common stock	3,060	2,720
Additions to property, plant and equipment	12,629	16,617
Reduction in long-term debt	5,733	5,457
Reduction (increase) in noncurrent pension obligations and other items	(283)	620
Noncurrent receivables resulting from sale of discontinued operations	2,854	—
Total Applications of Working Capital	23,993	25,414
Increase (decrease) in Working Capital	$ 7,710	$(8,636)

See Note 10 for a summary of the changes in the elements of working capital.

Note 10: Changes in the Elements of Working Capital—Changes in the elements of working capital for the two years ended December 31, 1976 and 1975, are summarized as follows:

	Year ended December 31,	
	1976	1975
	(Thousands of Dollars)	
Increase (decrease)		
Cash	$(3,038)	$ 30
Temporary cash investments	14,966	2
Receivables	(984)	(3,927)
Inventories	(4,437)	(153
Prepaid expenses	81	(353)
Accumulated income tax prepayments, net	(145)	81
	6,443	(4,320)
Current maturities of long-term debt	(223)	455
Accounts payable and accrued expenses	(1,418)	1,843
Dividend payable	170	—
Federal income taxes	204	2,018
	(1,267)	4,316
Increase (decrease) in working capital	$ 7,710	$(8,636)

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. Subsequent to Statement No. 1, seventeen Statements on Auditing Standards have been issued; some of which superseded sections of Statement No. 1. In 1977, the Auditing Standards Executive Committee issued *Codification of Statements on Auditing Standards* which is a codification of Statements on Auditing Standards Nos. 1-15.

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

	1976	1975	1974	1973
Auditors' report	129	123	125	122
Accountants' report	127	159	158	160
Independent accountants' report	113	103	106	104
Independent auditors' report	41	N/C	N/C	N/C
Certified public accountants report	39	42	42	43
Independent certified public accountants' report	34	28	27	28
Auditors' opinion	28	10	11	10
Accountants' opinion	12	30	28	29
Independent accountants' opinion	5	15	15	14
Independent certified public accountants' opinion	6	9	9	9
Other titles	20	33	30	31
No title	46	48	49	50
Total Companies	**600**	**600**	**600**	**600**

N/C—Not Compiled.

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 Auditors' Reports of the survey companies. The various forms of address used by auditors in presenting their opinions may be observed from the Auditors' Reports presented as examples throughout this section.

TABLE 6-2: ADDRESSEE OF AUDITORS' REPORT

	1976	1975	1974	1973
The Directors (Board of Directors) and Shareholders	429	402	403	398
The Stockholders	80	82	83	83
The Directors	75	93	92	97
The Company	12	18	17	17
Other, or no addressee	4	5	5	5
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 1976 annual reports of the survey companies, shows that occasionally a modified form of auditors' report is presented. A modified report differs from the standard report in that the opinion and scope are combined in a single paragraph with the opinion sentence appearing first.

Appropriate wording for an auditor's standard report on comparative financial statements, as stated in paragraph 3 of *Statement on Auditing Standards No. 15,* follows:

> We have examined the balance sheets of ABC Company as of (at) December 31, 19x2 and December 31, 19x1, and the related statements of income, retained earnings, and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.
>
> In our opinion, the financial statements referred to above present fairly the financial position of ABC Company as of (at) December 31, 19x2, 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 presented in connection with Tables 6-4 and 6-5.

TABLE 6-3: FORMAT OF AUDITORS' REPORT

	1976	1975	1974	1973
Standard report	321	301	293	333
Variations to standard report	195	229	245	185
Modified report	84	70	62	82
Total Companies	**600**	**600**	**600**	**600**
Variations to Standard Report				
Sentence in scope paragraph referring to:				
Examination by other accountants	61	68	67	67
Prior year examination	28	67	71	92
Other	16	25	14	22
Middle paragraph between scope and opinion paragraphs referring to:				
Matter for which opinion qualified	97	99	118	15
Other	13	16	10	12
Sentence or paragraph following opinion paragraph	20	15	21	11
Total Variations	***235**	***290**	***301**	***219**

*Some Auditors' reports had more than one variation.

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

	1976	1975	1974	1973
Examination by Other Auditors Covers:				
Statements for branch or consolidated subsidiary..	42	41	43	51
Statements of investee only	19	22	18	20
Statements for prior years only	6	3	8	9
Total Companies	**67**	**66**	**69**	**80**

Consolidated Subsidiaries

Baker International Corporation:

We have examined the consolidated statement of financial position of Baker International Corporation (formerly Baker Oil Tools, Inc.) and subsidiary companies as of September 30, 1976 and 1975, and the related consolidated statements of income, shareholders' equity, and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of Reed Tool Company and subsidiaries, which statements reflect in 1976, total assets and revenues constituting 27 percent (31 percent in 1975) and 23 percent (27 percent in 1975), 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 Reed Tool Company and subsidiaries, is based solely upon that report.

In our opinion, based upon our examination and the report of other auditors, the above-mentioned financial statements present fairly the financial position of the companies at September 30, 1976 and 1975, 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.—*Opinion of Independent Certified Public Accountants.*

To the Stockholders
Curtiss-Wright Corporation

We have examined the consolidated balance sheets of Curtiss-Wright Corporation and Subsidiaries as of December 31, 1976 and 1975, and the related consolidated statements of earnings and retained earnings and changes in financial position for the years then ended on pages 19 to 27 inclusive. 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 Dorr-Oliver Incorporated and Subsidiaries which statements reflect total assets and revenues constituting 34% and 41%, respectively, for 1976 and 33% and 43%, respectively, for 1975 of the related consolidated totals. These statements were examined by other public accountants, whose reports thereon have been furnished to us. Our opinion expressed herein, insofar as it relates to the amounts included for such subsidiaries, is based solely on such reports.

In our opinion, based upon our examinations and the reports of other public accountants, the financial statements referred to above present fairly the consolidated financial position of Curtiss-Wright Corporation and Subsidiaries at December 31, 1976 and 1975, and the consolidated results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Auditors' Report.*

To the Share Owners and Board of Directors of
General Electric Company

We have examined the statement of financial position of General Electric Company and consolidated affiliates as of December 31, 1976 and 1975, and the related statements of earnings, changes in financial position and changes in share owners' equity 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 financial statements as of and for the year ended December 31, 1975 have been restated to reflect the pooling of interests with Utah International Inc. described in note 1 of the Notes to Financial Statements. We did not examine the financial statements of Utah International Inc. and consolidated affiliates, which statements reflect total assets constituting 10% and 9% and sales constituting 6% and 5% in 1976 and 1975, 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 Utah International Inc. and consolidated affiliates, is based solely upon the report of the other auditors.

In our opinion, based upon our examination and the report of other auditors, the aforementioned financial statements present fairly the financial position of General Electric Company and consolidated affiliates at December 31, 1976 and 1975, 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.—*Report of Independent Certified Public Accountants.*

To the Share Owners of
International Paper Company:

We have examined the consolidated balance sheet of International Paper Company (a New York corporation) and consolidated subsidiaries as of December 31, 1976 and 1975, 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. The financial statements of Canadian International Paper Company included in the consolidated financial statements (constituting approximately 15% of total consolidated assets and 20% of total consolidated sales for both 1976 and 1975) were examined by other independent public accountants whose report thereon has been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for Canadian International Paper Company, is based solely upon such report.

In our opinion, based upon our examination and the report of other independent public accountants, the accompanying consolidated financial statements present fairly the consolidated financial position of International Paper Company and consolidated subsidiaries as of December 31, 1976 and 1975, 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.—*Report of Independent Public Accountants.*

To the Shareholders and Directors of
Johns-Manville Corporation:

We have examined the consolidated balance sheet of Johns-Manville Corporation and subsidiary companies as of December 31, 1976, and the related consolidated statements of earnings and earnings reinvested 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 Johns-Manville Corporation and subsidiary companies for the year 1975. The financial statements of Canadian subsidiaries, which reflect total assets and net sales constituting 18% and 14%, respectively, in 1976 and 19% and 15%, respectively, in 1975 of the related consolidated totals, were examined by other auditors whose reports thereon have been furnished to us. Our opinion expressed herein, insofar as it relates to amounts included for Canadian subsidiaries examined by other auditors, is based solely upon their reports.

In our opinion, based upon our examination and the reports of other auditors, the aforementioned financial statements present fairly the consolidated financial position of Johns-Manville Corporation and subsidiary companies at December 31, 1976 and 1975, and the consolidated results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Accountants' Report.*

To the Shareholders of
NL Industries, Inc.

We have examined the consolidated balance sheets of NL Industries, Inc. and its Consolidated Subsidiaries as of December 31, 1976 and December 31, 1975, and the related consolidated statements of income and retained earnings and of changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of certain consolidated subsidiaries in 1976 and 1975 whose total assets and total sales constitute approximately 11% and 12%, respectively, in 1976, and 10% and 13%, respectively, in 1975, of the corresponding consolidated totals. In addition, we did not examine the financial statements of certain partially-owned companies, for which the Company's equity in the earnings is included in the income statement caption "Equity in partially-owned companies," which statements, as adjusted, reflect net income of $10,005,000 and $12,111,000 for 1976 and 1975, respectively, applicable to the Company. All of these statements were examined by other public accountants whose reports thereon were furnished to us. Our opinion expressed herein, insofar as it relates to the amounts included for such subsidiaries and partially-owned companies, is based solely upon such reports.

In our opinion, based upon our examinations and the reports of other public accountants, the aforementioned financial statements present fairly the consolidated financial position of NL Industries, Inc. and its Consolidated Subsidiaries at December 31, 1976 and 1975, and the consolidated results of their operations and of changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Investees

The Board of Directors and Shareholders
American Electronic Laboratories, Inc.

We have examined the accompanying consolidated balance sheets of American Electronic Laboratories, Inc. at February 27, 1976 and February 28, 1975 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. With respect to the Company's investment in and advances to A.E.L. Israel Limited aggregating $1,651,827 and $1,761,008 and equity of $(23,526) and $66,552 in the net income (loss) at and for the years ended February 27, 1976 and February 28, 1975, respectively, and with respect to the Company's investment in Butler International, Inc. aggregating $3,083,379 and equity of $522,653 in its net income at and for the year ended February 28, 1975, we have received the reports of other independent public accountants on their examination of the financial statements of these companies. Our opinion expressed here, 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.

In our report dated May 9, 1975 relating to the consolidated financial statements at February 28, 1975 and for the year then ended, our opinion was qualified with respect to the effect, if any, of such adjustments as might have been required had the ultimate realizable value of the inventories of a wholly-owned subsidiary been determinable (see Note 3). Subsequent dispositions of and recent activity with respect to this inventory, support the amount at which the Company had recorded this asset and the qualification of our opinion as to this matter is therefore removed.

In our opinion, based on our examination and the reports of other independent auditors referred to above, the statements mentioned above present fairly the consolidated financial position of American Electronic Laboratories, Inc. at February 27, 1976 and February 28, 1975 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.—*Auditors' Report.*

Kimberly-Clark Corporation,
Its Directors and Stockholders:

We have examined the consolidated financial statements of Kimberly-Clark Corporation and Subsidiaries and the financial statements of Kimberly-Clark Corporation (Parent Company) as of December 31, 1976 and 1975 and 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 equity companies constituting approximately 66 percent in 1976 and 64 percent in 1975 of investments in equity companies. These statements were examined by other independent auditors whose reports thereon have been furnished us and our opinion expressed below, insofar as it relates to amounts included for these companies, is based solely upon the reports of other auditors.

In our opinion, based upon our examinations and in part upon the reports of other auditors, the accompanying consolidated financial statements of Kimberly-Clark Corporation and Subsidiaries and the financial statements of the Parent Company (pages 18 through 31) present fairly the financial position of the companies at December 31, 1976 and 1975 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.—*Independent Auditors' Opinion.*

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, 1976 and 1975, 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 19 percent in 1976 and 18 percent in 1975 of consolidated assets and its equity in Unicoa's net income, after allocated interest expense and income tax credits as described in Note 12, was 12 percent in 1976 and 8 percent in 1975 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, 1976 and 1975, 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 applies on a consistent basis after giving retroactive effect to the change (with which we concur) in the method of translating foreign currency transactions and foreign currency financial statements, as explained in Note 2 to the consolidated financial statements.—*Auditors' Report.*

Prior Year Statements

To the Stockholders of
Cutler-Hammer, Inc.:

We have examined the consolidated balance sheet of Cutler-Hammer, Inc. (a Delaware Corporation) and subsidiaries as of December 31, 1975 and 1976, and the related consolidated statements of income, stockholders' equity and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. For 1975 we did not examine the financial statements of Macrodata Corporation, a 66% owned subsidiary of Cutler-Hammer, Inc., which statements reflect total assets and net sales constituting 4.2% and 2.1%, respectively, of the related 1975 consolidated totals. These statements were examined by other auditors whose report thereon has been furnished to us and our opinion for 1975 expressed herein, insofar as it relates to the amounts included for Macrodata Corporation, is based solely upon the report of the other auditors.

In our opinion, based upon our examination and in part in 1975 on the report of the other auditors, the accompanying consolidated financial statements present fairly the financial position of Cutler-Hammer, Inc. and subsidiaries as of December 31, 1975 and 1976, and the results of its operations and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.—*Auditor's Report.*

To the Stockholders of
The Parker Pen Company:

We have examined the consolidated balance sheet of THE PARKER PEN COMPANY (a Delaware Corporation) and subsidiaries as of February 28, 1975 and February 29, 1976, and the related consolidated statements of net earnings and earnings retained for use in the business and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. For fiscal 1975 we did not examine the financial statements of the principal consolidated European subsidiaries, which statements reflect 24% of total assets and 23% of net sales of the related consolidated totals. These statements were examined by other auditors whose reports thereon have been furnished to us and our opinion for 1975 expressed herein, insofar as it relates to the amounts included for such subsidiaries, is based solely upon the reports of the other auditors. We did examine these financial statements for 1976.

In our opinion, based upon our examination and on the reports of other auditors in 1975, the accompanying consolidated balance sheet and related consolidated statements of net earnings and earnings retained for use in the business and changes in financial position present fairly the financial position of The Parker Pen Company and subsidiaries as of February 28, 1975 and February 29, 1976 and the results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.—*Auditors' Report.*

QUALIFIED OPINIONS

Statement on Auditing Standards No. 2 states in part:

29. A qualified opinion states that, "except for" or "subject to" the effects of the matter to which the qualification relates, the financial statements present fairly financial position, results of operations and changes in financial position in conformity with generally accepted accounting principles consistently applied. Such an opinion is expressed when a lack of sufficient competent evidential matter or restrictions on the scope of the auditor's examination have led him to conclude that he cannot express an unqualified opinion, or when the auditor believes, on the basis of his examination, that

a. the financial statements contain a departure from generally accepted accounting principles, the effect of which is material.

b. there has been a material change between periods in accounting principles or in the method of their application, or

c. there are significant uncertainties affecting the financial statements,

and he has decided not to express an adverse opinion or to disclaim an opinion.

32. When the auditor intends to express a qualified opinion, he should disclose all the substantive reasons in a separate explanatory paragraph(s) of his report, and should include, in the opinion paragraph, the appropriate qualifying language and a reference to the explanatory paragraph(s). The requirement for an explanatory paragraph does not apply when the opinion paragraph has been modified because of a change in accounting principle (see paragraph 20).

33. The explanatory paragraph(s) should disclose the principal effects of the subject matter of the qualification on financial position, results of operations and changes in financial position, if reasonably determinable. If the effects are not reasonably determinable, the report should so state. If such disclosures are made in a note to the financial statements, the explanatory paragraph(s) may be shortened by referring to it. The explanatory paragraph(s) also should make clear whether the matter is (a) one as to which there is a difference of opinion between the auditor and his client and for which the auditor believes an adjustment should be made or (b) one involving an uncertainty that cannot presently be resolved because the outcome depends on future events. If an auditor wishes to emphasize a matter or disclosure regarding the financial statements but does not intend to qualify his opinion (see 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 are qualified.

TABLE 6-5: QUALIFIED OPINIONS

	1976	1975	1974	1973
Uncertainties				
Litigation	38	40	32	25
Valuation or realization of assets	10	13	16	13
Going concern	8	N/C	N/C	N/C
Tax or renegotiation liability	7	8	11	10
Discontinued operations	6	8	9	6
Contract claims	2	4	4	6
Other	4	4	4	3
Total Uncertainties	**75**	**77**	**76**	**63**
Total Companies	**59**	**60**	**62**	**52**
Accounting Principle Changes				
Translation policy	35	72	N/C	N/C
LIFO adopted	15	50	192	7
Loss contingencies	8	12	—	—
Inventory other than LIFO adoption	6	12	4	2
Consolidation policy	5	3	8	10
Other	16	76	65	68
Total Changes	**85**	**225**	**269**	**87**
Total Companies	**73**	**183**	**239**	**74**

N/C—Not Compiled.

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 Board of Directors and Shareowners of
Diamond International Corporation:

We have examined the statement of consolidated financial position of Diamond International Corporation and its subsidiaries as of December 31, 1976 and 1975 and the related statements of consolidated income and earnings retained and of consolidated 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 disclosed in Note 8 to the consolidated financial statements appearing on page 16, the Company has been named as a defendant in a number of legal actions which present an element of uncertainty. The Company is currently unable to determine the ultimate outcome of those actions and the possible liability, if any, to the Company.

In our opinion, subject to the effect, if any, on the consolidated financial statements of the ultimate resolution of the matters referred to in the preceding paragraph, the accompanying consolidated financial statements present fairly the financial position of Diamond International Corporation and its subsidiaries at December 31, 1976 and 1975 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.—*Auditors' Report.*

Notes to Consolidated Financial Statements

Note 8: Litigation—The Company and other business concerns are defendants in treble damage actions, most of which purport to be class actions, alleging a conspiracy in the folding carton business (or in one case in the bending box board business) in violation of the federal anti-trust laws but not specifying the amount of damages. The Federal Government has also sued for damages based on its purchases of folding cartons. These actions were filed subsequent to and are based generally on the same facts alleged in a criminal indictment brought in February 1976 against 23 corporations and 50 individuals, including the Company, two of its officers and five of its other employees. The Company and its seven employees have plead nolo contendere and have been sentenced in the criminal action.

While the criminal action did not have a material adverse effect on the Company's consolidated financial statements, the Company's ultimate liability, if any, arising out of the antitrust damage actions is uncertain.

The previously disclosed third-party action by Koracorp Industries, Inc. against the Company was terminated by settlement in 1976 with no material adverse effect on the Company's consolidated financial statements.

To the Shareholders of
General Refractories Company

We have examined the consolidated balance sheets of General Refractories Company and subsidiaries as of December 31, 1976 and 1975, and the related consolidated statements of income and retained earnings 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.

As discussed in Note 15 to the consolidated financial statements, the Company is a defendant in a class action suit. The Company has denied the substantive allegations with which it is charged and is currently engaged in its defense. The ultimate outcome of the lawsuit cannot presently be determined.

In our opinion, subject to the effect, if any, on the financial statements of the ultimate resolution of the litigation discussed in the preceding paragraph, the consolidated financial statements referred to above present fairly the consolidated financial position of General Refractories Company and subsidiaries at December 31, 1976 and 1975 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 15 (in part): 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 and others alleging, among other things, violations of the reporting and disclosure standards of the Securities Exchange Act of 1934 with respect to business transactions with, and shareholdings of, a European shareholder of the Company, Hermann Mayer, and certain companies owned or controlled by him (the Mayer companies). On September 1, 1976, the Company, as well as its two officers, consented to the entry of final judgments in settlement of the SEC action against them. The judgments, which do not constitute an admission of the truth of any claims asserted in the SEC action, enjoin violations of the anti-fraud, reporting and proxy provisions of the Securities Exchange Act and provide for an investigation by independent counsel of transactions between the Company and Mr. Mayer and the Mayer companies and of certain other transactions.

Subsequent to the filing of the SEC action, three shareholder derivative suits and one class action suit were filed containing essentially similar allegation. Although the Company is named as a defendant, 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 defending these actions.

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 1976 and 1975, the Company incurred approximately $1,000,000 and $1,100,000 respectively, in legal and other professional fees relating to the aforementioned litigation, and these amounts have been included in selling, administrative and general expenses in the accompanying statements of income. It is anticipated that substantial additional fees will be incurred by the Company in connection with the ongoing litigation.

To the Shareholders and Directors of
International Minerals & Chemical Corporation

We have examined the accompanying consolidated balance sheet of International Minerals & Chemical Corporation at June 30, 1976 and 1975 and the related consolidated statements of earnings, shareholders' equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As discussed in the notes to consolidated financial statements under Antitrust Proceedings, the Corporation is involved in litigation alleging violations of antitrust laws, the outcome of which cannot presently be determined. No provision has been made in the consolidated financial statements for liabilities, if any, that may result from the resolution of this litigation.

In our opinion, subject to the effects, if any, on the consolidated financial statements of the resolution of the litigation referred to in the preceding paragraph, the statements mentioned above present fairly the consolidated financial position of International Minerals & Chemical Corporation at June 30, 1976 and 1975 and the consolidated results of operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the period.—*Report of Independent Public Accountants.*

Notes to Consolidated Financial Statements

Antitrust Proceedings—In June 1976, a federal grand jury returned an indictment against IMC and several other producers of potash. The indictment charges the companies with a misdemeanor under the Sherman Antitrust Act and alleges that the defendants, and others unnamed, during the period 1969 until some time prior to December 1974, conspired to restrict the amount of potash produced in the United States, to stabilize and raise the prices thereof, and to restrict exports and imports. In July 1976, IMC and the other defendants entered pleas of not guilty to the charges. On the same date that the indictment was returned, the federal government filed a companion civil action setting forth essentially the same allegations and seeking an injunction to restrain the allegedly illegal acts together with other relief. IMC has filed an answer in this civil action denying the government's allegations. Subsequent to the filing of these actions by the federal government, several private treble damage class actions were filed against IMC and the other defendants. These suits involve allegations substantially similar to those involved in the federal government actions. The plaintiffs seek injunctive relief and judgments in an amount equal to three times an unspecified amount of damages they allegedly have incurred. All of these suits purport to represent broad classes of purchases of potash. Answers denying the substantive allegations in each of these actions have been or will be filed. The criminal and civil actions are in very preliminary stages and their ultimate outcome cannot be predicted.

The Canadian government has charged Northwest Nitro-Chemicals Ltd. (Northwest), a Canadian subsidiary acquired in the merger of Commercial Solvents Corporation, together with five other fertilizer manufacturers, with conspiring to restrict competition of the fertilizer industry in Canada. Northwest withdrew from the fertilizer business late in calendar 1973. Preliminary hearings of the charge will be held early in August 1976.

Grand jury investigations of the phosphate and nitrogen industries, initiated in 1975, continue to be conducted by the Antitrust Division of the U.S. Department of Justice. IMC, among others, has produced documents for the grand juries, and is in the process of complying with further subpoenas for documents.

Stockholders and Board of Directors
National Gypsum Company

We have examined the consolidated balance sheets of National Gypsum Company and subsidiaries as of December 31, 1976, and December 31, 1975, and the related consolidated statements of income, retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As more fully explained in the Litigation footnote to the financial statements, the verdict against the Company in the Pennsylvania action was reversed and remanded to a lower court for retrial. The ultimate outcome cannot presently be determined, but in the event the final decision is adverse, two-thirds of the 1973 settlement of civil antitrust suits might be disallowed as a Federal income tax deduction resulting in the payment of $6,719,000 of additional Federal income taxes.

In our opinion, subject to the effects, if any, on the financial statements of the ultimate resolution of the matter discussed in the preceding paragraph, the financial statements referred to above present fairly the consolidated financial position of National Gypsum Company and subsidiaries at December 31, 1976, and December 31, 1975, and the consolidated results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Notes to Financial Statements

Litigation—On January 6, 1977, the United States Court of Appeals for the Third Circuit, Philadelphia, Pennsylvania, reversed verdicts previously entered against the Company, its former Chief Executive Officer and former Vice President-Sales of its Gold Bond Building Products Division and three other gypsum manufacturers and one of their officers which had found that they had engaged in a combination and conspiracy to restrain trade in violation of Section 1 of the Sherman Act. The Court of Appeals remanded the cases to the Federal District Court in Pittsburgh, Pennsylvania for retrial The parties have the right to petition for a rehearing of the case before the appeals court or to petition the United States Supreme Court to accept the case for review.

The Company and the defendants who are former employees of the Company deny all of the alleged violations of law and will continue vigorously to defend themselves against these charges.

In the event the final decision in respect to this action is adverse to the Company and if pertinent provisions of the Tax Reform Act of 1969 are given retroactive application, two-thirds of the amount paid in the settlement of certain civil antitrust damage suits brought in the United States District Court for the Northern District of California may be disallowed as a deduction for Federal income tax purposes. In the event the deduction is not allowed, the additional tax of approximately $6,719,000 will be charged to prior earnings consistent with the accounting treatment employed in 1973 when the settlement of the civil antitrust suits was recorded, or should current accounting practices be changed, then it will be charged to earnings in accordance with generally accepted accounting practices then in effect.

The Company is a defendant in litigation other than described above. Although the ultimate liability in respect of such other litigation cannot be determined at this time, such liability is not expected to have any material adverse effect on the Company's financial condition.

To the Board of Directors and the Shareholders of
The Signal Companies, Inc.:

We have examined the consolidated balance sheet of The Signal Companies, Inc. and subsidiary companies as of December 31, 1976 and 1975, 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 UOP Inc. (a consolidated subsidiary) for the year ended December 31, 1976, and the eight months ended December 31, 1975. Such statements reflect total assets and sales approximating 24% and 26%, respectively, of the 1976 consolidated totals and 24% and 20%, respectively, of the 1975 consolidated totals. These statements were examined by other auditors whose report thereon was qualified because of the matter described in the following paragraph. Our opinion expressed herein, insofar as it relates to the amounts included for UOP Inc., is based solely upon the report of other auditors.

As discussed further in Note 2, a lawsuit has been filed against UOP Inc. and its Procon subsidiaries in connection with a refinery project. On the basis of the information presently available, UOP Inc. management and its general counsel are of the opinion that the suit can be successfully defended and, in any event, the ultimate liability, if any, resulting therefrom will not materially adversely affect UOP Inc.'s financial position on a consolidated basis. However, the ultimate outcome is uncertain at this time.

In our opinion, based upon our examination and the report of other auditors, and subject to the effects, if any, on the financial statements of the ultimate resolution of the matter referred to in the preceding paragraph, the accompanying financial statements present fairly the financial position of The Signal Companies, Inc. and subsidiary companies at December 31, 1976 and 1975, 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.—*Opinion of Independent Certified Public Accountants.*

Notes to Financial Statements

Note 2 (in part): Acquisition and Related Matters—The refinery customer has filed suit against UOP and its Procon subsidiaries in the amount of $189,000,000 relating to alleged delays in constructing the refinery, breaches of the construction contract and misrepresentation. On the basis of information presently available, UOP's management and its general counsel are of the opinion that the suit can be successfully defended and, in any event, the ultimate liability, if any, resulting therefrom will not materially adversely affect UOP's financial position on a consolidated basis. Because the ultimate resolution of the suit against UOP is uncertain at this time, no provision was made for this matter in recording the acquisition. In the event any provision for loss is required as a result of the suit, the Company's share (50.5%) of such provision will be treated as an adjustment to the allocation of the purchase price and will be amortized over a period of approximately 14 years.

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, 1976 and 1975 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.

The Company is involved in various lawsuits which arise out of uranium sales contracts as described in note 13. The final outcome of these lawsuits is not presently determinable and no adjustment has been made to the financial statements for the effect, if any, of such litigation.

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 United Nuclear Corporation and subsidiaries at March 31, 1976 and 1975 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.

Notes to Consolidated Financial Statements

Note 13 (in part): Litigation—The Company is involved in various lawsuits which arise out of uranium sales contracts. On December 31, 1975, the Company filed suit against General Atomic Company in a state court in New Mexico. In that suit, the Company seeks to be relieved of delivering approximately twenty-seven million pounds of uranium under contracts dated June 30, 1973 and June 28, 1974. The Company contends that it was defrauded and economically coerced into executing the contract dated June 30, 1973; that Gulf Oil Corporation and General Atomic Company have violated fiduciary obligations owed the Company; that the contract is in violation of the New Mexico antitrust laws and that delivery under the contract is commercially impracticable. With regard to the contract of June 28, 1974, the Company has alleged that General Atomic breached that contract by not acting in good faith and recognizing a liability limitation in the contract and demanding a performance bond of approximately five times the liability limitation in addition to those grounds alleged excusing performance of the June 30, 1973 contract. General Atomic has filed counterclaims seeking (a) specific performance of the two contracts; (b) alternatively, $793,000,000 in actual damages; (c) $450,000,000 in punitive damages; (d) and $1,030,000,000 in damages for violation of New Mexico antitrust laws. Questions of personal jurisdiction, an injunction issued forbidding the institution of further suits, and indispensable parties, having been resolved in the Company's favor in the trial court, are currently pending in the New Mexico Supreme Court. There is other uranium supply litigation pending and threatened, which involved the Company, General Atomic Company, Gulf Oil Corporation and certain utility companies, including a suit filed by the Company against Indiana & Michigan Electric Company to clear its title in certain mining claims in which the utility has asserted an adverse interest. The utility has filed a counterclaim alleging failure of the Company to deliver 500,000 pounds of uranium concentrate and seeks damages in excess of $100,000,000 plus treble damages of $240,000,000 for alleged antitrust violations, and for enforcement of its alleged adverse interest. On April 9, 1976, an order was entered in the suit providing for an indefinite stay of proceedings. These disputes arise out of and are related to or include those allegations made by the Company and General Atomic Company in the suit pending in state court in New Mexico. The Company has been advised by its trial counsel that in their opinion the Company has meritorious defenses to the counterclaims in each of the actions described above, and counsel has been instructed to prosecute and contest these actions vigorously.

Valuation or Realization of Assets

To the Shareholders and Board of Directors of
The Ansul Company

We have examined the consolidated balance sheets of The Ansul Company and its subsidiaries as of December 31, 1976 and 1975, and the related consolidated statements of earnings, shareholders' equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As explained in Note 13 to the financial statements, the Company's subsidiary in Belgium has failed to meet certain covenants contained in its loan agreements with its European lenders. The subsidiary is negotiating for a refinancing of its existing debt arrangements with such lenders. The realization of the Company's investment in the Belgian subsidiary of $2,142,000 at December 31, 1976 may be dependent upon such efforts.

In our opinion, 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 financial statements examined by us present fairly the financial position of The Ansul Company and its subsidiaries at December 31, 1976 and 1975, 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 13: Debt Refinancing—Because of operating losses and the cost of the reorganization of our European operations (see Note 3), our Belgian subsidiary is in violation of certain covenants of debt agreements with its lenders, principally dealing with the relationship of total liabilities to equity. At December 31, 1976, net assets attributable to the Belgian subsidiary included in the consolidated balance sheet aggregated $2,142,000. The Belgian subsidiary represents approximately 15% of both consolidated net sales and total assets and 20% of consolidated total liabilities at December 31, 1976 and the year then ended.

The subsidiary is negotiating with such lenders for a refinancing of these debt arrangements. Our ability to realize our investment in the Belgian subsidiary may be contingent upon the outcome of these negotiations.

The Belgian lenders are holding notes aggregating $7,345,000 of which $3,662,000 is classified as long-term debt in the accompanying financial statements. Such lenders have informed us that, although they are aware of the violation of the debt agreements, they will defer consideration of the calling of such debt until the current refinancing negotiations are completed. Upon completion of the refinancing negotiations, we expect that a major portion of the notes will be long-term obligations.

To the Stockholders
Crown Central Petroleum Corporation
Baltimore, Maryland

We have examined the consolidated balance sheets of Crown Central Petroleum Corporation and subsidiaries as of December 31, 1976 and December 31, 1975, and the related statements of consolidated income, changes in stockholders' equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As discussed in Note 1 to the Financial statements, the Company has capitalized certain expenditures for reactor materials and related fabrication work. The ultimate realization of the amount capitalized is dependent upon the completion of the refinery project or upon the sale to a purchaser engaged in a project where the material can be used in its present form. In addition a subsidiary of the Company has filed suit to recover a deposit made on a land purchase agreement. The ultimate resolution of these matters cannot reasonably be determined at this time.

In our opinion, subject to the effects, if any, on the financial statements of the ultimate resolution of the matters discussed in the preceding paragraph, the financial statements referred to above present fairly the consolidated financial position of Crown Central Petroleum Corporation and subsidiaries at December 31, 1976 and December 31, 1975, and the consolidated results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Notes to Consolidated Financial Statements

Note 1: Expenditures Related to Certain Long-Term Projects—The Company engages in various long-term projects which involve certain risks and contingencies and which may ultimately be abandoned. Expenditures believed to have value independent of the project are capitalized ($12,597,214 at December 31, 1976 and 1975). Other expenditures relating to these projects have been charged to expense as incurred ($473,310 in 1976 and $2,885,887 in 1975).

The major portion of these expenditures relates to a planned refinery to be built in the Baltimore Harbor area and includes contracts for design and engineering work and for the purchase of the material and the related fabrication work for 12 reactors and a land deposit.

The contracts for the purchase of the reactors permitted the Company to take delivery of the material and cancel further obligations upon making progress payments of $18,000,000. The Company canceled the contract on June 10, 1975. A settlement agreement has been executed which reduces the cancellation charge to $11,000,000 by relieving the Company of its obligation to purchase certain materials originally ordered for the reactors.

Management believes that the materials and related fabrication work completed to date have a value in excess of $11,000,000 if used in the planned refinery to be built in the Baltimore Harbor area or a similar refinery built elsewhere. In the event this refinery project is abandoned, the recovery of this amount would be dependent upon the sale to a purchaser engaged in a project where the material can be used in its present form. If the material cannot be used in its present form, it is estimated that its resale value would probably be substantially less than the amount capitalized, however, this value cannot readily be determined at this time. Management expects to use this material in the planned refinery project or a similar project and thereby recover the investment.

In connection with the planned refinery project, a wholly-owned subsidiary entered into a contract to acquire a plant site on June 28, 1974 for $22,000,000, of which $1,000,000 was paid on deposit. The subsidiary has filed suit to have such contract declared null and void and/or canceled and to recovery the $1,000,000 on the grounds that such lands were subject to certain material encumbrances and/or defects.

In the opinion of management and legal counsel for the Company, the Company has no liability under such contract; however, the probability of recovery of the deposit by the subsidiary cannot be determined at this time.

The Board of Directors and Shareowners
Sparton Corporation

We have examined the accompanying consolidated balance sheet of Sparton Corporation and subsidiaries at June 30, 1976 and 1975 and the related consolidated statements of income, shareowners' equity and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As discussed in Note 2, realization of notes and interest receivable of $3,539,960 at June 30, 1976 resulting from the sale of certain oil and gas participations, is dependent upon certain future events. Such events include the successful conduct of operations of the buyer and the recovery of yet to be established oil and gas reserves on the participations conveyed in the sale. The outcome of these matters cannot be determined at this time.

In our opinion, 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 Sparton Corporation and subsidiaries at June 30, 1976 and 1975 and the consolidated results of operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principals applied on a consistent basis during the period.—*Report of Certified Public Accountants.*

Notes to Consolidated Financial Statements

Note 2: Sale of Certain Oil and Gas Interests—In January, 1976 the Company consummated the sale of substantially all of its participations in certain oil and gas drilling programs to Chase Resources Corporation for approximately $4,585,000. The sale, which was for cash to the extent of 25% of the purchase price and 7.84% promissory notes, maturing February 1, 1977, resulted in a contract drilling loss of approximately $258,000. In addition to being general obligations of Chase, the notes are secured by the participations and future production therefrom. At June 30, 1976 Sparton has notes and interest receivable from Chase of $3,539,960.

Chase Resources Corporation is a newly formed corporation whose principal activities include oil and gas operations and real estate management and development. Certain of the oil and gas operations are being conducted by a subsidiary, which has been engaged in contract drilling for a number of years. The ultimate realization of the receivable is principally dependent upon certain future events including the successful conduct of future operations by Chase and the recovery of sufficient oil and gas reserves on the participations conveyed in the sale. Of the total $4,843,000 of costs incurred by the Company on the participations conveyed, approximately $616,000 was applicable to producing wells and the remainder to dry holes.

Although oil and gas reserves are known to exist on certain of the participations conveyed, and geological studies are presently being conducted on these participations, the amount of reserves and the net recoverable value have not as yet been determined. The full development of the producing properties will require additional investment by Chase.

Based on information available to management, it is their opinion that the receivable will be collected, however, an undetermined portion may be deferred beyond the due date.

Going Concern

The Board of Directors and Stockholders
Alan Wood Steel Company

We have examined the accompanying consolidated balance sheets of Alan Wood Steel Company and subsidiaries at December 31, 1976 and 1975 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.

The accompanying consolidated financial statements have been prepared in conformity with generally accepted accounting principles which contemplate continuation of the Company as a going concern; however, as indicated in Note 2 the ability of the Company to continue operations as a going concern is dependent on future developments including its ability to obtain sufficient funds to finance operations, meet scheduled payments of long-term debt, satisfy other liabilities and return to a satisfactory level of operations.

In our opinion, subject to the effects on the consolidated financial statements of the ultimate resolution of the matters indicated in the preceding paragraph, the statements mentioned above present fairly the consolidated financial position of Alan Wood Steel Company and subsidiaries at December 31, 1976 and 1975 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.

Notes to Consolidated Financial Statements

Note 2: Continuing Operations—During 1976 and 1975 the Company experienced significant operating losses caused by a general decrease in the demand for its steel products and an increase in the costs of energy, raw materials, labor, and supplies without corresponding sales price increases in its steel products. As a result of these losses, the Company's working capital has been substantially reduced, short-term borrowings have significantly increased, required payments of long-term debt were postponed and pension plan liabilities were deferred (see Notes 4, 6 and 9). The Company's financial position has been significantly weakened and its ability to continue operations is dependent upon a return to a satisfactory level of operations which for the most part is dependent upon an increase in the demand for the Company's steel plate product. In addition, the Company must obtain sufficient funds to finance operations and to make required payments of long-term debt and other liabilities as they become due.

To the Board of Directors and Stockholders
American Motors Corporation, Southfield, Michigan

We have examined the accompanying consolidated balance sheets of American Motors Corporation and consolidated subsidiaries as of September 30, 1976 and 1975, and the related statements of operations, additional paid-in capital, earnings retained for use in the business, and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described in Note D, the Company has outstanding short-term notes to various financial institutions at September 30, 1976, pursuant to credit agreements that are renegotiated and renewed each December. The continuity of the business of the Company depends upon the availability of adequate financing as well as an improvement in operating results.

In our opinion, subject to the effects, if any, on the consolidated financial statements of the ultimate resolution of the matters referred to in the preceding paragraph, the aforementioned consolidated financial statements present fairly the financial position of American Motors Corporation and consolidated subsidiaries at September 30, 1976 and 1975, 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 Financial Statements

Note D: Short-term Bank Borrowings—AM General Corporation, a wholly owned subsidiary, has $35,000,000 outstanding at September 30, 1976, with interest at ½ of 1% above the prime rate, pursuant to a Credit Agreement. The assets of AM General are pledged as security for this borrowing, and American Motors Corporation, as guarantor, has agreed to various covenants relating to levels of working capital, net worth, additional indebtedness, and prohibition of cash dividends. In addition, at September 30, 1976, American Motors Corporation had $22,550,000 of notes outstanding with interest at the lenders' prime rate, pursuant to lines of credit.

The above credit facilities annually expire in December, and the Company is negotiating with the lenders for the continued availability of this financing. In the opinion of management, the outstanding credit will be continued, subject to the existing terms and conditions.

Other miscellaneous short-term borrowings at September 30, 1976, were $5,520,000.

To the Stockholders and Board of Directors of
The Rath Packing Company

We have examined the balance sheet of The Rath Packing Company as of October 2, 1976 and September 27, 1975 and the related statements of operations and retained earnings (deficit) and of changes in financial position for the fiscal years then ended of 53 and 52 weeks, respectively. 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.

During the fiscal years ended October 2, 1976 and September 27, 1975, the company incurred net losses of $7,294,000 and $6,554,000, respectively. During fiscal year 1976, working capital increased primarily as a result of arrangements to pay accrued pension and retirement contributions of $5,300,000 over an extended period (see Note 4) and the obtaining of a $6,000,000 loan which is 90% guaranteed by the Economic Development Administration of the U.S. Department of Commerce and secured by mortgages (see Note 6). Future working capital requirements are dependent on the company's ability to restore and maintain profitable operations, to restructure its financing arrangements and to obtain additional financing as required; however, it is not possible to predict the outcome of future operations or whether financing efforts will be successful. The accompanying financial statements have been prepared on the basis of accounting principles applicable to a going concern. Accordingly, they do not purport to give effect to adjustments, if any, that may be necessary should the company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities, contingent obligations and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements.

As described in Note 10, the company and a former employee were named as defendants in a lawsuit alleging breach of a brokerage contract and claiming compensatory and punitive damages. Since legal notice was received December 27, 1976, the ultimate liability, if any, cannot presently be determined.

In our opinion, subject to the effects of such adjustments, if any, as might have been required had the outcome of the uncertainties referred to in the two preceding paragraphs been known, the financial statements examined by us present fairly the financial position of The Rath Packing Company at October 2, 1976 and September 27, 1975 and the results of its operations and the changes in its financial position for the fiscal years then ended of 53 and 52 weeks, respectively, in conformity with generally accepted accounting principles consistently applied.

Income Tax Liability

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 July 31, 1976 and August 2, 1975 and the related consolidated statements of income (loss), retained earnings 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.

The opinion in our report dated October 20, 1975 on the Company's 1975 consolidated financial statements was qualified with respect to the uncertainty as to the realization of the Company's investment in Amterre Development Inc. Because of developments described in Note 4, the qualification of our opinion as to this matter is removed.

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 $6,200,000, 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 effects of the tax matter discussed in the preceding paragraph, the aforementioned financial statements present fairly the consolidated financial position of Food Fair Stores, Inc. and Subsidiaries at July 31, 1976 and August 2, 1975 and the consolidated results of their operations and changes in their financial position for the fifty-two week periods then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Notes to Financial Statements

Note 10 (in part): Income Taxes—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 $6,200,000 exclusive of interest. Since the material issues may be litigated, it is not presently possible to estimate the ultimate outcome of the tax controversies.

To the Board of Directors and Shareholders of
Unifi, Inc.:

We have examined the consolidated balance sheet of Unifi, Inc. (a New York Corporation) and subsidiary as of June 30, 1976, and the consolidated statement of earnings, shareholders' equity and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described in Note 3, the Company availed itself, subject to a review by the Internal Revenue Service, of pre- and post-acquisition net operating losses of an acquired and discontinued business, resulting in tax benefits aggregating $1,062,588 for the years ended June 30, 1972 and 1971.

In our opinion, the accompanying consolidated statements of earnings and retained earnings present fairly the results of operation of Unifi, Inc. and subsidiary for the year ended June 30, 1976, and, subject to the effect of any adjustment resulting from the matter discussed above, the other accompanying consolidated financial statements present fairly the financial position of Unifi, Inc. and subsidiary as of June 30, 1976, 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.—*Auditors' Reports.*

Notes to Financial Statements

Note 3 (in part): Income Taxes—Pre-acquisition net operating losses of an acquired and discontinued business and subsequent net operating losses realized on its liquidation have been utilized in the Company's Federal income tax returns for the years ended June 30, 1972 and 1971. Related tax benefits aggregating $1,062,599 have been charged against income as an income tax equivalent and credited to the capital in excess of par value account in the years the losses were utilized. The Company's right to avail itself of these losses is subject to review by the Internal Revenue Service. If a disallowance of any portion of the losses is asserted by the Internal Revenue Service and upheld, working capital and capital in excess of par value would be reduced by the applicable income taxes.

In the opinion of tax counsel, based on the facts known to him, if the Internal Revenue Service should assert any deficiency against the Company based on the disallowance of such net operating loss carryovers, the Company would have a substantial chance of winning the case in the trial of such issue in a court of appropriate jurisdiction.

To the Board of Directors and Stockholders of
Warner-Lambert Company

We have examined the consolidated balance sheets of Warner-Lambert Company and its subsidiaries as of December 31, 1976 and 1975 and the related statements of consolidated income, retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As more fully described in Note 8 to the consolidated financial statements, the Internal Revenue Service has proposed certain adjustments to a subsidiary's federal income tax returns for prior years.

In our opinion, subject to the effect of the final settlement of the tax litigation referred to in the preceding paragraph, the consolidated financial statements examined by us appearing on pages 25-31 of this report present fairly the financial position of Warner-Lambert Company and its subsidiaries at December 31, 1975 and 1975 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: 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 has been instituted; however, no trial 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. Inherent uncertainties prevent a reasonable judgment by Warner-Lambert and its counsel as to the probable resolution of the matter. While such uncertainties also prevent a reasonable estimate of the probable range of the net tax cost of these matters, both 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. Further, 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 unless a proposal presently pending before the Financial Accounting Statements Board to preclude such treatment is adopted in its present form.

Discontinued Operations

To the Board of Directors
The Arundel Corporation

We have examined the consolidated balance sheet of The Arundel Corporation and subsidiaries as of December 31, 1976 and 1975, and the related statements of operations, changes in stockholders' equity, and changes in financial position for the years then ended. Our examinatiion was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of certain heavy construction joint ventures in which the Company has varying interests and which contributed earnings of $3,103,000 to earnings (loss) from continuing operations before income taxes in 1976 and losses of $4,928,000 in 1975. 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 joint ventures is based solely upon the reports of the other auditors.

The Company, through its participation in a joint venture is a plaintiff in litigation involving claims for recovery, by the venture, of a substantial amount of money damages, as described in Note B.

In 1974, the Company adopted a plan providing for the disposal of its operations concerned with the development and construction of residential units for sale. Accordingly, allowances have been provided by management for estimated losses and expenses of disposal. The estimates, which were revised in 1976 and 1975 due to changing real estate market conditions, were determined by management based upon its judgment of probable realization values considering the current and probable market conditions for the residential housing industry over the estimated period of disposal. Although the bases and assumptions used in their determination appear reasonable, such estimates are not susceptible to substantiation by auditing procedures. The amounts ultimately realized or incurred may be lesser or greater than the amounts estimated (Note J).

In our opinion, based upon our examination and the reports of other auditors referred to above and subject to the effects, if any, on the financial statements of the ultimate resolution of the matters discussed in the preceding paragraphs, the aforementioned financial statements present fairly the consolidated financial position of The Arundel Corporation and subsidiaries at December 31, 1976 and 1975 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 Board of Directors
City Stores Company
New York, N.Y.

We have examined the financial statements of City Stores Company ("Company") and the Subsidiaries as follows:

1. Statement of Financial Condition as at January 29, 1977 and January 31, 1976: Company and Subsidiaries and Company and Retail Subsidiaries,
2. Statements of Operations and of Income Reinvested in Business of City Stores Company and Subsidiaries for the fiscal years (52 weeks) ended January 29, 1977 and January 31, 1976, and
3. Statement of Changes in Financial Position for the fiscal years ended January 29, 1977 and January 31, 1976: Company and Subsidiaries and Company and Retail Subsidiaries.

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 A, the Company adopted a program to close the Lit Brothers division and certain Franklin Simon stores and, as at January 29, 1977, provided for the estimated loss related to these store closings. Since the results of the program are prospective, the ultimate loss is not presently determinable.

In our opinion, subject to the effect, if any, on the financial statements for the current fiscal year of the adequacy of the provision for estimated loss referred to in the preceding paragraph, the aforementioned fiscal statements present fairly the financial position of the Company and Subsidiaries, and of the Company and Retail Subsidiaries at January 29, 1977 and January 31, 1976, and changes in their financial position for the fiscal years then ended, and the results of operations of the Company and Subsidiaries for the fiscal years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Accountants' Report.*

Unasserted Claims

The Shareholders and the Board of Directors
Allegheny Ludlum Industries, Inc.:

We have examined the consolidated balance sheets of Allegheny Ludlum Industries, Inc., and consolidated subsidiaries as of December 31, 1976 and 1975 and the related consolidated statements of earnings, additional paid-in capital, retained earnings and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As more fully described in Note 12 to the financial statements, potential unasserted claims involving violations of antitrust laws have been brought to the attention of the management of Titanium Metals Corporation of America (TMCA), a fifty percent owned affiliated company, by its counsel in 1976. Counsel is unable to give an opinion concerning the possible extent of such claims. TMCA's management is unable to predict the extent of the possible adverse impact on TMCA's financial statements should any claims be asserted and determined adversely to TMCA, but it could be material to the financial position and results of operations of TMCA. Any adverse results would reduce the investment of Allegheny Ludlum Industries, Inc. in TMCA, and affect future earnings of the Corporation to the extent of the Corporation's proportionate share of such results.

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 Allegheny Ludlum Industries, Inc. and consolidated subsidiaries at December 31, 1976 and 1975 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 12: Contingencies—Potential unasserted claims appearing to involve violation of the antitrust laws have been brought to the attention of the management of Titanium Metals Corporation of America (TMCA), a fifty percent owned affiliated company, by its counsel in 1976. The potential claims may involve civil and criminal litigation. Outside counsel has reviewed the situation but is unable at this time to give an opinion concerning the possible extent of such claims. TMCA's management is unable to predict the extent of the possible adverse impact on TMCA's financial statements should any claims be asserted and determined adversely to TMCA but it could be material to the financial position and results of operations of TMCA. Any adverse results would reduce the investment of Allegheny Ludlum Industries, Inc. in TMCA, and affect future earnings of the Corporation to the extent of the Corporation's proportionate share of such results. The Corporation's outside counsel has advised management that the activities of TMCA would not form a basis for sustaining an action against the Corporation merely because of its stock ownership of TMCA.

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 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 such year. . . .

Translation of Foreign Currency Accounts

The Board of Directors and Stockholders
AMF Incorporated

We have examined the accompanying consolidated balance sheets of AMF Incorporated at December 31, 1976 and 1975 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 statements mentioned above present fairly the consolidated financial position of AMF Incorporated at December 31, 1976 and 1975, the consolidated results of operations and the consolidated 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 to give retroactive effect to the change, with which we concur, in accounting for translation of foreign currency financial statements described in the summary of significant accounting policies.—*Report of Certified Public Accountants.*

Summary of Significant Accounting Policies

Principles of Consolidation—The consolidated financial statements include the accounts of AMF Incorporated and all its subsidiaries. Appropriate elimination are made for the intercompany transactions and profits therefrom.

The accounts of overseas subsidiaries are translated into U.S. dollars based on appropriate rates as follows: monetary assets and liabilities at current rates; inventories, fixed assets (including related accumulated depreciation and amortization), other assets and deferred taxes at historical rates. Income statement items, other than the effect of translating inventories, depreciation and amortization at historical rates, are translated at current rates in effect during the year.

This policy complies with Financial Accounting Standard No. 8, which became effective January 1, 1976, for translation of foreign currency financial statements and transactions. Under this standard, all transaction gains and losses are recognized in the financial statements in the periods in which they arise. Previously reported amounts have been restated. The effect of this change was to decrease 1975 net income by $699,000 ($.04 per share) and to increase retained earnings at December 31, 1974 by $1,435,000.

To the Shareholders and Board of Directors of
AMP Incorporated and Pamcor, Inc.:

We have examined the combined balance sheets of AMP INCORPORATED (a New Jersey corporation) and PAMCOR, INC. (an affiliated Puerto Rican corporation) and their subsidiaries as of December 31, 1976 and 1975 and the related combined 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. We did not examine the combined financial statements of certain international subsidiaries, which financial statements reflect 28% in 1976 and 1975 of the combined total assets and 31% in 1976 and 37% in 1975 of the combined net income. These financial 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 these international subsidiaries, is based solely upon their report.

In our opinion, based upon our examinations and the report of other auditors, the combined financial statements referred to above present fairly the combined financial position of AMP Incorporated and Pamcor, Inc. and their subsidiaries as of December 31, 1976 and 1975 and the results of their combined operations and their combined changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after giving retroactive effect to the change (with which we concur) to the required method of accounting for translation of foreign currency transactions and financial statements.—*Auditors' Report.*

Notes to Combined Financial Statements

Note 1 (in part): Translation of International Operations—On January 1, 1976 the Company made the required changes in its method of accounting for translation of foreign currency transactions and financial statements to conform with Financial Accounting Standard No. 8. In accordance with the provisions of this standard, the change has been applied retroactively, and accordingly, the results of operations of all prior years have been appropriately restated.

The change in method had its principal impact upon the Company's method of valuing inventories (historical rates versus current rates) and in the recognition of unrealized net translation gains (immediate recognition versus deferral until realized).

The accounting change increased Retained Earnings at January 1, 1975 by $981,000 and its effect upon the results of operations for the two years ended December 31, 1976 was to reduce net income by approximately $1,700,000 ($.05 per share) in 1976 and $800,000 ($.02 per share) in 1975. For these years the effect of the change in method is approximately the same before and after income taxes because income taxes related to these adjustments are not significant.

To the Shareholders of
Brunswick Corporation:

We have examined the consolidated balance sheet of Brunswick Corporation (a Delaware corporation) and Subsidiaries as of December 31, 1976 and December 31, 1975, and the consolidated statements of results 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.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Brunswick

Corporation and Subsidiaries as of December 31, 1976 and December 31, 1975, and the results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles. Also in our opinion, (a) except for the 1976 change (with which we concur) to the last-in, first-out (LIFO) method of accounting for certain domestic inventories described in Note 3 to the consolidated financial statements, and (b) after giving retroactive effect to the change (with which we concur) in the method of accounting for gains and losses on translation of financial statements of foreign subsidiaries and affiliates to U.S. dollars, as described in Note 4 to the consolidated financial statements, the accounting principles were applied on a consistent basis during the periods.—*Auditors' Report.*

Notes to Consolidated Financial Statements

Note 4: Translation of Foreign Currencies—For 1976, the Company recognized all gains and losses on translation of financial statements of foreign subsidiaries and affiliates to U.S. dollars in the consolidated results of operations, and the net effect was not significant. Financial statements for 1975 and prior years were restated in accordance with Financial Accounting Standards Board Statement No. 8 to reflect previously deferred translation gains and losses in the results of operations in the years in which they occurred. The effect of this change on 1975 results of operations is as follows:

(dollars in thousands, except per share data)	Reported	Change	Restated
Earnings before income taxes and equity items	$30,646	$(544)	$30,102
Provision for income taxes	14,800	(250)	14,550
Earnings before equity items	15,846	(294)	15,552
Equity in net earnings of Nippon Brunswick	3,120	(237)	2,883
Minority shareholders' equity in net earnings of subsidiary company	(840)	—	(840)
Net earnings	$18,126	$(531)	$17,595
Per share	$ .97	$(.03)	$ .94

To the Shareholders and Directors of
The L. S. Starrett Company

We have examined the consolidated balance sheet of The L. S. Starrett Company and subsidiaries as of June 30, 1976 and 1975, and the related statements of income and retained earnings, additional paid-in capital and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of The L. S. Starrett Company and subsidiaries at June 30, 1976 and 1975, 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 changes (with which we concur) in the method of translating foreign currency financial statements and in accounting for contingencies as described in the notes to the consolidated financial statements.—*Accountants' Report.*

Notes to Financial Statements

Changes in Accounting Principles:

In 1976, the Company adopted, on a retroactive basis, the provisions of Financial Accounting Standards Board (FASB) Statement No. 8 to account for the translation of foreign currency financial statements. Specifically, the Company revised its methods of translating inventories from current rates to historical rates and adopted its foreign subsidiaries' year-end dates, rather than the date of the consolidated financial statements, as the basis for translating the appropriate balance sheet accounts at current rates.

Also, to comply with Statement No. 11 of FASB, which amended its Statement No. 5 regarding accounting for contingencies, the Consolidated Statement of Income Retained Earnings for the year ended June 30, 1975 has been restated to reflect the revised transition method in reporting the effect on prior years of eliminating the Reserve for Unusual Risks of Foreign Operations.

As a result of these changes, net income for the year ended June 30, 1976 was increased by $51,000 ($.03 per share); net income for the year ended July 30, 1975 was decreased by $201,000 ($.10 per share) and retained earnings were increased as of July 1, 1974 by $600,000.

LIFO Adopted

To the Shareholders and Board of Directors of
Grumman Corporation

We have examined the consolidated balance sheets of Grumman Corporation and subsidiaries as of December 31, 1976 and 1975 and the related consolidated statements of income, shareholders' equity, and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements identified above present fairly the financial position of Grumman Corporation and subsidiaries consolidated at December 31, 1976 and 1975, 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, in the method of pricing inventories as described in Note 2 to the financial statements.

Notes to Financial Statements

Note 2: Accounting Change—Effective January 1, 1976, the Company adopted the last-in, first-out (LIFO) method of valuing selected commercial inventories. Prior to January 1, these inventories were valued using average cost or the first-in, first-out methods. The change was made in order to match current costs against current revenues, thereby reducing the effects of inflation on earnings. The effect of the change was to reduce inventory at year-end by $4,581,000 and net income for 1976 by $2,101,000 or $.27 per common share ($.23 fully diluted) from amounts which would have been reported under the prior methods.

LIFO Discontinued

To the Stockholders and Board of Directors of
American Garden Products, Inc.:

We have examined the consolidated balance sheet of AMERICAN GARDEN PRODUCTS, INC. (a Delaware corporation) and subsidiaries as of October 31, 1976 and 1975, and the consolidated statements of income, stockholders' investment and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of American Garden Products, Inc. and subsidiaries as of October 31, 1976 and 1975, and the results of their operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles, consistently applied during the periods after giving retroactive effect to the change (with which we concur) to the first-in, first-out method of determining certain inventory costs as indicated in Note 1.—*Auditors' Report.*

Notes to Financial Statements

Note 1: Changes in Accounting Principles—Since 1968, the Company had used the LIFO (last-in, first-out) basis for valuing a portion of its field stock inventories. Effective November 1, 1975, the FIFO (first-in, first-out) method of inventory valuation was adopted for inventories previously valued on the LIFO basis. This results in a more uniform valuation method throughout the Company and is preferable for the Company's multi-year production cycle. As a result of adopting the FIFO method, the net loss for 1976 is less and the net income for 1975 is greater than it would have been on a LIFO basis by approximately $130,000 ($.22 per share) and $43,000 ($.08 per share), respectively. The financial statements for prior years have been retroactively restated for this change and, as a result, earnings retained for use in the business have been decreased by $36,136, as of November 1, 1974. Inventories and deferred Federal income taxes at October 31, 1975 have been increased $13,568 and $7,000, respectively.

Consolidation Policy

Board of Directors and Shareholders
Fruehauf Corporation
Detroit, Michigan

We have examined the accompanying consolidated balance sheet of Fruehauf Corporation and consolidated subsidiaries as of December 31, 1976, and December 31, 1975, and the related statements of net earnings, earnings retained for use in the business, additional paid-in capital, and changes in financial position for the years then ended. We have also examined the accompanying consolidated balance sheet of Fruehauf Finance Company and consolidated subsidiaries as of December 31, 1976, and December 31, 1975, and the related statements of net earnings and earnings retained for use in the business and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the consolidated financial position of Fruehauf Corporation and consolidated subsidiaries and the consolidated financial position of Fruehauf Finance Company and consolidated subsidiaries at December 31, 1976 and December 31, 1975, and the respective results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, in Fruehauf Corporation's consolidation policy as described in the summary of accounting principles.—*Accountants' Report.*

Summary of Accounting Principles

Principles of Consolidation—The consolidated financial statements include the accounts of the Corporation and its majority owned subsidiaries other than Fruehauf Finance Company.

Majority owned foreign subsidiaries, previously accounted for by the equity method, are now fully consolidated to conform to the prevailing trend of corporate reporting practices, and thereby improve comparability of the Corporation's operations with those of other companies. The effect of this change is to include all sales and expenses as well as the assets and liabilities of these entities in the consolidated financial statements. The 1975 financial statements have been restated to incorporate this change. Net earnings for prior years is unchanged since under the equity method the Corporation's share of net earnings had been previously included.

The investments in Fruehauf Finance Company and affiliates in which the Corporation has an ownership interest between 20% and 50% are accounted for on the equity method.

The financial statements of foreign subsidiaries and affiliates (whether consolidated or accounted for on the equity method) have been translated in 1976 in accordance with the pronouncements of the Financial Accounting Standards Board. Because the retroactive effect of this change is not significant, the financial statements for 1975 have not been restated for this change in translation policy.

To the Shareholders and Directors of
Sterndent Corporation

We have examined the consolidated balance sheets of Sterndent Corporation and Subsidiaries as of December 31, 1976 and 1975 and the related consolidated statements of operations, 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.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Sterndent Corporation and Subsidiaries as of December 31, 1976 and 1975 and the results of its operations and changes in its financial position for the years then ended in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, in consolidation policy as described in Note 1.—*Auditors' Report.*

Notes to Financial Statements

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

Consolidation—The consolidated financial statements include the accounts of Sterndent Corporation and all subsidiaries. The consolidated financial statements for 1975 have been restated to consolidate Sterndent Capital Corporation, a wholly-owned finance company. Previously this subsidiary has been reflected on an equity basis. The restatement did not affect previously reported net income.

Pension Actuarial Method

To the Stockholders of
Brown & Sharpe Manufacturing Company:

We have examined the consolidated balance sheets of Brown & Sharpe Manufacturing Company at December 25, 1976 and 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 years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the consolidated financial position of Brown & Sharp Manufacturing Company at December 25, 1976, and December 27, 1975, and the consolidated results of its operations and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis, except for the change in 1976, with which we concur, in the actuarial cost method applicable to retirement plan cost as described in Note 2 to the consolidated financial statements.—*Report of Independent Certified Public Accountants.*

Notes to Consolidated Financial Statements

Note 2: Accounting Change–Retirement Plans—In 1976, the Company changed its actuarial method for determining the cost of certain of its domestic retirement plans in order to stabilize retirement plan costs charged to operations. As a result of the change, retirement plan cost in 1976 was decreased $296,000 and net income increased $154,000 ($.07 per share).

In addition, the Company is in the process of amending its domestic retirement plans to reflect changes required by the Employee Retirement Income Security Act of 1974 (ERISA). The estimated cost of the benefit changes in 1976 due to ERISA increased retirement plan cost $274,000 and reduced net income $142,000 ($.06 per share).

The resulting consolidated retirement plan cost charged against earnings, reflecting both the new actuarial method and change in benefits under ERISA for 1976 was $2,577,000 as compared with $2,435,000 for 1975.

The excess of vested benefits over balance sheet accruals and the pension fund market value as of the latest valuation date was $4,002,000. The unfunded costs of retirement benefits for service prior to December 25, 1976, was approximately $11,975,000.

Prior Year Change

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 January 2, 1977 and December 28, 1975, 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 January 2, 1977 and December 28, 1975, and the results of their operations and the changes in their financial position for the years then ended in conformity with generally accepted accounting principles consistently applied during the period subsequent to the change, with which we concur, made as of December 30, 1974, referred to in the preceding paragraph.—*Report of Independent Accountants.*

Notes to Consolidated Financial Statements

Note 2: Accounting Change—During 1975, the Company made improvements in its method of inventory costing. As a result, the overhead content of inventory was increased to include certain elements of manufacturing overhead (primarily depreciation) which had been excluded from inventory. In the opinion of Management, this accounting change represents adoption of a preferable accounting method and also complies with the Internal Revenue Service inventory costing regulation.

The cumulative effect of the 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 accounting change on 1975 income before cumulative effect of change in accounting method was not material.

The Stockholders and Board of Directors
Sav-A-Stop Incorporated:

We have examined the consolidated balance sheets of Sav-A-Stop Incorporated and subsidiaries as of August 28, 1976 and August 30, 1975, and the related 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.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Sav-A-Stop Incorporated and subsidiaries at August 28, 1976 and August 30, 1975, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the period subsequent to the change, with which we concur, made as of September 1, 1974, in the method of accounting for merchandise purchase discounts as described in Note 3 to the consolidated financial statements.—*Accountants' Report.*

Notes to Consolidated Financial Statements

Note 3: Change in Accounting Principle—In 1975 the Company changed its method of accounting for merchandise purchase discounts from the flow-through method to one of deferring recognition of 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 earnings (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)

EMPHASIS OF A MATTER

Paragraph 27 of *Statement on Auditing Standards 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.

An auditors' report including explanatory information about the financial statements follows.

Plan of Liquidation

Board of Directors and Stockholders
Kaiser Industries Corporation
Oakland, California

We have examined the consolidated balance sheets of Kaiser Industries Corporation and Subsidiaries as of December 31, 1976 and 1975, and the related statements of net earnings, stockholders' equity and changes in financial position for the five years ended December 31, 1976. We have also reviewed the summary of operations for the five years ended December 31, 1976. 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 Hamersly Holdings Limited and Kaiser Aluminum & Chemical Corporation (Note C). 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 Corporation's investment in and equity in the earnings of those companies, is based solely upon the reports of the other auditors.

As more fully described in Note B, the Corporation's board of directors has decided to recommend to the stockholders a plan of liquidation. The accompanying financial statements have been prepared using accounting procedures applicable to a going concern. If the proposed liquidation is approved by the Corporation's stockholders, this basis of accounting will not be appropriate in subsequent periods.

As described in Note K, in 1974 Kaiser Aluminum & Chemical Corporation changed its method of valuing inventories from the FIFO method to the LIFO method. As described in Note L, in 1973 the Corporation complied with changed accounting requirements revising the criteria for classification of items as extraordinary in the statement of net earnings.

In our opinion, based on our examination and the reports of other auditors referred to above, the aforementioned consolidated financial statements present fairly the financial position of Kaiser Industries Corporation and Subsidiaires at December 31, 1976 and 1975, and the results of their operations and the changes in their financial position for the year years ended December 31, 1976, in conformity with generally accepted accounting principles consistently applied, except for the changes described above, with which we and the other auditors concur, and the summary of operations summarizes fairly the earnings for the five years ended December 31, 1976.

Notes to Financial Statements

Note B: Proposed Liquidation—On May 5, 1976, the Corporation announced that its board of directors had decided to recommend to its stockholders a plan of complete liquidation of the Corporation, and on January 28, 1977 the Corporation's board of directors approved such a plan. Under the proposed plan the Corporation would distribute to its stockholders its shares of common stock of Kaiser Aluminum & Chemical Corporation, Kaiser Steel Corporation and Kaiser Cement & Gypsum Corporation and the net proceeds, after provision for pension and other liabilities, from the sale of its direct operations and other assets.

The liquidation is subject to the approval of the holders of a majority of the Corporation's common stock at a special meeting scheduled for April 20, 1977.

The Corporation has agreed to sell its 77.5 percent partnership interest in Kaiser Broadcasting Company for $42,526,000 in cash. The price could increase by as much as $11,828,438 if specified earnings levels are achieved by Kaiser Broadcasting Company in 1977, 1978, and 1979. The proposed sale is subject to the approval of the Federal Communications Commission and to certain other conditions, including approval of the plan of complete liquidation of the Corporation by the Corporation's stockholders.

The Corporation has reached an agreement for the sale of Kaiser Aerospace & Electronics Corporation, a wholly owned subsidiary, to a management group headed by Dr. H. J. Smead, a vice president of the Corporation and the president of Kaiser Aerospace & Electronics Corporation, for approximately $13,400,000 in cash, plus $100,000 for each calendar month between January 1, 1977 and the closing date. The transaction will result in a pretax gain to the Corporation of approximately $2,700,000, assuming an April 30, 1977 closing date and is subject to approval of the plan of complete liquidation of the Corporation by the Corporation's stockholders.

The Corporation has also reached an agreement for the sale of substantially all of the Kaiser Engineers Division for $30,500,000 in cash. The proposed sale is subject to certain conditions, including approval of the plan of complete liquidation of the Corporation by the Corporation's stockholders, and will result in a pretax gain to the Corporation of approximately $24,000,000.

REPORTS ON COMPARATIVE FINANCIAL STATEMENTS

Statement on Auditing Standards No. 15 "provides guidance to an auditor reporting on financial statements of one or more prior periods that are presented on a comparative basis with financial statements of the current period." Examples illustrating various aspects of reporting on one or more prior periods follow.

Qualification As To Prior Period Statements Removed

The Board of Directors and Shareholders
The Budd Company:

We have examined the consolidated balance sheets of The Budd Company and its consolidated subsidiaries as of December 31, 1976 and 1975, 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.

Our opinion dated February 20, 1976 on the 1975 financial statements, was qualified subject to the effect of the outcome of certain litigation. As explained in Note 11, the matter was resolved in 1976 without financial statement effect. Accordingly, we do not now qualify our opinion on the 1975 financial statements.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of The Budd Company and its consolidated subsidiaries at December 31, 1976 and 1975 and the results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, in the method of translating foreign currency transactions and foreign currency financial statements as described in Note 4.—*Accountants' Report.*

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 December 31, 1975 and 1976 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.

In our report dated February 27, 1976, we expressed an opinion that the 1975 financial statements fairly presented the consolidated financial position, the consolidated results of operations, and changes in financial position of Doyle Dane Bernbach Inc. and its subsidiary companies except for the effects of not reducing the provision for decline in market value to reflect market appreciation during 1975, as prescribed by generally accepted accounting principles. As described in Note B, the Registrant has restated its 1975 financial statements to conform to generally accepted accounting principles. Accordingly, our present opinion on the 1975 financial statements, as presented herein, no longer contains the exception expressed in our previous report.

In our opinion, the aforementioned consolidated financial statements present fairly the consolidated financial position of Doyle Dane Bernbach Inc. and its subsidiary companies as at December 31, 1975 and 1976, 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.*

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, 1976 and 1975 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.

Our opinion dated March 3, 1976 on the 1975 financial statements was qualified subject to the final determination of expenses and write-downs to be incurred in connection with the discontinuance of its Business Machines Division product lines described under Discontinued Operations in the Notes to Financial Statements. As a result of a number of agreements completed in 1976, the major uncertainties involved have been eliminated as more fully described in the Notes to Financial Statements. Accordingly, we do not now qualify our opinion on the 1975 financial statements.

In our opinion, the aforementioned financial statements present fairly the financial position of The Singer Company and consolidated subsidiaries at December 31, 1976 and 1975 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.

To the Shareholders and Directors
Standard Container Company

We have examined the consolidated balance sheets of Standard Container Company and subsidiaries as of September 26, 1976 and September 28, 1975 and the related statements of consolidated income, shareholders' equity and changes in consolidated 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 report dated November 10, 1975 relating to the consolidated financial statements for the fiscal year ended September 28, 1975, our opinion was qualified with respect to the outcome of renegotiation proceedings under the Renegotiation Act of 1951, as explained in Note 9. The amount of refunds, if any, which may ultimately become payable, is no longer considered significant in relation to the consolidated financial position or the results of operations. Accordingly, the qualification of our opinion on the 1975 financial statements is no longer required.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Standard Container Company and subsidiaries as of September 26, 1976 and September 28, 1975 and the results of operations and changes in financial position for the fiscal years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Auditors' Report.*

Change In Auditors

Accountants' Reports

To the Board of Directors of
MPB Corporation:

We have examined the consolidated balance sheet of MPB Corporation (a Delaware Corporation) and subsidiaries as of March 28, 1976, and the related statements of income, shareholders' equity and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements present fairly the consolidated financial position of MPB Corporation and subsidiaries as of March 28, 1976, and the results of their operations and changes in their financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.
Boston, Massachusetts
May 12, 1976.

To the Shareholders of
MPB Corporation:

We have examined the consolidated balance sheet of MPB Corporation and subsidiaries as of March 30, 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.

In our opinion, the accompanying consolidated financial statements referred to above present fairly the consolidated financial position of MPB Corporation and subsidiaries as of March 30, 1975, and the results of their operations and changes in their financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.
Boston, Massachusetts
May 1, 1975.

Reports of Independent Certified Public Accountants

The Board of Directors
Standard Pressed Steel Co.:

We have examined the consolidated balance sheet of Standard Pressed Steel Co. and subsidiaries as of December 31, 1976 and the related statements of consolidated earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above (pages 4 to 17 inclusive) present fairly the financial position of Standard Pressed Steel Co. and subsidiaries at December 31, 1976 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.
Philadelphia. Pa.
February 14, 1977

The Board of Directors
Standard Pressed Steel Co.:

We have examined the consolidated balance sheet of Standard Pressed Steel Co. and subsidiaries as of December 31, 1975 and the related statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made to accordance with generally 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 Standard Pressed Steel Co. and subsidiaries at December 31, 1975 and the results of operations and changes in financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after giving retroactive effect to the change, with which we concur, in the method of accounting for the translation of foreign currency financial statements (see Note 3). We have not examined any financial statements for any period subsequent to December 31, 1975.
Philadelphia, Pa.
February 6, 1976

Opinion Expressed On More Than One Prior Period

To American Bakeries Company:

We have examined the consolidated balance sheets of AMERICAN BAKERIES COMPANY (a Delaware corporation) AND SUBSIDIAIRES as of January 1, 1977, and December 27, 1975 and the consolidated statements of operations, paid-in capital, retained earnings and changes in financial position for the five fiscal years ended January 1, 1977. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As discussed further in Note 5: (1) two legal actions have been filed by the Company and one against the Company claiming substantial damages as a result of alleged violation of antitrust laws during prior years; and, (2) a legal action has been filed against the Company for return of certain common shares which the Company purchased from a mutual fund. The ultimate outcome of these legal actions is uncertain at this time.

In our opinion, subject to the effect on the consolidated financial statements of any adjustments that may result from the legal actions mentioned in the preceding paragraphs, the accompanying consolidated financial statements referred to above present fairly the financial position of American Bakeries Company and Subsidiaries as of January 1, 1977, and December 27, 1975, and the results of their operations and changes in financial position for the five fiscal years ended January 1, 1977, in conformity with generally accepted accounting principles consistently applied during the periods.—*Report of Independent Public Accountants.*

To The Shareholders and Board of Directors
American Hospital Supply Corporation
Evanston, Illinois

We have examined the consolidated balance sheet of American Hospital Supply Corporation and subsidiaries as of December 31, 1976 and 1975, and the related statements of earnings, shareholders' investment and changes in financial position for the five years ended December 31, 1976. 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 American Hospital Supply Corporation and subsidiaries at December 31, 1976 and 1975, and the results of their operations and changes in financial position for the five years ended December 31, 1976, in conformity with generally accepted accounting principles applied on a consistent basis.—*Report of Independent Accountants.*

The Board of Directors and Stockholders
Celanese Corporation:

We have examined the consolidated balance sheets of Celanese Corporation as of December 31 of each ot the years 1972 through 1976, and the related consolidated statements of income and retained income and changes in financial position for the respective years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Celanese Corporation as of December 31 of each of the years 1972 through 1976, and the results of operations and the changes in financial position for the respective years then ended, in conformity with generally accepted accounting principles. Such accounting principles have been applied on a consistent basis, except for the changes in accounting principles, of which we approve, set forth under the caption "Accounting principles changes" on the following page, and in the method of determining income before extraordinary items (see Note F on page 46).—*Report of Independent Certified Public Accountants.*

To the Board of Directors and Shareholders of
Ethyl Corporation:

We have examined the consolidated balance sheets of Ethyl Corporation and Subsidiaries as of December 31, 1976 and 1975, and the related consolidated statements of income, retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the Corporation's consolidated financial statements for the three years ended December 31, 1974, from which the consolidated statements of income for 1974, 1973 and 1972 were taken.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Ethyl Corporation and Subsidiaries at December 31, 1976 and 1975, the results of their operations and changes in their financial position for the years then ended and their net income and other data for the years ended December 31, 1974, 1973 and 1972, all 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 inventories as described in Note 5 to the consolidated financial statements.—*Auditors' Report.*

To the Board of Directors and Stockholders
Sperry Rand Corporation

We have examined the accompanying consolidated balance sheet of Sperry Rand Corporation at March 31, 1976 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 similar examinations of the financial statements for the two prior years.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Sperry Rand Corporation at March 31, 1976, 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 foreign exchange adjustments as described in Note 2 to the financial statements.

TABLE 6-6: OPINION EXPRESSED ON SUPPLEMENTARY STATEMENTS OR SCHEDULES

	Number of Companies			
	1976	1975	1974	1973
Financial statements of subsidiaries	30	34	31	32
Financial statements other than those of subsidiaries (pension trust fund, price level)	4	4	4	3
Historical summaries or five year summaries of operations	11	11	8	6
Other—financial highlights, pro forma data, etc.	10	5	8	3

OPINIONS EXPRESSED ON SUPPLEMENTARY STATEMENTS OR SCHEDULES

Table 6-6 shows that occasionally the annual reports of the survey companies present either an auditors' report which expresses an opinion on both the basic financial statements of a company and supplementary statements or schedules, or an auditor's report which expresses an opinion on the basic financial statements and an auditors' report which expresses an opinion on supplementary statements or schedules. Examples of auditors' reports expressing opinions on statements and schedules other than basic financial statements follow.

Financial Statements of Subsidiaries

The Board of Directors and Stockholders,
Avco Corporation

We have examined the accompanying statements of consolidated financial position of Avco Corporation and Avco's unconsolidated finance subsidiaries at November 30, 1976 and 1975 and the related statements of earnings, stockholders' equity and changes in financial position for the years then ended. We have also examined the statements of consolidated financial position of Avco's unconsolidated insurance subsidiaries at November 30, 1976 and December 31, 1975 and the related statements of earnings for the years then ended, and the related statements of changes in financial position for the eleven months ended November 30, 1976 and the year ended December 31, 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.

In our opinion, the statements mentioned above present fairly the consolidated financial positions of Avco Corporation and of its unconsolidated finance subsidiaries at November 30, 1976 and 1975 and of its unconsolidated insurance subsidiaries at November 30, 1975 and December 31, 1975 and the results of operations and changes in financial position for the periods then ended, in conformity with generally accepted accounting principles applied on a consistent basis. Further, in our opinion, the business line analysis for the 1976 and 1975 years described on page 18, when read in conjunction with the consolidated financial statements, is fairly stated in all respects material to the consolidated results of operations.—*Report of Certified Public Accountants.*

The Board of Directors and Stockholders
Fedders Corporation

We have examined the accompanying consolidated balance sheet of Fedders Corporation at October 31, 1976 and 1975 and the related consolidated statements of operations, retained earnings and changes in financial position for the years then ended. We have also examined the accompanying consolidated balance sheet of Fedders Financial Corporation at October 31, 1976 and 1975 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, 1976 and 1975 and the consolidated results of operations and changes in financial position for the years then ended, and (2) the consolidated financial position of Fedders Financial Corporation at October 31, 1976 and 1975 and the consolidated results of operations and changes in financial position for the years then ended, each in conformity with the generally accepted accounting principles applied on a consistent basis during the period.—*Report of Certified Public Accountants.*

To the Board of Directors and Shareholders of
Winnebago Industries, Inc.

We have examined the accompanying consolidated balance sheets of Winnebago Industries, Inc. and its consolidated subsidiaries and the accompanying balance sheets of Winnebago Acceptance Corporation as of August 30, 1975 and August 28, 1976 and the related statements of operations, stockholders' equity, statement of reinvested earnings (deficit) and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements mentioned above present fairly the respective financial positions of Winnebago Industries, Inc., and its consolidated subsidiaries and Winnebago Acceptance Corporation as of August 30, 1975 and August 28, 1976, and the results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Report of Independent Accountants.*

To Weyerhaeuser 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 26, 1976 and December 28, 1975, the related statements of consolidated earnings, shareholder's interest and changes in financial position for each of the five years in the period ended December 26, 1976, 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 26, 1976 and December 28, 1975, and the results of their operations and the changes in their financial position for each of the five years in the period ended December 26, 1976, 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 Independent Public Accountants.*

Board of Directors
The White Motor Credit Corporation
Eastlake, Ohio

We have examined the consolidated balance sheets of The White Motor Credit Corporation (a wholly-owned subsidiary of White Motor Corporation) and subsidiary as of December 31, 1976 and December 31, 1975, and the related statements of consolidated income and retained income and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of The White Motor Credit Corporation and subsidiary at December 31, 1976 and December 31, 1975, 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.

Historical Summaries or Five Year Summaries of Operations

To the Stockholders and Board of Directors,
The Firestone Tire & Rubber Company:

We have examined the consolidated balance sheet of The Firestone Tire & Rubber Company and consolidated subsidiaires as of October 31, 1976, 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. We previously examined and reported on the consolidated financial statements of the Company and consolidated subsidiaries for the year ended October 31, 1975.

In our opinion, the above mentioned financial statements present fairly the consolidated financial position of The Firestone Tire & Rubber Company and consolidated subsidiaries at October 31, 1976 and 1975, and the consolidated results of their operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

In addition, we have read the financial information included in the "Financial Highlights" on page 1, the graphs on pages 18, 20 and 22, and the "Summary of Operations" on page 30 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 of
International Business Machines Corporation

In our opinion, the accompanying consolidated statement of earnings and retained earnings, balance sheet and statement of changes in financial position present fairly the financial position of International Business Machines Corporation and its subsidiary companies at December 31, 1976 and 1975, 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. Also, in our opinion, the five-year comparative consolidated summary of operations presents fairly the financial information included therein. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.—*Report of Independent Accountants.*

Pro Forma Data

To the Shareholders of
Emhart Corporation:

We have examined the balance sheet of Emhart Corporation and consolidated subsidiaries as of December 31, 1976 and 1975 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.

In our opinion, such financial statements present fairly the financial position of the Company and consolidated subsidiaries at December 31, 1976 and 1975 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.

We have checked, as to compilation only, the pro forma balance sheet at December 31, 1975 of Emhart Corporation and USM Corporation included in the accompanying financial statements and, in our opinion, such pro forma balance sheet has been properly compiled on the basis described in Note 1 to Financial Statements.—*Auditors' Opinion.*

Notes to Financial Statements

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

Principles of Consolidation—The consolidated financial statements include the accounts of the Company and majority owned subsidiaries. Certain international subsidiaries are included for years ended October 31. All material intercompany transactions are eliminated.

As to the merger with USM Corporation, the statement of earnings for 1976 includes the revenues and expenses of USM for the entire year. For comparative balance sheet purposes, pro forma information presents the combined financial position of the companies with USM at December 31, 1975 after reflecting retroactively the merger purchase accounting values. Similarly, the statement of changes in financial position includes the source and use of funds of USM commencing January 1, 1976. Reference is made to Note 3 for further information concerning the accounting for the acquisition of USM.

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 Thirtieth (1976) edition. Eighteen companies included in the 1976 edition have been eliminated and their numbers left unused. The companies selected as replacements have been assigned numbers 793 to 808, 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*	
	AMETEK, Inc.—*see 47*	
	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

Co. No.		*Month in which fiscal year ends
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
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

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
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
	Baird-Atomic, Inc.—*see 793*	
74	Baker International Corporation	9
	Bally Manufacturing Corporation—*see 794*	
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
83	Beech Aircraft Corporation	9
84	*Squibb Corporation*	12
	Belden Corporation—*see 610*	
85	Belding Heminway Company, Inc.	12
86	Bell & Howell Company	12
87	Bemis Company, Inc.	12
88	The Bendix Corporation	9
89	Bethlehem Steel Corporation	12
	Bird & Son, Inc.—*see 92*	
91	The Black and Decker Manufacturing Company	9
92	*Bird & Son, Inc.*	12
95	Bliss & Laughlin Industries Incorporated	12
96	Blue Bell, Inc.	9
	Bobbie Brooks, Incorporated—*see 611*	
97	The Boeing Company	12
	Boise Cascade Corporation—*see 612*	
100	Borden, Inc.	12
101	Borg-Warner Corporation	12
	Bowne & Co., Inc.—*see 718*	
	Brenco, Incorporated—*see 652*	
103	Briggs & Stratton Corporation	6
105	Bristol-Myers Company	12
	Bristol Products, Inc.—*see 742*	
106	Brockway Glass Company, Inc.	12
107	Brown & Sharpe Manufacturing Company	12
108	Brown Group, Inc.	10
	Browning-Ferris Industries, Inc.—*see 795*	
109	Brunswick Corporation	12
	Buckbee-Mears Company—*see 653*	
110	Bucyrus-Erie Company	12
111	The Budd Company	12
113	Burlington Industries, Inc.	9
114	Burndy Corporation	12
115	Burroughs Corporation	12
	CBS Inc.—*see 152*	
	CMI Corporation—*see 797*	
	CPC International Inc.—*see 172*	
	Cadence Industries Corporation—*see 572*	
	Caesars World, Inc.—*see 779*	
116	*Del Monte Corporation*	5
118	Campbell Soup Company	7

Co. No.		*Month in which fiscal year ends
122	The Carborundum Company	12
123	Carnation Company	12
124	Carrier Corporation	10
	Castle & Cooke, Inc.—*see 780*	
126	Caterpillar Tractor Co.	12
127	Celanese Corporation	12
128	Central Soya Company, Inc.	8
	Centronics Data Computer Corp.—*see 796*	
130	CertainTeed Corporation	12
131	The Cessna Aircraft Company	9
	Champion International Corporation—*see 566*	
133	Champion Spark Plug Company	12
134	Chemetron Corporation	12
135	*Paxall, Inc.*	10
	Chicago Bridge & Iron Company—*see 654*	
136	Chicago Pneumatic Tool Company	12
137	Chock Full O'Nuts Corporation	7
138	Chrysler Corporation	12
	Citation Manufacturing Company, Inc.—*see 743*	
139	Cities Service Company	12
140	City Stores Company	1
141	Clark Equipment Company	12
	Clarostat Mfg. Co., Inc.—*see 615*	
142	The Cleveland-Cliffs Iron Company	12
144	Cluett, Peabody & Co., Inc.	12
145	The Coca-Cola Company	12
146	Colgate-Palmolive Company	12
147	Collins & Aikman Corporation	2
149	Colonial Stores Incorporated	12
150	*Great Western United Corporation*	5
151	Colt Industries Inc.	12
152	*CBS Inc.*	12
	Combined Communications Corporation—*see 781*	
153	Combustion Engineering, Inc.	12
	Commonwealth Oil Refining Company, Inc.—*see 772*	
	Compugraphic Corporation—*see 798*	
	ConAgra, Inc.—*see 406*	
	Congoleum Corporation—*see 78*	
157	*North American Philips Corporation*	12
158	Consolidated Foods Corporation	6
159	*Sears Industries Inc.*	12
160	Consolidated Packaging Corporation	12
163	The Continental Group, Inc.	12
165	Continental Oil Company	12
167	Control Data Corporation	12
168	Cook Paint and Varnish Company	11
169	Cooper Industries, Inc.	12
170	Copperweld Corporation	12
171	Corning Glass Works	12
172	*CPC International Inc.*	12
173	Craddock-Terry Shoe Corporation	9
174	Crane Co.	12
175	Crown Central Petroleum Corporation	12
176	Crown Cork & Seal Company, Inc.	12
177	Crown Zellerbach	12
	Culbro Corporation—*see 245*	

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
180	Cummins Engine Company, Inc.	12
183	Curtiss-Wright Corporation	12
184	Cutler-Hammer, Inc.	12
185	Cyclops Corporation	12
186	Dan River Inc.	12
	Dana Corporation—*see 656*	
	Dart Drug Corporation—*see 744*	
	Dart Industries Inc.—*see 467*	
	Day Mines, Inc.—*see 782*	
187	Dayco Corporation	10
188	Deere & Company	10
	Del Monte Corporation—*see 116*	
	Den-Tal-Ez, Inc.—*see 783*	
189	Dennison Manufacturing Company	12
	Dentsply International Inc.—*see 799*	
191	Diamond International Corporation	12
	Diamond Shamrock Corporation—*see 658*	
193	Dictaphone Corporation	12
195	Walt Disney Products	9
197	The Dow Chemical Company	12
	Doyle Dane Bernbach Inc.—*see 616*	
198	Dravo Corporation	12
199	Dresser Industries, Inc.	10
	Dun & Bradstreet Companies, Inc.—*see 784*	
202	E.I. du Pont de Nemours & Company	12
	Duplex Products Inc.—*see 800*	
	Dynamics Corporation of America—*see 785*	
	ELTRA Corporation—*see 213*	
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*	
	Engelhard Minerals & Chemicals Corporation—*see 659*	
	Esmark, Inc.—*see 535*	
	Ethan Alan, Inc.—*see 746*	
	Ethyl Corporation—*see 660*	
218	Evans Products Company	12
220	Ex-Cell-O Corporation	11
	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
	Falcon Seaboard Inc.—*see 801*	
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
	Fluor Corporation—*see 802*	
	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*	
	Franklin Mint Corporation—*see 803*	
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	*Culbro Corporation*	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
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 BF Goodrich Company	12
264	The Goodyear Tire & Rubber Company	12
	W.R. Grace & Co.—*see 622*	
265	The Grand Union Company	3
	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.—*see 276*	
	HON Industries Inc.—*see 726*	
	W. F. Hall Printing Company—*see 275*	
274	Halliburton Company	12
275	*W. F. Hall Printing Company*	3
276	*HMW Industries, Inc.*	1

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
	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
	IC Industries, Inc.—*see 761*	
	IPCO Hospital Supply Corporation—*see 627*	
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	4
	International Multifoods Corporation—*see 667*	
312	International Paper Company	12
313	*Insilco Corporation*	12
	International Telephone and Telegraph Corporation—*see 668*	
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*	

Co. No.		*Month in which fiscal year ends
	Knape & Vogt Manufacturing Company—*see 762*	
330	Koppers Company, Inc.	12
	Kraft, Inc.—*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
	Lenox, Incorporated—*see 804*	
	Leslie Fay Inc.—*see 674*	
336	Leslie Salt Co.	12
	Levi Strauss & Co.—*see 749*	
338	Libbey-Owens-Ford Company	12
340	Liggett Group Inc.	12
341	Eli Lilly and Company	12
	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*	
	Lowe's Companies, Inc.—*see 706*	
349	Lukens Steel Company	12
	Lykes Corporation—*see 707*	
	Lynch Corporation—*see 751*	
	Lynnwear Corporation—*see 764*	
	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
356	Maremont Corporation	12
	Marhoefer Packing Company, Inc.—*see 631*	
	Marriott Corporation—*see 805*	
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 Corporation	12

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
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 Corporation	12
383	Mohasco Corporation	12
384	The Mohawk Rubber Company	12
	Molycorp, Inc.—*see 676*	
385	Monsanto Company	12
	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
	The Murray Ohio Manufacturing Company—*see 806*	
	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	*Kraft, Inc.*	12
398	National Distillers and Chemical Corporation	12
399	National Gypsum Company	12
400	*NL Industries, Inc.*	12
401	National Presto Industries, Inc.	12
402	National Starch and Chemical Corporation	12
403	National Steel Corporation	12
405	National Tea Co.	12
406	*ConAgra, Inc.*	5
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
	Opelika Manufacturing Corporation—*see 807*	
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*	
	The 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	9
431	PepsiCo., Inc.	12
432	Pet Incorporated	3
433	Pfizer Inc.	12
434	Phelps Dodge Corporation	12
436	Philip Morris Incorporated	12
437	Phillips Petroleum Company	12
438	Phoenix Steel Corporation	12
439	The Pillsbury Company	5
441	Pitney-Bowes, Inc.	12
443	*PPG Industries, Inc.*	12
445	The Pittston Company	12
447	Polaroid Corporation	12
448	Portec, Inc.	12
	Potlatch Corporation—*see 685*	
450	Pratt & Lambert, Inc.	12
	Pratt-Read Corporation—*see 713*	
451	The Procter & Gamble Company	6
452	Pullman Incorporated	12
453	Purolator, Inc.	12
454	The Quaker Oats Company	6
455	Quaker State Oil Refining Corporation	12
456	RCA Corporation	12
457	Ralston Purina Company	9
458	Ranco Incorporated	9
459	The Rath Packing Company	9
460	Raybestos-Manhattan, Inc.	12
462	Raytheon Company	12
	Reeves Brothers, Inc.—*see 710*	
463	Reliance Electric Company	10
465	Republic Steel Corporation	12
467	*Dart Industries, Inc.*	12
468	Rexnord Inc.	10
	R. J. Reynolds Industries, Inc.—*see 470*	
469	Reynolds Metals Company	12
470	*R. J. Reynolds Industries, Inc.*	12
472	Richardson-Merrell Inc.	6
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*	
	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

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
	Schlumberger Limited—*see 776*	
	Scope Industries—*see 730*	
484	Scott Paper Company	12
485	Scovill Manufacturing Company	12
486	*Ampco-Pittsburgh Corporation*	12
488	G. D. Searle & Co.	12
	Sears Industries, Inc.—*see 159*	
489	Sears, Roebuck and Co.	1
	Seligman & Latz, Inc.—*see 808*	
	Seton Company—*see 688*	
494	Shell Oil Company	12
495	The Sherwin-Williams Company	8
496	*SCOA Industries Inc.*	1
497	The Signal Companies, Inc.	12
498	Signode Corporation	12
	Simkins Industries, Inc.—*see 689*	
499	Simmons Company	12
500	Simplicity Pattern Co. Inc.	1
502	The Singer Company	12
504	A. O. Smith Corporation	12
505	Snap-on Tools Corporation	12
506	Sola Basic Industries, Inc.	3
509	Sparton Corporation	6
	Spencer Companies, Inc.—*see 691*	
	The Sperry and Hutchinson Company—*see 644*	
510	Sperry Rand Corporation	3
511	Sprague Electric Company	12
512	Square D Company	12
	Squibb Corporation—*see 84*	
513	A. E. Staley Manufacturing Company	9
	Stanadyne, Inc.—*see 522*	
514	Standard Brands Incorporated	12
	Standard Container Company—*see 753*	
	Standard Motor Products, Inc.—*see 645*	
516	Standard Oil Company of California	12
517	Standard Oil Company (Indiana)	12
518	*Exxon Corporation*	12
519	The Standard Oil Company *(an Ohio Corporation)*	12
521	Standard Pressed Steel Co.	12
	The Standard Register Company—*see 712*	
522	*Stanadyne, Inc.*	12
	Stanley Home Products, Inc.—*see 692*	
523	Stanray Corporation	12
524	The L. S. Starrett Company	6
	Sterling Drug Inc.—*see 693*	
	Sterndent Corporation—*see 777*	
525	J. P. Stevens & Co., Inc.	10
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 Company, Inc.—*see 532*	
531	Sunstrand Corporation	12
532	*Sun Company, Inc.*	12

Co. No.		*Month in which fiscal year ends
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*	
	U and I Incorporated—*see 575*	
550	UMC Industries, Inc.	12
	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*	
560	United Merchants and Manufacturers, Inc.	6
	United Nuclear Corporation—*see 792*	
562	The United Piece Dye Works	12
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	*U and I Incorporated*	2
576	Varian Associates	9
	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*	

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
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

Co. No.		*Month in which fiscal year ends
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
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
644	*The Sperry and Hutchinson Company*	12
645	*Standard Motor Products, Inc.*	12
646	*Supermarkets General Corporation*	1
647	*Tenneco Inc.*	12
648	*Triangle Pacific Corp.*	12
649	*United Foods, Inc.*	2
650	*Whirlpool Corporation*	12

ADDED FOR 1969 EDITION

Co. No.		*Month in which fiscal year ends
652	*Brenco, Incorporated*	12
653	*Buckbee-Mears Company*	12
654	*Chicago Bridge & Iron Company*	12
656	*Dana Corporation*	8
658	*Diamond Shamrock Corporation*	12
659	*Engelhard Minerals & Chemicals Corporation*	12
660	*Ethyl Corporation*	12
662	*Foremost-McKesson, Inc.*	3
666	*Homasote Company*	12
667	*International Multifoods Corporation*	2
668	*International Telephone and Telegraph Corporation*	12
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	*The Penn Traffic Company*	1
685	*Potlatch Corporation*	12
687	*Russ Togs, Inc.*	1
688	*Seton Company*	12
689	*Simkins Industries, Inc.*	9
691	*Spencer Companies, Inc.*	5
692	*Stanley Home Products, Inc.*	12
693	*Sterling Drug Inc.*	12
694	*Struthers Wells Corporation*	11
695	*Teledyne, Inc.*	12
697	*Victor Comptometer Corporation*	12
698	*White Consolidated Industries, Inc.*	12
699	*Whittaker Corporation*	10

ADDED FOR 1970 EDITION

Co. No.		*Month in which fiscal year ends
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 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

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
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
746	*Ethan Allen, Inc.*	9
747	*F & B/CECO Industries, Inc.*	5
749	*Levi Strauss & Co.*	11
750	*J. B. Lippincott Company*	12
751	*Lynch Corporation*	12
752	*Mosinee Paper Corporation*	12
753	*Standard Container Company*	9
754	*Velvet-O'Donnell Corporation*	10
ADDED FOR 1974 EDITION		
756	*Action Industries, Inc.*	6
758	*Gearhart-Owen Industries, Inc.*	1
759	*Gloucester Engineering Co., Inc.*	6
761	*IC Industries, Inc.*	12
762	*Knape & Vogt Manufacturing Company*	6
763	*Lee Enterprises, Incorporated*	9
764	*Lynnwear Corporation*	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		
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
ADDED FOR 1977 EDITION		
793	*Baird-Atomic, Inc.*	9
794	*Bally Manufacturing Corporation*	12
795	*Browning-Ferris Industries, Inc.*	9
796	*Centronics Data Computer Corp.*	6
797	*CMI Corporation*	12
798	*Compugraphic Corporation*	9
799	*Dentsply International Inc.*	12
800	*Duplex Products Inc.*	10
801	*Falcon Seaboard Inc.*	12
802	*Fluor Corporation*	10
803	*Franklin Mint Corporation*	12
804	*Lenox, Incorporated*	12
805	*Marriott Corporation*	7
806	*The Murray Ohio Manufacturing Company*	12
807	*Opelika Manufacturing Corporation*	9
808	*Seligman & Lantz, Inc.*	10

Companies Included in Thirtieth Edition Not Included in this Edition of the Survey

52	The Anaconda Company
104	The Bristol Brass Company
120	Cannon Mills Company
201	The Duplan Corporation
224	Fansteel Inc.
230	The Flintkote Company
302	Hygrade Food Products Corporation
303	Indian Head Inc.
339	Libby, McNeill & Libby
386	Marcor Inc.
487	Seaboard Allied Milling Corporation
563	USM Corporation
577	Veeder Industries Inc.
643	The Rucker Company
669	Interphoto Corporation
684	Pettibone Corporation
686	Richford Industries, Inc.
745	ERB Lumber Co.

*Months numbered in sequence, January through December

Index

A

D

G

H

I

J

L

M

N

O

P

Q

R

S

T

U

W

Y